

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSAL OF BELFRY GAS)
COMPANY, INC., TO RECOVER ITS)
MONTHLY DEMAND SURCHARGES AND) CASE NO. 89-004
RETURN REFUNDS TO ITS CUSTOMERS)

O R D E R

On December 1, 1988, the Commission received a letter from Mr. Donald R. Taylor of Belfry Gas, Inc. ("Belfry"), informing the Commission that Belfry had certain refunds to return to its customers as well as a monthly demand surcharge to collect from its customers. Belfry proposes to apply the \$32.44 monthly surcharge to the \$2,447.99 in refunds over the 5-year life of the surcharge. Belfry contends that netting the two amounts together is a reasonable and systematic approach to accounting for the refund and the surcharges.

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

(1) Belfry's proposed refund/surcharge methodology is reasonable and should be approved effective with the date of this Order.

(2) Belfry should calculate interest on its refund compounded annually at a rate equal to the average of the "3-Month Commercial Paper Rates" less 1/2 of 1 percent to cover the costs of refunding. These monthly rates are reported in the Federal Reserve Bulletin and the Federal Reserve Statistical Release.

(3) Belfry should give an on-going accounting in its purchased gas adjustment ("PGA") filings of the application of surcharge billings to refunds owed to the customers.

(4) When the 5-year surcharge period is completed, Belfry should file with this Commission a reconciliation showing the total amount of surcharges collected and refunds made.

IT IS THEREFORE ORDERED that:

(1) Belfry's proposed refund/surcharge methodology shall be approved effective with the date of this Order to continue during the 5-year life of the surcharge.

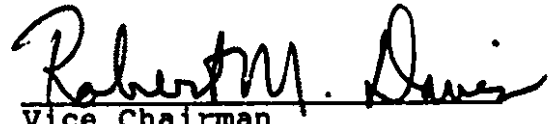
(2) Belfry shall return the total amount refunded plus interest at a rate calculated as directed herein.

(3) Belfry shall provide an on-going accounting in its PGA filings of the amounts collected and refunded through this methodology, as well as a reconciliation at the end of the 5-year surcharge period.

Done at Frankfort, Kentucky, this 20th day of January, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director