

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF LOUISVILLE)	CASE NO. 90-158-D
GAS AND ELECTRIC COMPANY)	

O R D E R

On December 21, 1990, the Commission issued its Order in Case No. 90-158 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates on a quarterly basis in accordance with the provisions of the gas supply clause ("GSC") set forth therein.

On October 1, 1991, Louisville Gas and Electric Company ("LG&E") filed its quarterly GSC, which is to become effective November 1, 1991 and is to remain in effect through January 30, 1992.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. LG&E's notice of October 1, 1991 set out certain revisions in rates which LG&E proposed to place into effect, said rates being designed to pass on to its customers the expected wholesale increase in gas costs from its suppliers in the average amount of 5.137 cents per 100 cubic feet, including take-or-pay billings. LG&E's expected gas supply cost for the quarter beginning November 1, 1991 is 27.811 cents per 100 cubic feet, or \$2.7811 per Mcf.

2. LG&E's notice reflected no current refund factor. The total refund factor for sales customers is .2210 cents per 100 cubic feet. The change in the refund factor for sales customers from last quarter to the current quarter results in an increase in retail rates of .0009 cents per 100 cubic feet.

3. LG&E proposed a current quarter actual adjustment of 0.001 cents per 100 cubic feet to compensate for underrecovery of gas cost by the Company through the operation of its gas cost recovery procedure during the months of May, June, and July 1991. The total actual adjustment of (1.988) cents per 100 cubic feet, which is designed to correct the current underrecovery as well as under- and over-collections from three previous quarters, results in a .147 cent per 100 cubic feet increase in LG&E's retail rates from last quarter.

4. LG&E proposed a balance adjustment in the amount of (.107) cents per 100 cubic feet, which replaces the previous adjustment of .594 cents. This balance adjustment compensates for over-collections which occurred as a result of previous actual and balance adjustments. The effect on retail rates is a .701 cent per 100 cubic feet decrease.

5. The combined effect of the above adjustments is LG&E's proposed total gas supply cost component of 25.495 cents per 100 cubic feet, an increase from its last approved GSC of 6.581 cents per 100 cubic feet, or 65.81 cents per Mcf. This increase represents the combined effect of the supplier increase, actual, balance, and refund adjustments.

6. The adjustment in rates set out in the Appendix to this Order, determined under the GSC provisions approved by the Commission in its Order in Case No. 90-158 dated December 21, 1990, is fair, just, and reasonable, in the public interest, and should be effective with gas supplied on and after November 1, 1991.

IT IS THEREFORE ORDERED that:

1. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable and are approved effective with gas supplied on and after November 1, 1991.

2. Within 30 days from the date of this Order, LG&E shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 31st day of October, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 90-158-D DATED 10/31/91

The following rates and charges are prescribed for the customers served by Louisville Gas and Electric 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 Supply Cost Adjustment

The total Gas Supply Cost Component shall be 25.495 cents per 100 cubic feet during the period covered by the bill.

The base rates for the future application of the gas supply cost adjustment clause of Louisville Gas and Electric Company shall be:

	<u>Monthly Demand Charge</u>	<u>Commodity Charge</u>
Texas Gas Transmission Corporation		
Rate G-4	\$3.81	237.58¢ (Nov. estimate)

that did alleviate the problem slightly, it was not enough to bring the system into compliance.

In February 1990, Tri-Village terminated its relationship with PEH and retained Kennoy Engineers ("Kennoy") as its engineer. Kennoy was of the opinion that the original proposal was too small to be approved by the FmHA for financing and proposed that the size of the project be enlarged to increase the likelihood of obtaining funding. It recommended that Tri-Village expand its proposed project to provide service to all of Owen County and increase its customer base by 1,400 customers. The estimated cost of the expanded project was \$2,323,000. Tri-Village applied for financing to the FmHA for the project and its application was denied.

Tri-Village also explored the possibility of buying treated water from Gallatin County to serve approximately 100 of its customers who reside in the community of Glencoe. Although the construction portion of the project was estimated to cost \$4,000, it required two hydraulic studies, one of Gallatin County and one of Owen County, at an estimated cost of \$12,000. Because of the high cost of the studies, Tri-Village did not deem the project to be feasible. A major obstacle to Tri-Village in obtaining financing is an inadequate water supply and poor water quality. The city of Owenton, Tri-Village's sole supplier, lacks sufficient water production capacity to meet Tri-Village's demand. Any project for further expansion of the customer base requires that Owenton increase its capacity or that new sources of water be found. Although Owenton has applied to the FmHA for funding to

finance an expansion of its treatment plant, its applications have also been denied.

Another major problem facing Tri-Village in its attempts to obtain financing is the presence of high levels of trihalomethane, a carcinogen in the water, that it receives from Owenton.⁵ Trihalomethanes are produced when organic matter in the water combines with chlorine used to treat the water. The water that Owenton sells is derived from pools with high levels of organic matter which, in turn, results in high levels of trihalomethanes. The Kentucky State Clearinghouse, the state agency designated to review and approve all requests for FmHA funding, refuses to approve and endorse Tri-Village's request for funding until the trihalomethane level of its water is reduced. However, only Owenton has the facilities to address the problem.

CONCLUSIONS OF LAW

Tri-Village is a utility subject to the jurisdiction of this Commission and required to provide utility service in accordance with the Commission's regulations. Failure to meet this obligation may subject Tri-Village or its Board of Commissioners, or both, to the penalties provided in KRS 278.990. The failure to provide water service to all of Tri-Village's customers at

⁵ The city of Owenton was notified on February 5, 1991 by the Division of Water of the Natural Resources and Environmental Protection Cabinet that its water exceeded the allowed total trihalomethane maximum contaminant level for the last quarter of 1989 and the third quarter of 1990 according to the "Notice of Violation," a copy of which is appended to this Order.