

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)
FILING OF VALLEY GAS, INC.) CASE NO. 6902-K

ORDER

On February 12, 1978, the Commission issued its final Order in Case No. 6902, approving a purchased gas adjustment clause permitting certain adjustments in rates and providing under certain conditions for the further adjustments of such rates when the wholesale cost of gas is increased or decreased.

On January 11, 1982, Valley Gas, Inc., ("Valley") notified the Commission that its wholesale cost of gas would be increased by its supplier, Texas Gas Transmission Corporation ("Texas Gas") effective February 1, 1982, and submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with this Commission.

On December 22, 1981, Texas Gas filed a purchased gas adjustment with the Federal Energy Regulatory Commission ("FERC") to be effective February 1, 1982. The tariff sheet reflects a net increase of 40.49 cents per Mcf in SG Rate Zone 4 which is applicable to Valley.

On June 15, 1981, the Supreme Court of the United States issued a judgment enjoining the State of Louisiana from future collections of the Louisiana First Use Tax on natural gas and

directing Louisiana to refund all revenues collected, together with interest earned by Louisiana from the securities in which the revenues and interest have been invested.

The estimated refund that Valley will receive from Texas Gas is \$4,820.13. Valley will receive this refund over a 12-month period and a 12-month refund will result in the most equitable distribution of refunds to each class of customer. Valley has requested that the refunds be made over a period of 12 months beginning with meter readings taken on and after February 1, 1982.

As a result of the Texas Gas rate change effective February 1, 1982, and the refund of the Louisiana First Use Tax the cost of gas to Valley for the 12 months ending November 30, 1982, will increase \$21,569.22.

After reviewing this evidence of record and being advised the Commission is of the opinion and finds that:

(1) The Commission is being asked to approve a price increase already approved by the FERC when it granted Valley's supplier, Texas Gas, a wholesale gas cost increase. We are of the opinion ^{that} and 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 FERC 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.

(2) Valley's supplier, Texas Gas, has filed for increased rates to become effective February 1, 1982.

(3) The application filed January 1, 1982, reflected Texas Gas' rates as filed in the FERC on December 22, 1981, to be effective February 1, 1982.

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

(5) The Commission should waive its policy of requiring evidence of FERC acceptance in this case and allow Valley to place into effect, subject to refund, the rates in Appendix A.

(6) Valley has \$4,820.13 to be refunded to its customers.

(7) Valley should refund the amount reported in its application plus interest at a rate equal to the average of the "3 Month Commercial Paper Rate" for the immediately preceding 12-month period less 1/2 of 1 percent to cover the costs of refunding. These monthly rates are reported in both the Federal Reserve Bulletin and the Federal Reserve Statistical Release.

IT IS THEREFORE ORDERED that the purchased gas adjustment sought by Valley as set out in Appendix A, attached hereto and made a part hereof, be and is hereby approved to be effective subject to refund with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

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

IT IS FURTHER ORDERED that for the purpose of the future application of the purchased gas adjustment clause of Valley the base rate for purchased gas shall be:

Commodity

Texas Gas Transmission Corporation 339.83¢ per Mcf

IT IS FURTHER ORDERED that Valley apply a refund factor in the amount of 7.40 cents per Mcf as a reduction in the approved purchased gas adjustment beginning with Valley's next billing cycle, and remain in effect until such time as necessary so that the refund will, as nearly as possible, reflect the exact amount. The refund factor will terminate at such period of time that the refundable amount equals the refund herein reported plus interest.

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

IT IS FURTHER ORDERED that the information furnished this Commission by Valley on January 11, 1982, constitutes full compliance with the Commission's requirements in Case No. 6902, and any other information ordinarily required to be filed under the Commission's regulations is hereby waived.

Done at Frankfort, Kentucky, this 26th day of January, 1982.

PUBLIC SERVICE COMMISSION

ATTEST:


For the Commission

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 6902-K DATED
JANUARY 26, 1982

The following rates and charges are prescribed for the customers in the area served by Valley Gas, 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.

RATES: Monthly

APPLICABLE TO:

GAS RATE SCHEDULE 1

PURCHASED GAS ADJUSTMENT:

To each bill rendered under the above named rate schedule there shall be added an amount equal to 3.310¢ per 100 cubic feet of gas used during the billing period.