

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

This is another one of those federally-mandated pass-throughs of higher gas prices in which upon the record this Commission has no discretion. The evidence presented at the hearing establishes that Louisville Gas and Electric Company ("LG&E") will not realize even one cent of profit but simply will turn over to its suppliers the increased amounts which it must collect from its consumers.

On January 4, 1982, the Commission issued its Order in Case No. 8284, approving certain adjustments in the rates of LG&E and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On July 6, 1982, LG&E filed its notice with the Commission stating that it had received an increase from its supplier, Texas Gas Transmission Corporation ("Texas Gas").

On June 29, 1982, Texas Gas filed with the Federal Energy Regulatory Commission ("FERC") increased rates to become effective August 1, 1982, pursuant to Texas Gas' purchased

gas clause and other FERC-approved cost-tracking procedures. The Texas Gas filing includes a FERC-approved special surcharge of 4.90 cents per Mcf to recover, over the 12-month period beginning August 1, 1982, retroactive payments to producers in compliance with FERC Order Nos. 93 and 93-A.

The effect of this Texas Gas rate filing, as applied to LG&E's purchased gas costs for the 12 months ended May 31, 1982, is an increase of \$27,848,087. Of this total increase, \$1,162,518 is applicable to gas used as Electric Department fuel, leaving \$26,685,569 applicable to LG&E's Gas Department. The increase results in a purchased gas adjustment of 48.11 cents per Mcf, or 4.811 cents per 100 cubic feet.

An evidentiary hearing on this matter was held on July 21, 1982, at the Commission's offices in Frankfort, Kentucky. At this hearing, a representative of LG&E testified that it could not absorb the \$27.8 million in additional gas costs without being forced into bankruptcy. A representative of Texas Gas testified regarding that company's overall gas procurement policy and emphasized that the small amount of unregulated high price gas that it purchased in the past 2 years was procured to insure a more reliable gas supply for its customers.

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

- (1) The Public Service Commission is being asked to authorize a pass-through of a price increase already approved

by FERC. Failure to allow this increase to be passed through to its retail consumers on a timely basis would be unfair and unjust to LG&E 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 LG&E, 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.

(2) On June 29, 1982, LG&E's supplier filed with FERC increased rates to become effective August 1, 1982.

(3) The annual amount of this increase is \$27,848,087 of which \$1,162,518 is applicable to gas used for the Electric Department fuel and \$26,685,569 is applicable to LG&E's gas customers. The result is an increase in purchased gas adjustment

of 48.11 cents per Mcf, or 4.811 cents per 100 cubic feet.

(4) The application filed July 6, 1982, reflected Texas Gas rates as filed with FERC on June 29, 1982, to become effective August 1, 1982.

(5) The proposed rate will allow LG&E 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 LG&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 LG&E to place into effect, subject to refund, the rates as set out in Finding (9).

(7) LG&E's adjustment in rates under the purchased gas adjustment provisions authorized by the Commission in its Order in Case No. 8284, dated January 4, 1982, 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.

(8) An increase of 48.11 cents per Mcf in LG&E's purchased gas adjustment is proper to give effect to the Texas Gas rate increase.

(9) The purchased gas adjustment of LG&E shall be adjusted to the following, effective August 1, 1982:

PGA corresponding to Base Supplier Rate 8.977¢

Refund Factor effective August 1, 1981,
and continuing for 12 months or until
Company has discharged its refund
obligation from Case No. 7799-C (.378)

Refund Factor effective September 1, 1981,
and continuing for 12 months or until
Company has discharged its refund obli-
gation from Case No. 7799-D (.670)

Refund Factor effective December 1, 1981,
and continuing for 12 months or until
Company has discharged its refund obli-
gation from Case No. 7799-E (.074)

Total Adjustment Per 100 Cubic Feet 7.855¢

IT IS THEREFORE ORDERED that the purchased gas adjust-
ment sought by LG&E as set out in Finding (9) above be and it
hereby is authorized to be effective, subject to refund, with
gas supplied on and after August 1, 1982.

IT IS FURTHER ORDERED that LG&E shall maintain its
records in such manner as will enable it, any of its customers,
or the Commission 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, LG&E shall file with the Commission its revised
tariff sheets setting out the rates authorized herein.

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

Texas Gas Transmission
Corporation

Monthly Demand
Charge

Commodity
Charge

Rate G-4

\$3.17

358.07¢

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

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

PUBLIC SERVICE COMMISSION

Marlin M. Voth
By the Commission

ATTEST:

Secretary