

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

PURCHASED GAS ADJUSTMENT)
FILING OF THE UNION LIGHT,) CASE NO. 8373-I
HEAT AND POWER COMPANY)

AND

THE APPLICATION OF THE UNION)
LIGHT, HEAT AND POWER COMPANY)
FOR A WAIVER FROM THE PRO-) CASE NO.
VISIONS OF THE BALANCING) 8996
ADJUSTMENT CONTAINED IN ITS)
GAS COST ADJUSTMENT CLAUSE)

O R D E R

On April 16, 1982, the Commission issued its Order in Case No. 8373, approving certain rates and providing for adjustments of these rates on a quarterly basis in accordance with the provisions of the gas cost adjustment clause set forth therein.

On March 1, 1984, The Union Light, Heat and Power Company ("Union") filed a revised quarterly gas cost adjustment which is to become effective March 30, 1984, and is to remain in effect until June 28, 1984. At the same time, in Case No. 8996, Union filed a substitute quarterly adjustment requesting a waiver from the provisions of the balancing adjustment component of its gas cost adjustment clause.

The balancing adjustment ("BA") is designed to achieve a dollar for dollar matching of gas costs. Experience has shown that the BA can vary significantly from quarter to quarter because of billing cycles and is very sensitive to extreme weather conditions near the beginning or end of a reporting quarter. The Commission is currently conducting an investigation in this matter. Union has also recognized the problem and has proposed to modify its gas cost adjustment clause in a pending case before this Commission.

Union's notice filed March 1, 1984, in Case No. 8373-I, reflects a large under-recovery of gas costs during the fourth quarter of 1983, resulting in a BA of \$5,490,428 or 49.3 cents per Mcf. Union's notice filed March 1, 1984, in Case No. 8996, requests a waiver from the provisions of its current gas cost adjustment clause and to amortize the \$5,490,428 over four quarters. This would reduce the BA to 12.3 cents per Mcf and is compatible with the application pending before this Commission.

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

(1) Union's notice of March 1, 1984, set out certain revisions in rates which Union proposed to place into effect, said rates being designed to pass on the wholesale increase in gas costs from its supplier in the amount of \$1,068,396 or 9.6 cents per Mcf.

(2) Union's notice set out refunds due its customers in the amount of \$362,399 which includes current quarterly supplier refunds of \$125,398. Union proposes to refund this amount by applying a refund factor in the amount of 3.3 cents per Mcf. This amount includes interest at a rate equal to the average of the "3-Month Commercial Paper Rate" for the immediately preceding 12-month period less 1/2 of 1 percent to cover the costs of refunding.

(3) Union's notice set out a balancing adjustment in the amount of \$5,490,428 to compensate for previous under-recovery of gas cost by the company through the operation of its gas cost recovery procedure. Union should be allowed a waiver from the provisions of its current gas cost adjustment clause and to amortize this amount over the next four quarters. A balancing adjustment factor of 12.3 cents per Mcf should be used in calculating Union's gas cost recovery rate rather than 49.3 cents per Mcf.

(4) Union's notice of March 1, 1984, in Case No. 8373-I, proposed a gas cost recovery rate for exempt customers in the amount of \$5.414 per Mcf, an increase of \$0.638 per Mcf. This increase represents the combined effect of the supplier increase, refund and balancing adjustment. This rate should be denied.

(5) Union's substitute notice of March 1, 1984, in Case No. 8996, proposed a gas cost recovery rate for exempt customers in the amount of \$5.044 per Mcf, an increase

of \$0.268 per Mcf. This increase represents the combined effect of the supplier increase, refund and amortized balancing adjustments.

(6) Union's adjustment in rates set out in the Appendix to this Order is fair, just and reasonable and in the public interest and should be effective with bills rendered on and after March 30, 1984.

IT IS THEREFORE ORDERED that the rates in the Appendix to this Order be and they hereby are authorized effective for bills rendered on and after March 30, 1984.

IT IS FURTHER ORDERED that Union be allowed to deviate from the provisions of the balancing adjustment contained in its gas cost adjustment clause and amortize the under-recovery over the next four quarters.

IT IS FURTHER ORDERED that the gas cost recovery rate for exempt customers of \$5.414 per Mcf, proposed in Case No. 8373-I filed March 1, 1984, be and it hereby is denied.

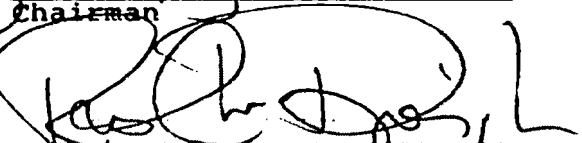
IT IS FURTHER ORDERED that the gas cost recovery rate for exempt customers shall be \$5.044 per Mcf effective for bills rendered on and after March 30, 1984.

IT IS FURTHER ORDERED that, within 30 days of the date of this Order, Union shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky this 27th day of March, 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8373-I AND 8996 DATED
MARCH 27, 1984.

The following rates and charges are prescribed for the customers served by Union Light, Heat and Power Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

RATE GS

GENERAL SERVICE

<u>Base</u> <u>Rate</u>	<u>Gas</u> <u>Cost</u> <u>Adjustment</u>	<u>Total</u> <u>Rate</u>
----------------------------	--	-----------------------------

All gas used 10.99¢ plus 50.44¢ equals 61.43¢ per 100 cu. ft.

The "Gas Cost Adjustment" as shown above, is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 19 of this tariff.

RIDER R-ACS-1

SUMMER AIR CONDITIONING SERVICE

All additional gas use will be billed at:

<u>Base</u> <u>Rate</u>	<u>Gas</u> <u>Cost</u> <u>Adjustment</u>	<u>Total</u> <u>Rate</u>
----------------------------	--	-----------------------------

All gas used 6.83¢ plus 50.44¢ equals 57.27¢ per 100 cu. ft.

The "Gas Cost Adjustment" as shown above is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 19 of this tariff.

RIDER G-ACS-1

SUMMER AIR CONDITIONING SERVICE

Next 10,000 cubic feet of gas per ton is installed absorption type Summer Air Conditioning equipment at:

<u>Base</u> <u>Rate</u>	<u>Gas</u> <u>Cost</u> <u>Adjustment</u>	<u>Total</u> <u>Rate</u>
----------------------------	--	-----------------------------

All gas used 6.83¢ plus 50.44¢ equals 57.27¢ per 100 cu. ft.

The "Gas Cost Adjustment" as shown above, is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 19 of this tariff.

RATE F

Special Contract - Firm Use

<u>Base</u> <u>Rate</u>	<u>Gas</u> <u>Cost</u> <u>Adjustment</u>	<u>Total</u> <u>Rate</u>
----------------------------	--	-----------------------------

All gas used 7.97¢ plus 50.44¢ equals 58.41¢ per 100 cu. ft.

The "Gas Cost Adjustment" as shown above, is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 19 of this tariff.

RATE OP

OFF PEAK

(2) Off Peak Gas (i.e., Gas in excess of Firm Use) shall be billed in accordance with the following:

<u>Base</u> <u>Rate</u>	<u>Gas</u> <u>Cost</u> <u>Adjustment</u>	<u>Total</u> <u>Rate</u>
----------------------------	--	-----------------------------

All consumption 4.68¢ plus 50.44¢ equals 55.12¢ per 100 cu. ft.

The "Gas Cost Adjustment" as shown above, is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 19 of this tariff.