

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN ADJUSTMENT OF RATES OF)
OHIO RIVER GAS COMPANY, INC.) CASE NO. 8041

O R D E R

On November 21, 1980, Ohio River Gas Company, Inc. ("Applicant"), filed a notice with this Commission, formerly the Energy Regulatory Commission, requesting to increase its rates charged for gas service on and after December 11, 1980. The proposed rates would produce an increase in annual revenue to Applicant of \$32,364, or an increase of approximately 10.95%. Applicant stated the increase was necessary due to increased operating costs and to enable it to pay a dividend on its stock, provide for capital expenditures and have a reasonable amount for retained earnings.

In order to determine the reasonableness of the proposed rates, the Commission in its Orders dated November 24, 1980, and January 27, 1981, suspended the proposed increase for a period of five (5) months and set a public hearing to be held March 17, 1981, at 10:00 a.m. in the Commission's offices in Frankfort, Kentucky.

The hearing was held as scheduled with the Attorney General's Division of Consumer Intervention being the sole intervenor of record, and the matter is now considered to be fully submitted for decision by this Commission.

Applicant is an Indiana corporation qualified to do business

in the Commonwealth of Kentucky and is engaged in the purchase, distribution and sale of gas at retail in the town of Milton, Kentucky and in Trimble and Carroll Counties, Kentucky. Applicant's last general rate increase was granted in Case No. 6671, effective January 18, 1977.

TEST PERIOD

Applicant proposed and the Commission has accepted the twelve (12) months ending August 31, 1980, as the test period in this case. Pro forma adjustments, where found to be reasonable, have been included to more clearly reflect current operating conditions.

VALUATION METHODS

Net Original Cost

Applicant proposed a net original cost rate base at August 31, 1980, of \$120,502⁽¹⁾. The Commission, in accordance with past policy, has determined cash working capital to be one eighth (1/8) of adjusted operating and maintenance expenses less the cost of purchased gas, and has calculated the adjusted rate base to be \$77,399, computed as follows:

Plant in Service	\$ 153,844
Cash Working Capital	2,426 ⁽²⁾
Subtotal	<u>\$ 156,270</u>
Less:	
Reserve for Depreciation	78,973
Net Original Cost Rate Base	<u>\$ 77,297</u>

As of August 31, 1980, Applicant's investment was financed entirely by common equity.

(1) Applicant's Exhibit No. 4, page 1 of 2 and Exhibit No. 7.

(2) $\$19,406 \times 1/8 = \$2,425.75$, rounded \$2,426.

REVENUES AND EXPENSES

Applicant proposed several pro forma adjustments to more clearly reflect current operations⁽³⁾. The Commission has accepted these adjustments with one exception. In normalizing its revenues and expenses, Applicant used the purchased gas adjustment (PGA) effective November 1, 1980. The Commission has adjusted these revenues and expenses using the last PGA rate which became effective in February 1981.

The total operating revenues and expenses of Applicant can be summarized as follows:

	<u>Actual</u> ⁽⁴⁾	<u>Normalized</u>	<u>Pro Forma</u> <u>Adjustments</u>	<u>Adjusted</u>
Revenues	\$ 245,901	\$ 312,223	-0-	\$ 312,223
Expenses	247,774	314,148	\$ 1,768	315,916
Net Income/(Loss)	\$ (1,873)	\$ (1,925)	\$(1,768)	\$ (3,693)

RETURN

The Commission is of the opinion that a fair, just and reasonable rate of return on the net investment rate base is 12.5%, which will allow Applicant to pay its operating expenses and provide a reasonable surplus for equity growth.

The additional revenue required and the amount of increase granted herein is computed as follows:

Adjusted Net Operating Income/(Loss)	\$(3,693)
Net Income Found Reasonable	9,662
Deficiency	<u>\$ 13,355</u>
Deficiency Adjusted for Taxes or Increase	18,855

(3) Applicant's Exhibit 6

(4) Ibid.

SUMMARY

Having considered the evidence of record and being advised, the Commission is of the opinion and finds that:

1. The rates set out in Appendix A, attached hereto and made a part hereof, are the fair, just and reasonable rates to be charged by Applicant for gas service rendered to its customers and should produce gross annual revenues of approximately \$331,078.

