

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

THE APPLICATION OF THE UNION LIGHT,)
HEAT AND POWER COMPANY FOR AN ORDER) CASE NO.
AUTHORIZING A REVISION TO ITS GAS) 8995
COST ADJUSTMENT CLAUSE)

O R D E R

On February 28, 1984, The Union Light, Heat and Power Company ("Union") notified the Commission that it proposed to revise its gas cost adjustment clause ("GCA") effective for bills rendered on and after March 31, 1984. In order to determine the reasonableness of the proposal, the Commission suspended the proposed changes for 5 months after the proposed effective date.

Union's GCA currently in effect was approved by Order issued April 16, 1982, in Case No. 8373. The GCA provides for matching revenues with gas costs on a dollar for dollar basis. Any mismatch, during a reporting period, is included in the balancing adjustment ("BA") for recovery or refunding in a subsequent period.

The dollar matching principle has worked well; however, the BA has shown a tendency to vary significantly due to the weather sensitivity of gas sales. Union's proposed revision would diminish these variances by providing an adjustment for each quarter of the year that would remain in effect for a full 12 months. The current BA would be renamed the actual adjustment ("AA"). A new BA would be created and defined as an adjustment to

reconcile previous adjustments at the end of the 12 months that they have been in effect. The Commission is continuing its investigation into methods of eliminating the seasonal swings in adjusting actual gas cost to sales and is hopeful that Union will continue its efforts to further reduce these variances.

Union's proposed revised GCA mirrors the GCA of Delta Natural Gas company, Inc., approved by this Commission in Case No. 8866. The mechanism provides a very clear method for reporting the actual dollar recovery of gas cost. In addition to diminishing the size of variances, the proposed revision is a more equitable method of distributing adjustments among customers served.

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

1. Union's proposed revision to its GCA clause is fair, just and reasonable and in the public interest and should be effective with its regular gas cost recovery rate which becomes effective for bills rendered on and after June 30, 1984.

2. Union should submit a proposal to the Commission showing how it plans to transfer the balance in the current BA which will be renamed AA.

IT IS THEREFORE ORDERED that Union's GCA clause be revised as set out in the Appendix to this Order.

IT IS FURTHER ORDERED that the revised GCA be effective with gas cost recovery rates which will become effective with bills rendered on and after June 30, 1984.

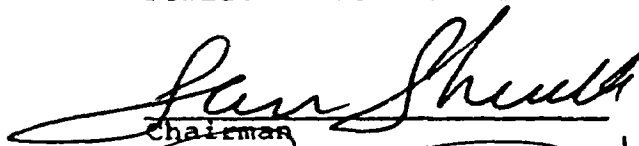
IT IS FURTHER ORDERED that within 20 days of the date of this Order Union shall file a plan with the Commission showing how

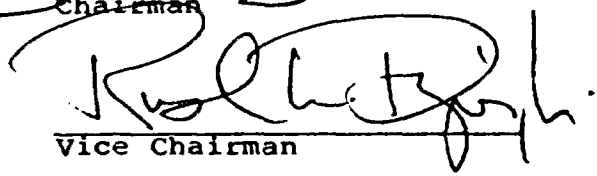
it proposes to transfer the balance in the former BA which has been renamed AA.

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 GCA authorized herein.

Done at Frankfort, Kentucky, this 2nd day of May, 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8995 DATED MAY 2, 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.

GAS COST ADJUSTMENT CLAUSE

DETERMINATION OF GCRE AND GCRN

The Company shall file a quarterly report with the Commission which shall contain updated gas cost recovery rates (GCRE, GCRN) and shall be filed at least thirty (30) days prior to the beginning of each calendar quarter. The GCRE and GCRN shall become effective for billing with the final meter readings of the first billing cycle of each calendar quarter.

The gas cost recovery rates are comprised of:

- (1) The expected gas cost component (EGC) on a dollar per MCF basis, rounded to the nearest 0.1 cent, which represents the average cost of gas supplies including propane.
- (2) The supplier refund adjustment (RA) on a dollar per MCF basis, rounded to the nearest 0.1 cent, which reflects refunds received during the reporting period plus 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 cost

of refunding; except that portion of refunds applicable to the period prior to January 1, 1980, which are ultimately determined to be payable for sales to non-exempt industrial customers, which shall be paid in a lump sum as approved by the Commission.

- (3) The actual adjustment (AA) on a dollar per MCF basis, rounded to the nearest 0.1 cent, which compensates for any previous over or under collections of gas cost experienced by the Company through the operation of this gas cost recovery procedure.
- (4) The balance adjustment (BA) on a dollar per MCF basis, rounded to the nearest 0.1 cent, which compensates for any under or over collections which have occurred as a result of prior adjustments.
- (5) The incremental pricing credit component (IPC) on a dollar per MCF basis, rounded to the nearest 0.1 cent, which distributes to exempt customers the monies collected by the Company from non-exempt customers under provisions of the Natural Gas Policy Act of 1978 (NGPA).
- (6) The incremental pricing surcharge (IPS) on a dollar per MCF basis, rounded to the nearest 0.1 cent, not included in the determination of the GCRE, which provides for compliance with the provisions of the NGPA applying to non-exempt customers.

BILLING

The gas cost recovery rate to be applied to bills of exempt customers shall equal the sum of the following components:

$$\text{GCRE} = \text{EGC} + \text{RA} + \text{AA} + \text{BA} + \text{IPC}$$

The gas cost recovery rate to be applied to bills of non-exempt customers shall equal the sum of the following components:

$$\text{GCRN} = \text{EGC} + \text{RA} + \text{AA} + \text{BA} + \text{IPC} + \text{IPS}$$

DEFINITIONS

- (B) "GCR" means the sum of the expected gas cost component plus the supplier refund adjustment plus the actual adjustment plus the balancing adjustment; i.e., $\text{GCR} = \text{EGC} + \text{RA} + \text{AA} + \text{BA}$.