

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

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

O R D E R

On August 10, 1981, the Commission issued its Order in Case No. 8114 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On September 8, 1982, East Kentucky Utilities, Inc. ("East Kentucky") filed Case No. 8114-C, notifying the Commission that its wholesale cost of gas would be increased by its supplier Kentucky West Virginia Gas Company ("Kentucky West") effective October 1, 1982. On September 29, 1982, the Commission issued its Order in Case No. 8114-C authorizing East Kentucky to place the increased rates into effect on and after October 1, 1982, subject to refund.

On October 7, 1982, East Kentucky filed Case No. 8114-D, in which East Kentucky revised its rates due to a second increase in wholesale gas costs from Kentucky West to be effective November 1, 1982.

On October 13, 1982, East Kentucky filed an amendment to Case No. 8114-C to be effective October 1, 1982. Due to East Kentucky failing to provide the 20 day notice as required by statute the amended rates could not become effective until on and after November 2, 1982, which was subsequent to the effective date of the second increase. Due to the proximity of the filing dates of 8114-C Amended and 8114-D, the former have been superseded by the rates granted in 8114-D. Accordingly, no action will be taken on Case No. 8114-C Amended.

East Kentucky's increase from Kentucky West is another one of those federally-mandated pass-throughs of higher gas prices in which upon the record this Commission has no discretion. East Kentucky will not realize even one cent of profit but simply will turn over to its supplier the increased amounts which it must collect from its consumers.

After reviewing the notice filed in this case and being advised, the Commission is of the opinion and finds that:

(1) East Kentucky's filing of October 7, 1982, set out certain revisions in rates which East Kentucky proposed to place into effect, said rates being designed to pass on the wholesale increase in cost in the amount of \$97,782 or 47.70 cents per Mcf.

(2) The Public Service Commission is being asked to authorize a pass-through of a price increase already approved by the Federal Energy Regulatory Commission ("FERC"). Failure to allow this increase to be passed through to its retail consumers

on a timely basis would be unfair and unjust to East Kentucky and would ultimately result in higher rates to its consumers. The Commission has (in writing) indicated its opposition to the procedures and regulations used by FERC since 1975 to approve these supplier increases.

We are also actively presenting our views to FERC and to our Kentucky Congressional delegation concerning revisions to the Natural Gas Policy Act of 1978, which allows gas suppliers to raise their gas prices without regard to costs. Because of Natural Gas Policy Act formulas allowing producers to so raise their prices and because of the action of FERC in allowing such increases to pass through to the transmission company and through it to the distributing company, in this case East Kentucky, this Commission has no real authority in the matter. Under federal law and actions, this Commission serves merely as the conduit for the final pass-through of the increased cost of gas to the consumers when, as here, the distributing utility makes no profit from the increased prices which it must pay for gas purchased from the transmission company.

(3) The proposed rates will allow East Kentucky to recover only the increased cost of wholesale gas and will not permit it to make any profit in doing so. The magnitude of this filing exposes East Kentucky to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(4) East Kentucky's adjustment in rates under the purchased gas adjustment provisions 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 November 1, 1982, subject to refund.

IT IS THEREFORE ORDERED that the rates contained in Appendix A be and they are approved effective for gas supplied on and after November 1, 1982, subject to refund.

IT IS FURTHER ORDERED that for 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 | \$3.5320/dth |

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 authorized herein.

Done at Frankfort, Kentucky, this 1st day of November, 1982.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8114-D DATED
NOVEMBER 1, 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 | \$7.6679 per Mcf |
| Over | 1 Mcf | 4.6279 per Mcf |

Minimum Bill: \$5.40 for less than 1 Mcf.

Customer Charge \$3.00 Per Month

All Mcf .26 Per Mcf