

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

PURCHASED GAS ADJUSTMENT)
FILING OF LOUISVILLE GAS) CASE NO. 8284-A
AND ELECTRIC COMPANY)

O R D E R

On January 4, 1982, the Commission issued its Order in Case No. 8284, approving certain adjustments in the rates of Louisville Gas and Electric Company, ("L.G. & E.") and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On January 4, 1982, L.G. & E. filed its notice with the Commission stating that it had received an increase from its supplier, Texas Gas Transmission Corporation ("Texas Gas").

On December 1, 1981, Texas Gas filed with the Federal Energy Regulatory Commission ("FERC") a small rate increase to become effective January 1, 1982, reflecting the 1982 General Research, Development and Demonstration ("RD&D") Funding Unit of Gas Research Institute as authorized by Opinion No. 131, issued by the FERC on September 29, 1981, in Docket No. RP81-72. The increase was .16 cents per Mcf in the Commodity Charge as compared

to the base supplier rate corresponding to the purchased gas adjustments authorized by the Commission in Case No. 7799-E.

In its letter to the Commission dated December 3, 1981, L.G. & E. proposed to delay the effectiveness of its increase corresponding to the January 1 supplier increase until February 1, 1982; L.G. & E. further proposed to recoup the resulting unrecovered increase of .16 cents per Mcf in the January cost of gas by reducing the refundable balance from Case No. 7799-C, by such unrecovered amount.

On December 22, 1981, Texas Gas filed with the FERC increased rates to become effective February 1, 1982, pursuant to Texas Gas' purchased gas adjustment clause and other FERC-approved and cost-tracking procedures.

The combined effect of both Texas Gas filings, as applied to L.G. & E.'s gas purchases for the twelve months ended November 30, 1981, is an increase of \$25,421,051, as measured against the base supplier rate established in Case No. 7799-E. Of this total increase; \$1,032,731 is applicable to gas used as electric department fuel, leaving \$24,388,320 as applicable to L.G. & E.'s gas department. This increase results in a purchased gas adjustment of 43.61 cents per Mcf or 4.361 cents per 100 cubic feet.

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

(1) L.G. & E.'s supplier has filed an increase in rates effective February 1, 1982, and that the annual amount of such increase applicable to L.G. & E.'s gas customers is \$24,388,320.

(2) L.G. & E. should recover the increase of .16 cents per Mcf in the January 1982, gas cost by reducing the refundable balance from Case No. 7799-C by such unrecovered amount.

(3) The Public Service Commission is being asked to approve a price increase already approved by the FERC when it granted L.G. & E.'s supplier, Texas Gas, a wholesale gas cost increase. 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 unfair and unjust to L.G. & E. 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.

(4) The application filed January 4, 1982, reflected Texas Gas' rates as filed with the FERC on December 22, 1981, to be effective February 1, 1982.

(5) The magnitude of this filing exposes L.G. & E. to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(6) The Commission should waive its policy of requiring evidence of FERC acceptance in this case and allow L.G. & E. to place into effect, subject to refund, the rates set out in Finding (9).

(7) L.G. & E.'s adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order

in Case No. 8284, dated January 4, 1982, is fair, just, 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.

(8) An increase of 43.61 cents per Mcf in L.G. & E.'s purchased gas adjustment is proper to give effect to the Texas Gas rate increase.

(9) The purchased gas adjustment of L.G. & E. shall be adjusted to the following, effective February 1, 1982.

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| PGA corresponding to Base Supplier Rate | 4.361¢ |
| Refund Factor effective August 1, 1981, and continuing for twelve months or until Company has discharged its re- fund obligation from Case No. 7799-C | (.378) |
| Refund Factor effective September 1, 1981 and continuing for twelve months or until Company has discharged its re- fund obligation from Case No. 7799-D | (.670) |
| Refund Factor effective December 1, 1981 and continuing for twelve months or until Company has discharged its re- fund obligation from Case No. 7799-E | <u>(.074)</u> |
| Total Adjustment Per 100 Cubic Feet | 3.239¢ |

IT IS THEREFORE ORDERED that the purchased gas adjustment sought by the L.G. & E. as set out in Finding (9) above be and is hereby approved to be effective, subject to refund, with gas supplied on and after February 1, 1982.

IT IS FURTHER ORDERED that L.G. & E. shall maintain its records in such manner as will enable it, or the Commission, or any of its customers to determine the amount 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, L.G. & E. shall file with this Commission its revised tariff sheets setting out the rates approved herein.

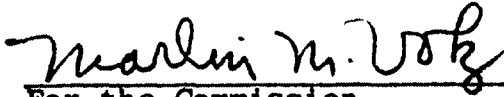
IT IS FURTHER ORDERED that for the purpose of the future application of the purchased gas adjustment clause of L.G. & E. the base rate for purchased gas shall be:

| | <u>Monthly Demand Charge</u> | <u>Commodity Charge</u> |
|---------------------------------------|----------------------------------|-----------------------------|
| Texas Gas Transmission Corporation | | |
| Rate G-4 | \$3.16 | 313.85¢ |

IT IS FURTHER ORDERED that the information furnished this Commission by L.G. & E. in this case constitutes full compliance with the Commission's Order No. 8284, 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



For the Commission

ATTEST:

Secretary