

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE PROPOSED REVISION OF LOUISVILLE)
GAS AND ELECTRIC COMPANY OF ITS) CASE NO. 9133
PURCHASED GAS ADJUSTMENT CLAUSE)

O R D E R

On August 30, 1984, Louisville Gas and Electric Company ("LG&E") filed a proposal with this Commission to revise its purchased gas adjustment clause. LG&E's proposed clause would provide a uniform adjustment for all customers through quarterly filings. The proposed clause is similar to those authorized by the Commission and recently implemented by Delta Natural Gas Company, Inc., and The Union Light, Heat and Power Company, Inc. LG&E's proposed quarterly Gas Supply Cost Adjustment ("GSCA") would be the total of three components: the Gas Supply Cost Component ("GSCC"), Gas Cost Balance Adjustment ("GCBA") and the Refund Factor ("RF").

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

1. The computation of the GSCC would include gas in storage. The cost of inventory has been an item of concern to the Commission in LG&E's recent rate cases. The proposed methodology will remove all gas costs from future rate cases. Because of the

need to maintain an accurate assessment of storage levels, LG&E proposed to use temperature adjusted historical volumes rather than actual historical volumes in the determination of its gas cost recovery rate.

2. The GCBA would account for previous over-/under-recoveries of gas costs. LG&E proposed to maintain this balance in a rolling lump sum. The Commission is of the opinion that LG&E should segregate its tracking of over-/under-recoveries into an actual adjustment for each quarter, to be recovered over 12 months, and a final balance adjustment that would account for any amounts remaining, at the end of the 12 months, and be in effect for 3 months. This method leaves a path to trace actual dollars from any quarter rather than maintaining a single balance.

3. LG&E proposed to retain the total rate per 100 cubic feet authorized in its last rate case, which includes 35.720 cents as gas costs, rather than putting all gas costs in the GSCA determined in the quarterly filings. To avoid customer confusion at the present time, the Commission will allow such a practice. However, with LG&E's next rate case all gas costs will be included in the GSCA and all other costs will be set out as the distribution cost.

4. LG&E's proposed GSCA clause is fair, just and reasonable and in the public interest and should be approved and implemented effective May 1, 1985.

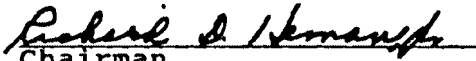
IT IS THEREFORE ORDERED that LG&E's GSCA clause be revised as set out in the Appendix to this Order.

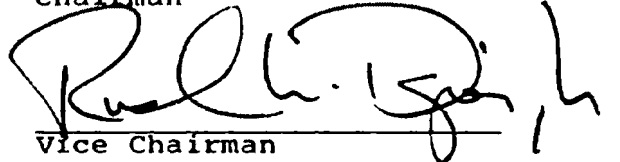
IT IS FURTHER ORDERED that the GSCA is authorized and shall be implemented for service rendered on and after May 1, 1985.

IT IS FURTHER ORDERED that within 30 days of the date of this Order LG&E shall file with this Commission its revised tariffs setting out the GSCA clause authorized herein.

Done at Frankfort, Kentucky, this 7th day of January, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9133 DATED January 7, 1985

The following rates and charges are prescribed for the customers in the area served by the Louisville Gas and Electric Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

GAS SUPPLY COST ADJUSTMENT

Applicable to:

All gas sold.

