

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)
FILING OF THE UNION LIGHT,) CASE NO. 9029-P
HEAT AND POWER COMPANY)

INTERIM ORDER

On October 24, 1984, the Commission issued its Order in Case No. 9029, 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 August 31, 1988, The Union Light, Heat and Power Company ("Union") filed its revised quarterly gas cost adjustment which is to become effective October 1, 1988, and is to remain in effect until December 31, 1988. In this filing, Union included its take-or-pay charges from pipeline suppliers along with a methodology for recovering these billings through its GCA. The methodology proposed to divide the costs only over tariff sales and not total throughput, which excludes transportation customers.

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

(1) Union's notice of August 31, 1988 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 suppliers in the amount of \$2,610,142 or 24.6 cents per Mcf, exclusive of take-or-pay charges.

(2) Union's notice set out a total refund adjustment of 1.1 cents per Mcf, which is a combination of a previous quarter's adjustment and the current quarter's adjustment.

(3) Union's notice set out a total actual adjustment of 13.0 cents per Mcf to compensate for previous over-recovery of gas cost by the company through the operation of its gas cost recovery procedure.

(4) Union's notice set out a total balance adjustment of 0.6 cents per Mcf to reconcile previous actual, refund and balance adjustments.

(5) Union set out an annualized take-or-pay charge of \$509,316, or 4.8 cents per Mcf.

(6) The Commission is concerned that approval of Union's recovery of take-or-pay charges using its proposed methodology would not be in the best interest of all of Union's customers and would be inconsistent with methodologies approved for other utilities. Union should be given an opportunity to make its case before this Commission and to produce any evidence as to why its proposed methodology of excluding transportation customers from any take-or-pay responsibility is fair, just, and reasonable and in the public interest.

(7) The issue of the appropriate recovery methodology of take-or-pay charges should be held over for hearing.

(8) Until a Final Order approving a recovery methodology is issued in this case, the fixed charge recovery component should be withheld from Union's gas cost recovery rate.

(9) On a date that is mutually convenient, Union and the Commission's Staff should hold an informal conference prior to the hearing to discuss the alternatives for take-or-pay recovery through the GCR mechanism. At that informal conference, Union should present for the Staff's information an alternative take-or-pay recovery calculation in which transportation volumes will be included. If any tariff change would be necessary to allow such billings to transportation customers, that should also be discussed at the conference.

(10) Union's gas cost recovery rate for exempt customers in the amount of \$3.047 per Mcf, which excludes the fixed charge recovery component, is an increase of 31.3 cents per Mcf from the previously authorized rate. This increase represents the combined effect of the supplier increase, actual, refund and balancing adjustments.

(11) Union's adjustment in rates, excluding any fixed charge recovery, 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 October 1, 1988, or as soon as practicable thereafter.

IT IS THEREFORE ORDERED that:

(1) The rates proposed by Union be and they hereby are denied. The rates in the Appendix to this Order be and they hereby are authorized effective with bills rendered on and after October 1, 1988, or as soon as practicable thereafter.

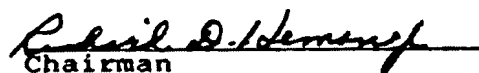
(2) The gas cost recovery rate for exempt customers shall be \$3.047 per Mcf.

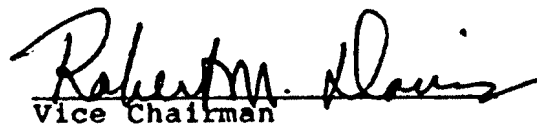
(3) A hearing be and it hereby is scheduled for Monday, October 31, 1988 at 1:30 P.M., Eastern Standard Time, in the Commission's offices at Frankfort, Kentucky. The purpose of the hearing is to more fully consider the issues discussed herein.

(4) An informal conference shall be scheduled by the Commission's Staff with Union prior to the hearing.

Done at Frankfort, Kentucky, this 3rd day of October, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. 9029-P DATED 10/3/88

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

Customer Charge per month:	
Residential Service	\$4.50
Non-Residential Service	\$6.00

	Base Rate	Gas Cost Adjustment		Total Rate
All Gas Used	13.91¢	plus 30.47¢	equals	44.38¢ per 100 cu. ft.

Minimum Bill: The minimum monthly charge shall be the customer charge as stated above.

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

	Base Rate	Gas Cost Adjustment		Total Rate
All Gas Used	7.39¢	plus 30.47¢	equals	37.86¢ 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 OF
OFF PEAK

NET MONTHLY BILL

Computed in accordance with the following charges:

(1) Firm Use shall be billed in accordance with Rate GS, General Service;

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

	<u>Base</u>	<u>Gas</u>		<u>Total</u>
	<u>Rate</u>	<u>Cost</u>		<u>Rate</u>
		<u>Adjustment</u>		
All Gas Used	4.42¢	plus 30.47¢	equals	34.89¢ 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.