

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF MT. OLIVET) CASE NO. 7800-P
NATURAL GAS COMPANY, INC.)

O R D E R

On October 13, 1980, the Commission issued its Order in Case No. 7800 approving certain adjustment in rates and providing under certain conditions for the further adjustments of such rates when the wholesale cost of gas is increased or decreased.

On February 7, 1983, Mt. Olivet Natural Gas Company, Inc., ("Mt. Olivet") notified the Commission that its wholesale cost of gas would be increased by its supplier, Columbia Gas Transmission Corporation, ("Transmission") effective March 1, 1983, and submitted with its notice certain information in compliance with this Commission's Order of October 13, 1980.

Mt. Olivet's increase from Transmission is another one of those federally-mandated pass-throughs of higher gas prices in which upon the record this Commission has no discretion. Mt. Olivet will not realize even one cent of profit but simply will turn over to its supplier the increased amount 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) The Public Service Commission is being asked to authorize a pass-through of a price increase that has been filed with 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 Mt. Olivet 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 Mt. Olivet, 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) Mt. Olivet's notice of February 7, 1983, set out certain revisions in rates which Mt. Olivet proposed to place into effect, said rates being designed to pass on the wholesale increase in price from its supplier in the amount of \$10,132 or 22.25 cents per Mcf.

(3) The proposed rates will allow Mt. Olivet 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 Mt. Olivet to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(4) Mt. Olivet's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 7800 dated October 13, 1981, is fair, just and reasonable, in the public interest and should be approved effective with gas supplied on and after March 1, 1983, subject to refund.

IT IS THEREFORE ORDERED that the purchased gas adjustment sought by Mt. Olivet be and it hereby is approved effective with gas supplied on and after March 1, 1983, subject to refund.

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

	<u>Demand</u>	<u>Commodity</u>
Columbia Gas Transmission Corporation	-	\$4.8905 per Dth
Columbia LNG Corporation	-	6.0801* per Dth

*Includes Transportation Charge of .4701

IT IS FURTHER ORDERED that within 30 days after the date of this Order Mt. Olivet shall file with this Commission its revised tariff sheets setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 22nd day of February, 1983.

PUBLIC SERVICE COMMISSION

Not participating

 Chairman

Katherine Paulall

 Vice Chairman

Tom Carver

 Commissioner

ATTEST:

 Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 7800-P DATED February
22, 1983.

The following rates are prescribed for the customers in the area served by Mt. Olivet Natural Gas Company, 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	1,000 cu. ft. or less	\$8.11 (Minimum Bill)
Next	4,000 cu. ft., per 1,000 cu. ft.	6.3711
Next	5,000 cu. ft., per 1,000 cu. ft.	6.1711
Next	10,000 cu. ft., per 1,000 cu. ft.	6.0211
Over	20,000 cu. ft., per 1,000 cu. ft.	5.8211