

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST)	
ADJUSTMENT FILING OF VALLEY)	CASE NO. 89-103-C
GAS, INC.)	

O R D E R

On November 9, 1989, the Commission issued its Order in Case No. 89-103 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.

On June 10, 1992, Valley Gas, Inc. ("Valley") filed its quarterly gas cost adjustment ("GCA"), which is to become effective July 10, 1992 and is to remain in effect until October 1, 1992. On June 29, 1992, Valley filed additional clarifying information.

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

1. Valley's notice of June 10, 1992 set out certain revisions in rates which Valley proposed to place into effect, said rates being designed to pass on to its customers its wholesale decrease in gas cost from its supplier. Valley's proposed expected gas cost ("EGC") was not BTU-adjusted or based on its most current supplier cost. Using the price and the BTU conversion factor of 1022 contained in Valley's May 1992 bill from

Texas Gas Transmission Corporation, the resulting EGC beginning July 10, 1992 is \$2.5855 per Mcf.

2. Valley's notice contained no refund adjustment.

3. Valley's notice included an actual adjustment which did not use its last approved EGC in calculation of under- and over-recoveries. Correcting for this error produces an actual adjustment of 15.34 cents per Mcf, which will compensate for under- and over-collections from three previous quarters.

4. The combined effect of the above adjustments is Valley's gas cost recovery rate ("GCR") in the amount of \$2.7389 per Mcf, which is an increase of 35.72 cents per Mcf from its last approved rates.

5. Valley's corrected adjustment in rates, set out in the Appendix to this Order, pursuant to the GCA provisions approved by the Commission in its Order in Case No. 89-103 dated November 9, 1989 is fair, just, and reasonable, in the public interest, and should be effective with service rendered on and after July 10, 1992.

IT IS THEREFORE ORDERED that:

1. Valley's proposed adjustment in rates be and it hereby is denied.

2. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable and are approved effective with service rendered on and after July 10, 1992.

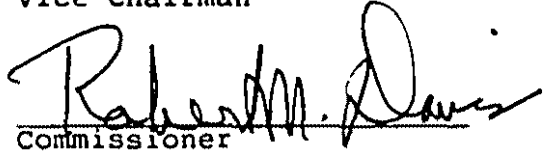
3. Within 30 days of the date of this Order, Valley shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 10th day of July, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 89-103-C DATED July 10, 1992

The following rates and charges are prescribed for the customers served by Valley Gas, Inc. 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 effective date of this Order.

RATES:

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
Customer Charge			\$3.40
All Mcf	\$1.0628	\$2.7389	\$3.8017