

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
UTILITIES, INC., TO INCREASE) CASE NO. 8114-B
ITS RETAIL GAS RATES)

O R D E R

On March 31, 1982, Kentucky-West Virginia Gas Company ("Kentucky-West") filed with the Federal Energy Regulatory Commission ("FERC") at Docket No. TA80-1-46 and RP80-7 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 was signed into law, which established significantly higher rates for producers of certain categories of natural gas. This federal legislation has resulted in higher gas 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 costs on to their customers by adjusting the base rates.

On August 10, 1981, the Commission issued its Order in Case No. 8114, prescribing certain rates and authorizing a purchased gas adjustment clause.

On April 6, 1982, East Kentucky Utilities, Inc., ("East-Kentucky"), 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 this Commission's Order of August 10, 1981. The notice set out certain revisions in rates which East-Kentucky proposed to place in effect with gas supplied on and after May 1, 1982, said rates being designed to increase the cost of natural gas of its supplier in the amount of \$340,340.

The Commission after consideration of the information filed by East-Kentucky in this matter and being fully advised 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 Federal Energy Regulatory agency 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 the Company 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 East-Kentucky the new rates. This order cannot be implemented until and unless this occurs.

4. East-Kentucky'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 East-Kentucky reflects Kentucky-West's rates as so filed.

5. The Commission should allow East-Kentucky to place into effect, subject to refund, the rates in Appendix A as soon as the Kentucky-West filing is made effective by FERC.

6. East-Kentucky's adjustment in rates under the purchased gas adjustment clause approved by the Commission in its Order in Case No. 8114 dated August 10, 1981, is fair, just and reasonable in the public interest and

should be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

IT IS THEREFORE ORDERED that said purchased gas adjustment sought by East-Kentucky and adjusted as previously mentioned be and is hereby approved, as in Appendix A attached hereto and made a part hereof, to be effective subject to refund, with gas supplied on and after the date the increased cost of wholesale gas becomes effective ("acceptance" by FERC).

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

	<u>Commodity</u>
Kentucky-West Virginia Gas Company	\$3.100/dth

IT IS FURTHER ORDERED that East Kentucky Utilities, Inc. 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, East-Kentucky 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 East-Kentucky on April 6, 1982, constitutes full compliance with the Commission's requirements and Order in Case No. 8114, and any other

information ordinarily required to be filed under the
Commission's regulations is hereby waived.

Done at Frankfort, Kentucky, this 19th day of April,
1982.

PUBLIC SERVICE COMMISSION

Marlin M. Votz
For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8114-B DATED APRIL 19,
1982

The following rates are prescribed for the customers in the area served by East Kentucky Utilities, 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	1 Mcf	\$7.1335 per Mcf
Over	1 Mcf	4.0935 per Mcf