

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

PURCHASED GAS ADJUSTMENT)
FILING OF LOUISVILLE GAS) CASE NO. 7799-B
AND ELECTRIC COMPANY)

O R D E R

On September 24, 1980, the Commission issued its Opinion and Order in Case No. 7799, approving certain adjustments in the rates of Louisville Gas and Electric Company, the Applicant herein, and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On January 5, 1981, the Applicant filed its Notice and Application with the Commission stating that it had received an increase from its supplier, Texas Gas Transmission Corporation (Texas Gas).

On November 25, 1980, Texas Gas filed with the Federal Energy Regulatory Commission (FERC) decreased rates, effective November 1, 1980, reflecting reduced depreciation rates established in the approved "Supplement" to Stipulation Agreement" in FERC Docket No. RP78-94. This rate revision, as applicable to the Applicant represented a reduction of 3.0 cents per Mcf in the Monthly Demand Charge and a .22 cent per Mcf reduction in the Commodity Charge, as compared to the Base Supplier Rate corresponding to the Purchased Gas Adjustment authorized by the Commission in Case No. 7799-A.

On November 26, 1980, Texas Gas filed with the FERC a rate reduction of .29 cent per Mcf in the Commodity Charge, effective November 1, 1980, to reflect the elimination of a "Surcharge for Deferred Demand Charges."

On December 1, 1980, Texas Gas filed with the FERC a small rate increase of .08 cent per Mcf in the Commodity Charge, to become effective January 1, 1981, reflecting an increase in the General RD & D Funding Unit as authorized by FERC.

Inasmuch as the filings of the changes by Texas Gas were too late for the Applicant to make timely filings with the Commission, the Applicant proposes that the composite effect of the reduction in billings for the months of November, December and January, and the increase for the month of January 1981, be treated as a refundable amount. The amount refundable to the Applicant's customers pursuant to such treatment is approximately \$113,500.

On December 23, 1980, Texas Gas filed with the FERC increased rates to become effective February 1, 1981, pursuant to Texas Gas' purchased gas adjustment clause and other FERC approved tracking procedures.

The effect of this Texas Gas filing, as applied to the Applicant's purchased gas costs for the 12 months ended November 30, 1980, is an increase of \$9,132,540, as measured against the Base Supplier Rate established in Case No. 7799-A. Of this total increase \$269,043 is applicable to gas used as Electric Department fuel, leaving \$8,863,497 as applicable to Applicant's Gas Department. This increase results in a Purchased Gas Adjustment of 15.16¢ per Mcf, or 1.516¢ per 100 cubic feet.

The Applicant proposes that the PGA increase corresponding to the February 1, 1981 increase of Texas Gas be deferred for the number of days required to effectively return the above-described refundable amount of \$113,500 to its customers. The Applicant proposes that the effectiveness of its PGA increase, as applied herein, be deferred until February 5, 1981; and that any amount over-refunded by this procedure be subtracted from the refundable balance remaining from Case No. 7301-E.

After the review of the Notice and Application filed in this case and being advised the Commission is of the opinion and finds:

(1) That Applicant's supplier has filed an increase in rates effective February 1, 1981, and that the annual amount of such increase applicable to Applicants' gas customers is \$8,863,497.

(2) That the Applicant has approximately \$113,500 to be refunded and that it is in the public interest that said amount be utilized to defer a change in Applicant's Purchased Gas Adjustment

(3) That the Energy Regulatory Commission is being asked to approve a price increase already approved by the Federal Energy Regulatory Commission when it granted the Applicant's supplier, Texas Gas, a wholesale gas cost increase. We are of the opinion that failure to allow this increase to be passed through to its retail consumers on a timely basis would be unfair and unjust to the Company and would ultimately result in higher rates to their consumers in any event. The Commission has (in writing) indicated its opposition to the procedures and regulations used by the Federal agency in approving these supplier increases since 1975. We continue to be opposed and are continuing to seek alternative ways to overcome the regulatory inequities which have such a direct impact on the retail consumers.

(4) That the Applicant's supplier, Texas Gas, has filed for increased rates to become effective February 1, 1981.

(5) That the Application filed January 5, 1981, reflected Texas Gas' rates as filed with the FERC on December 23, 1980, to be effective February 5, 1981.

(6) That the magnitude of this filing exposes the Applicant to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(7) That the Commission should waive its policy of requiring evidence of FERC acceptance in this case and allow the Applicant to place into effect, subject to refund, the rates set out in Finding (10).

(8) That the Applicant's adjustment in rates under the Purchased Gas Adjustment provisions approved by the Commission in its Order in Case No. 7799, dated September 24, 1980, is fair, just, reasonable and in the public interest and should be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

(9) That an increase of 1.516 per 100 cubic feet in Applicant's Purchased Gas Adjustment is proper to give effect to the Texas Gas rate increase.

(10) That the Purchased Gas Adjustment of the Applicant shall be adjusted to the following, effective February 5, 1981.

PGA corresponding to Base Supplier Rate	2.499¢
Refund Factor effective April 1, 1980, and continuing for twelve months or until Company has discharged its refund obligation from Case No. 7301-E	(.025)
Refund Factor effective June 1, 1980, and continuing for twelve months or until Company has discharged its refund obligation from Case No. 7301-F	(.021)
Refund Factor effective August 1, 1980, and continuing for twelve months or until Company has discharged its refund obligation from Case No. 7301-G	(.039)
Refund Factor effective November 1, 1980, and continuing for twelve months or until Company has discharged its refund obligation from Case No. 7799-A	(.011)
Total Adjustment Per 100 Cubic Feet	2.403¢

IT IS THEREFORE ORDERED that the Purchased Gas Adjustment sought by the Applicant as set out in Finding (10) above be and the same is hereby approved to be effective, subject to refund, with gas supplied on and after February 5, 1980.

IT IS FURTHER ORDERED that Louisville Gas and Electric Company shall maintain its records in such manner as will enable it, or the Commission, or any of its customers to determine the amount to be refunded and to whom due in the event a refund is ordered by the Commission.

IT IS FURTHER ORDERED that within thirty (30) days after the date this Order, the Applicant shall file with this Commission its revised tariff sheets setting out the rates approved herein.

IT IS FURTHER ORDERED that for the purpose of the future Application of the Purchased Gas Adjustment Clause of Applicant the base rate for purchased gas shall be:

	<u>Monthly Demand Charge</u>	<u>Commodity Charge</u>
Texas Gas Transmission Corporation		
Rate G-4	\$3.06	\$235.57¢

IT IS FURTHER ORDERED that the information furnished this Commission by Applicant in this case constitutes full compliance with the Commission's Order in Case No. 7799, and any other information ordinarily required to be filed under the Commission's Rules is hereby waived.

Done at Frankfort, Kentucky, this 4th day of February, 1981.

ENERGY REGULATORY COMMISSION



By the Commission

ATTEST:

Secretary