

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED)	
GAS ADJUSTMENT FILING OF)	CASE NO. 8735-F
B & H GAS COMPANY)	

ORDER

On May 31, 1983, the Commission issued its Order in Case No. 8735 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased or a refund is received.

B & H Gas Company's ("B & H") current retail rates are designed to recover only the cost of gas from its primary supplier, Bradley and Son Oil and Gas Company. During certain months of the year, however, B & H also purchases gas from Kentucky West Virginia Gas Company ("Ky. West"). On February 10, 1989, B & H filed with this Commission a proposal to institute a surcharge to recover the cost of gas for the calendar year 1988 from Ky. West, to be effective April 1, 1989.

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

(1) B & H proposed to implement a surcharge in the amount of 36 cents per Mcf to recover its cost of gas from Ky. West. The surcharge was calculated by dividing calendar year 1988 purchased gas expense from Ky. West by B & H's 1988 sales volumes for the

months January through October 1988. The sales volume from the months January, February, and March 1988 should not have been included in the calculation of the surcharge for 1989 because recovery will not begin until April 1, 1989. Correcting this calculation to include only the sales volumes from the months April through November of 1988 yields a surcharge of 69 cents per Mcf. The sales from the month of November 1988 were included to lessen the monthly impact of the surcharge on B & H's customers.

(2) The surcharge should begin April 1, 1989 and should continue through November 1989 or until any undercollections of the cost of gas from Ky. West are recovered.

(3) Within 30 days from the date the surcharge is terminated, B & H should file a summary statement reconciling supplier billings from Ky. West and the amount collected from and returned to customers.

(4) B & H is currently filing to recover the cost of gas from Ky. West using a surcharge mechanism approved by the Commission in an Order entered in Case No. 8735-D on December 24, 1986. According to the mechanism described in that Order, B & H is to file in January of each year to recover Ky. West purchased gas costs from the previous heating season. Because B & H has traditionally purchased gas from Ky. West in all but the summer months, it is the Commission's opinion that it is more reasonable for B & H to file for its annual surcharge adjustment to recover the purchased gas cost from Ky. West during the summer of each year. This would allow a more timely matching of expense and recovery, especially for the Ky. West purchases for the winter

heating season. Therefore, the Commission is of the opinion that the mechanism set up in Case No. 8735-D should be changed accordingly.

On August 1, 1989, B & H should file its surcharge adjustment using the following revised filing requirement. This schedule should be used on and after August 1, 1989. On August 1, 1989, B & H should file to recover Ky. West purchased gas expense incurred from January to August 1989. B & H should request, in its August 1, 1989 filing, that the surcharge should be effective with gas supplied on and after September 1, 1989. The surcharge calculation should divide the purchased gas cost from Ky. West for the months January through August 1, 1989 by 6 months of B & H's sales volumes from September 1, 1988 through March 1, 1989 (6 months). This calculation is made on 6 months of sales volumes in order to correspond to the number of months that purchases were made from Ky. West. It is assumed, for the purposes of this Order, that B & H will purchase gas from Ky. West for 6 months prior to August 1, 1989, probably during the months January through June. Should B & H purchase gas from Ky. West for less or more than 6 months, the months used for sales volumes should be changed accordingly.

(5) On August 1 in all future years, B & H should file to recover purchased gas cost from Ky. West beginning in October 1 of the previous year through the last month purchases took place prior to August 1 of the filing year.

(6) B & H's adjustment in rates represented by the surcharge contained in the Appendix to this Order and authorized under the

purchased gas adjustment provision approved by the Commission in its Order in Case No. 8735 dated May 31, 1983 is fair, just, and reasonable and in the public interest and should be effective with gas supplied on and after April 1, 1989.

IT IS THEREFORE ORDERED that:

(1) The corrected surcharge contained in the Appendix to this Order, attached and incorporated hereto, be and it hereby is authorized effective April 1, 1989 and shall terminate in November of 1989 or when undercollections resulting from purchases from Ky. West have been recovered.

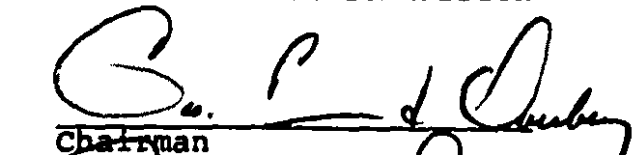
(2) Within 30 days of the date of this Order, B & H shall file with this Commission its revised tariffs setting out the surcharge authorized herein.

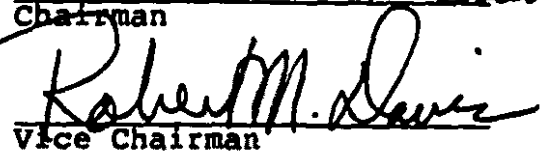
(3) Within 30 days of the date the surcharge is terminated, B & H shall file a reconciliation showing billings from Ky. West and customer collections.

(4) B & H shall comply with the revised filing requirement contained herein beginning August 1, 1989.

Done at Frankfort, Kentucky, this 29th day of March, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8735-F DATED 3/29/89

The following rates and charges are prescribed for the customers served by B & H Gas 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.

RATES:

First 2 Mcf	\$8.6807 (Minimum Bill)
Next 8 Mcf	4.0183 per Mcf
Next 20 Mcf	3.6965 per Mcf
Over 30 Mcf	3.5033 per Mcf

A surcharge in the amount of 69 cents per Mcf shall be added to the approved rates.