Gas Supply Cost Adjustment:

The monthly amount computed at the charge specified in each of the rate schedules to which this Gas Supply Cost Adjustment is applicable shall be increased or decreased by the following charge: X.XXX¢ per 100 cubic feet of gas used during the period covered by bill

Derivation of above adjustment:

Gas Supply Cost Component (GSCC) - Current	XX.XXX¢
Less: Gas Supply cost Component - Base	<u>35.720</u>
Supply Cost Adjustment	X.XXX
Gas Cost Actual Adjustment (GCAA)	X.XXX
Gas Cost Balance Adjustment (GCBA)	<u>X.XXX</u>
Total Supply Cost, Actual and Balance Adjustment	X.XXX¢
Refund Factor effective and continuing for twelve months or until Company has discharged its refund obligation from Case No.	(.XXX)
Refund Factor effective and continuing for twelve months or until Company has discharged its refund obligation from Case No.	<u>(.XXX)</u>
Total of Refund Factors Per 100 Cubic Feet	<u>(X.XXX)</u>
Total Adjustment Per 100 Cubic Feet	X.XXX¢

The monthly amount computed under each of the rate schedules to which this Gas Supply Cost Adjustment is applicable shall be increased or decreased at a rate per 100 cubic feet of consumption calculated for each three-month period in accordance with the following formula:

$$\text{GSCA} = (\text{GSCC} - 35.720\text{¢}) + \text{GCAA} + \text{GCBA} + \text{RF}$$

where:

(GSCC) is the expected average Gas Supply Cost Component per 100 cubic feet for each three-month period determined by dividing the sum of the monthly gas supply costs by the expected deliveries to customers. Monthly gas supply cost is composed of the following:

- (a) Expected total purchases at the filed rates of Company's wholesale supplier of natural gas, minus
- (b) Portion of such purchase cost expected to be used for non-Gas Department purposes, minus
- (c) Portion of such purchase cost expected to be injected into underground storage, plus
- (d) Expected underground storage withdrawals at the average unit cost of working gas contained therein;

(35.720¢) is the Gas Supply Cost Component incorporated in the Public Service Commission's prescribed base rates for Company in Case No. 8924;

(GCAA) is the Gas Cost Actual Adjustment per 100 cubic feet which compensates for differences between the previous quarter's expected gas cost and the actual cost of gas during that quarter.

(GCBA) is the Gas Cost Balance Adjustment per 100 cubic feet which compensates for any under- or over-collections which have occurred as a result of prior adjustments.

(RF) is the sum of the Refund Factors set forth on Sheet No. 12 of this tariff.

Company shall file a revised Gas Supply Cost Adjustment (GSCA) every three months giving effect to known changes in the rates of its wholesale supplier and the cost of gas deliveries from underground storage. Such filing shall be made at least twenty days prior to the beginning of each three-month period and shall include the following information:

- (1) A copy of the tariff rate of Company's wholesale gas supplier applicable to such three-month period.
- (2) A statement, through the most recent three-month period for which figures are available, setting out the accumulated costs recovered hereunder compared to actual gas supply costs recorded on the books.
- (3) A statement setting forth the supporting calculations of the Gas Supply Cost Component (GSCC) and the Gas Cost Actual Adjustment (GCAA) and the Gas Cost Balance Adjustment (GCBA) applicable to such three-month period.

To allow for the effect of Company's cycle billing, each change in the GSCA shall be placed into effect with service rendered on and after the first day of each three-month period.

In the event that the Company receives from its supplier a refund of amounts paid to such supplier with respect to a prior period, the Company will make adjustments in the amounts charged to its customers under this provision, as follows:

- (1) The "Refundable Amount" shall be the amount received by the Company as a refund less any portion thereof applicable to gas purchased for electric energy production. Such Refundable Amount shall be divided by the number of hundred cubic feet of gas that Company estimates it will sell to its customers during the twelve-month period commencing with the first day of the month following receipt of the refund, thus determining a "Refund Factor."
- (2) Effective with meter readings taken on and after the first day of the second month following receipt of the refund, the Company will reduce by the Refund Factor so determined the Gas Supply Cost Adjustment that would otherwise be applicable during such twelve-month period. Provided, however, that the period of reduced Gas Supply Cost Adjustment will be adjusted, if necessary, in order to refund as nearly as possible the Refundable Amount.
- (3) In the event of any large or unusual refunds, the Company may apply to the Public Service Commission of Kentucky for the right to depart from the refund procedure herein set forth.