2. The rates proposed by Applicant, insofar as they differ from those approved in Appendix A, should be denied in that they produce revenue in excess of that found reasonable by the Commission.

3. The allowed rate of return on the net original cost rate base of 12.5% is fair, just and reasonable in that it should permit Applicant to provide for its necessary operating expenses and accumulate a reasonable amount of surplus for equity growth.

ORDERS IN THIS MATTER

The Commission, on the basis of the findings herein set forth and the evidence of record in this matter:

HEREBY ORDERS that the rates set out in Appendix A, attached hereto and made a part hereof, are the fair, just and reasonable rates to be charged by Ohio River Gas Company, Inc., for gas service rendered to its customers on and after the date of this Order.

IT IS FURTHER ORDERED that the rates proposed by Ohio River Gas Company, Inc., insofar as they differ from those approved in Appendix A, are hereby denied.

IT IS FURTHER ORDERED that the Ohio River Gas Company, Inc.,

shall file with the Commission, within thirty (30) days of the date of this Order, its tariff sheets setting forth the rates and charges approved herein.

Done at Frankfort, Kentucky, this 12th day of May 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vohs
Chairman

Katherine Sandall
Vice Chairman

Don Harigan
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8041 DATED MAY 12, 1981

The following rates are prescribed for the customers in the area served by Ohio River Gas Company, Inc. All other rates and charges, not specifically mentioned herein, shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

RATE SCHEDULE NO. 1
GENERAL GAS SERVICE

RATES

Commodity Charge -

First 800 cubic feet per month @ 47.33¢ per 100 cubic feet
Next 1,200 cubic feet per month @ 35.13¢ per 100 cubic feet
Over 2,000 cubic feet per month @ 33.13¢ per 100 cubic feet

Purchased Gas Adjustment Charge - *See Next Page

Minimum Charge -

\$3.79 per meter per month for consumption of 800 cubic feet or less. This minimum charge is subject to the following delayed payment penalty charge.

Reconnection Charge -

When the service is turned off for non-payment of bill, or whenever for any reason beyond the control of the Company a re-establishment of service is required by any one customer, a charge of \$20.00 will be made by the Company to cover a part of the cost of discontinuance and re-establishment of service.

RATE SCHEDULE NO. 2
LARGE VOLUME FIRM GAS SERVICE

RATES

Commodity Charge -

First 200,000 cubic feet per month @ 32.58¢ per 100 cubic feet
Next 1,800,000 cubic feet per month @ 31.13¢ per 100 cubic feet
Over 2,000,000 cubic feet per month @ 29.63¢ per 100 cubic feet

Purchased Gas Adjustment Charge -*See Next Page

Minimum Charge -

\$651.60 per month for consumption of 200,000 cubic feet or less. This minimum charge is subject to the following delayed payment penalty charge.

Reconnection Charge -

When the service is turned off for non-payment of bill, or re-establishment of service is required by any one customer, a charge of \$20.00 will be made by the Company to cover a part of the cost of discontinuance and re-establishment of service.

RATE SCHEDULE NO. 3
LARGE VOLUME EXCESS GAS SERVICE

RATES

Commodity Charge -

29.33¢ per 100 cubic feet used per month.

Purchased Gas Adjustment Charge - *See Below

Reconnection Charge -

When the service is turned off for non-payment of bill, or whenever for any reason beyond the control of the Company a re-establishment of service is required by any one customer, a charge of \$20.00 will be made by the Company to cover a part of the cost of discontinuance and re-establishment of service.

*Purchased Gas Adjustment Charge -

A purchased gas adjustment rate of 0.00¢ per 100 cubic feet per month is added to the above commodity charge rates. The adjustment is occasioned solely by changes in the wholesale cost of purchased gas. For the purpose of the future application of the purchased gas adjustment clause, the base rate for purchased gas shall be:

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

The above rates have included all applications for adjustments of purchased gas in Cases No. 6671-A through 6671-Y, except for Case No. 6671-U. Case No. 6671-U was a reduction of .08¢ per CCF until an amount of \$395 was refunded to the customers. Therefore, Case 6671-U should be reported as a separate adjustment on all applications until the refund is completed.