

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

MOTION TO ADJUST RATES IN ACCORDANCE)
WITH PURCHASED GAS ADJUSTMENT CLAUSE) CASE NO. 7176-H
OF MIKE LITTLE GAS COMPANY, INC.)

O R D E R

On March 31, 1982, Kentucky-West Virginia Gas Company ("Kentucky-West") filed with the Federal Energy Regulatory Commission ("FERC") revised tariff sheets to its FERC Gas Tariff, Original Volume No. 1. Kentucky-West has placed an effective date of May 1, 1982, upon the affected tariff sheets. This Commission has no jurisdiction in that case.

On November 9, 1978, the Natural Gas Policy Act of 1978, was signed into law, which established significantly higher rates for producers of certain categories of natural gas. This federal legislation has resulted in higher costs to interstate pipeline companies serving the various gas consuming states, including Kentucky. Once the FERC approves the right of these interstate transmission companies to pass this increased cost on to its distribution company customers, state commissions must, in turn, allow intrastate distributors to pass their increased cost on to their customers by adjusting the basic rates.

On December 6, 1978, the Commission issued its order in Case No. 7176, approving certain rates and providing under certain conditions for the further adjustment of such rates, when the wholesale cost of gas is increased or decreased.

On April 12, 1982, Mike Little Gas Company, Inc., ("Mike Little") notified the Commission that its wholesale cost of gas would be increased by its supplier, Kentucky-West effective May 1, 1982, and submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with this Commission. The notice set out certain revisions in rates which Mike Little proposed to place in effect, said rates being designed to increase the cost of natural gas of its supplier.

The amount of the increased cost of gas to Mike Little will be \$173,323 on an annual basis.

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

1. The Commission has long stated (in writing to FERC) its opposition to the procedures and regulations used by the FERC in approving these supplier increases. 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. The FERC approval of a wholesale rate increase to a Kentucky gas retailer requires approval of the Commission of rates that will permit the Kentucky utility to adjust its customer charges to reflect the added purchase cost, or alternately the utility must absorb the added cost. 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 unjust to Mike Little and would ultimately result in higher rates to their consumers in any event.

3. When the FERC "accepts" Kentucky-West's filing and makes it effective, Kentucky-West will begin charging Mike Little the new rates. This order cannot be implemented until and unless this occurs.

4. Mike Little's supplier, Kentucky-West on March 31, 1982, filed with the FERC for increased rates to become effective May 1, 1982, and that the increase sought by Mike Little reflects Kentucky-West's rates as so filed.

5. The Commission should allow Mike Little to place into effect, subject to refund, the rates set out in Appendix A as soon as the Kentucky-West filing is made effective by FERC, but not prior to May 1, 1982.

6. Mike Little's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its order in Case No. 7176, dated December 6, 1978, is fair, just and 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, but not prior to May 1, 1982.

IT IS THEREFORE ORDERED that the purchased gas adjustment sought by Mike Little as 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 gas becomes effective ("acceptance" by FERC), but not prior to May 1, 1982.

IT IS THEREFORE ORDERED that for the purpose of the future application of the purchased gas adjustment clause of Mike Little, the base rate for purchased gas shall be:

Commodity

Kentucky-West Virginia Gas Company \$3.1072 per dth*

*Includes 0.72 per dth, Gas Research Institute charge.

IT IS FURTHER ORDERED that Mike Little 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 within 30 days after the date of this order, Mike Little 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 Mike Little on April 12, 1982, constitutes full compliance with the Commission's requirements and order in Case No. 7176, and any other information ordinarily required to be filed under the Commission's regulations is hereby waived.

Done at Frankfort, Kentucky, this 30th day of April, 1982.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 7176-H DATED APRIL 30,
1982

The following rates are prescribed for the customers in the area served by Mike Little 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.

RATES: Monthly

First 2 MCF	\$ 4.8902
Next 28 MCF	4.6902
Over 30 MCF	4.6402
Minimum Bill:	\$ 6.99