

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE NOTICE OF A PURCHASED)	
GAS ADJUSTMENT FILING OF)	CASE NO. 8186-B
PUBLIC GAS COMPANY)	

O R D E R

On November 13, 1981, the Commission issued its Order in Case No. 8186 approving certain rates and providing under certain conditions for the further adjustment of rates when the wholesale cost of gas is increased or decreased.

On November 9, 1978, the Natural Gas Policy Act ("NGPA") was signed into law which established significantly higher rates for producers of certain categories of natural gas. This federal legislation allows producers, after proper application, to classify certain gas wells as "stripper" wells and increase the price of gas produced. Once the Federal Energy Regulatory Commission ("FERC") classifies the producer's well as a stripper well and the producer increases the price of gas to the distribution company, state commissions must, in turn, allow the distributors to pass their increased costs on to their customers by adjusting the base rates.

On June 22, 1982, Public Gas Company ("Public") notified the Commission that its wholesale cost of gas would be increased by one of its suppliers, Panbowl Production Company ("Panbowl"),

effective November 16, 1982. The notice set out certain adjustments which Public proposed to place into effect with gas supplied on and after November 16, 1982. Public proposed to include in its rates a transportation charge of \$0.20 per Mcf and a compression charge of \$0.206 per Mcf. On July 29, 1982, Public filed cost justification for the proposed charges.

After reviewing the initial filing and the cost justification, the Commission determined that a public hearing would be necessary. On November 22, 1982, a hearing was held in the Commission's offices in Frankfort, Kentucky. No intervenors were present at this hearing.

The Commission, after reviewing the evidence of record and being advised, is of the opinion and finds that:

1. By a letter dated November 22, 1982, Public withdrew its request for inclusion of compression costs and reduced its request accordingly.

2. Public is attempting to pass on to its customers transportation charges incurred by its supplier, Panbowl. As an intra-state producer of natural gas, Panbowl's rates are subject to the jurisdiction of the Public Service Commission. Accordingly, if the first sale is considered to have occurred at the wellhead, any charges in addition to the maximum lawful rates would have to be approved by the PSC. If it is determined that the first sale occurs further downstream, the addition of any transportation charges to the maximum lawful NGPA price would have to be approved by the FERC since, in most cases, all charges incurred prior to a

first sale are subject to FERC regulation. Thus, regardless of where the first sale is considered to have occurred, Panbowl has failed to obtain appropriate regulatory approval for transportation charges in addition to the basic NGPA rate. Accordingly, Public's request to pass such unapproved transportation charges on to its customers must be denied.

3. The gas wells belonging to Public's supplier, Panbowl, have been classified as stripper wells by the FERC and Public should be allowed to pass on the stripper well increase in price,

4. Public should be allowed to pass on its wholesale increase in cost of gas in the amount of \$33,770 or \$0.3155 per Mcf.

IT IS THEREFORE ORDERED that the proposed transportation charge be and it hereby is disapproved.

IT IS FURTHER ORDERED that the rates in Appendix A be and they hereby are approved, effective for gas supplied on and after the date of this Order.

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

	<u>Commodity</u>
Panbowl Production Company	\$3.8256 per Mcf

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

Done at Frankfort, Kentucky, this 21st day of December, 1982.

PUBLIC SERVICE COMMISSION

Lam Shuey
Chairman

Katherine Randall
Vice Chairman

Gene Carney
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8186-B DATED DECEMBER 21, 1982

The following rates are prescribed for the customers in the area served by Public Gas Company. 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

\$6.681 Minimum Bill

Over 1 Mcf

5.563 per Mcf