

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF MIKE)	CASE NO. 93-400-E
LITTLE GAS COMPANY, INC.)	

O R D E R

On December 17, 1993, in Case No. 93-400, the Commission approved the merger of Elzie Neeley Gas Company, Inc. ("Elzie Neeley") and Phelps Gas Company, Inc. ("Phelps") into Mike Little Gas Company, Inc. ("Mike Little") and provided for the adjustment of rates of the merged companies on a quarterly basis in accordance with the provisions of Mike Little's gas cost adjustment ("GCA") clause.

On December 29, 1994, Mike Little filed its GCA to be effective February 1, 1995 until April 30, 1995. On January 26, 1995 the Commission suspended the proposed rates in order to gather further information regarding Mike Little's addition of an affiliated supplier.

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

1. Mike Little's notice proposed revised rates designed to pass on its expected wholesale decrease in gas cost to its customers. Mike Little's proposed expected gas cost ("EGC") of \$4.1977 per Mcf was based on the Intrastate Utility Service ("IUS") rate of Columbia Gas of Kentucky ("Columbia") that was effective at the time of its filing.

After consideration of all aspects of Mike Little's new supply arrangement with Kinzer-Timmus-Greer Joint Venture ("Joint Venture"), including its addition of new customers along the supply line, the reimbursement of Mike Little's expenses plus profit, and the current competitive price of Columbia relative to Mike Little's other source of supply, the IUS rate appears reasonable for the pricing of Joint Venture's volumes. The Commission will revisit this pricing provision in one year to ensure that Mike Little's customers continue to benefit from reasonably competitive prices.

Mike Little's EGC should reflect Columbia's current IUS rate of \$3.5622 per Mcf. The EGC for the remainder of the quarter should be \$3.5918.

2. Mike Little's notice set out no refund adjustment.

3. Mike Little's notice set out a current quarter actual adjustment ("AA") of 1.06 cents per Mcf to recoup unrecovered gas cost from August, September and October 1994. The underrecovery of \$750 which Mike Little proposes to collect for these months includes the cost of minimum volumes billed by Columbia pursuant to its IUS contract that were not used by Mike Little. Mike Little's customers should not bear the cost of these volumes, as the shortfall in purchases from Columbia was due to the initiation of supply from Joint Venture. To ensure that ratepayers suffer no negative impact from the change in supply, 68 Mcf priced at the IUS rate of \$3.9846 and 83 Mcf priced at the IUS rate of \$4.1391 should be removed from August and September gas cost, respectively. The current AA should be .23 cent per Mcf.

The total AA of 2.04 cents per Mcf reflects the net under-recovery of the combined system for the current and previous three quarters.

4. These adjustments produce a gas cost recovery rate ("GCR") of \$3.6122 per Mcf, 67.75 cents per Mcf less than the prior rate.

5. The rate adjustments in the Appendix to this Order are fair, just, and reasonable, in the public interest, and should be effective for gas supplied on and after the date of this Order.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Mike Little be and they hereby are denied.

2. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable, and are effective for gas supplied on and after the date of this Order.

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

4. In its April 1, 1996 filing for rates effective May 1, 1996, Mike Little shall include a report of additional customers hooked up to the new Joint Venture supply line, along with a comparison of the IUS rate to other available rates.

Done at Frankfort, Kentucky, this 15th day of March, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 93-400-E DATED March 15,1995

The following rates and charges are prescribed for the customers in the area served by Mike Little Gas Company, 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 FOR CUSTOMERS FORMERLY SERVED BY MIKE LITTLE GAS COMPANY

Monthly

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
First 1 Mcf - Minimum Bill	\$2.8211	\$3.6122	\$6.4333
Over 1 Mcf	2.6040	3.6122	6.2162

RATES FOR CUSTOMERS FORMERLY SERVED BY ELZIE NEELEY GAS COMPANY

Monthly

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
First 1 Mcf - Minimum Bill	\$3.4984	\$3.6122	\$7.1106
Over 1 Mcf	2.4658	3.6122	6.0780

RATES FOR CUSTOMERS FORMERLY SERVED BY PHELPS GAS COMPANY

Monthly

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
First 1 Mcf - Minimum Bill	\$4.3971	\$3.6122	\$8.0093
Over 1 Mcf	2.7670	3.6122	6.3792