

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST RECOVERY)	CASE NO. 98-244-B
FILING OF SIGMA GAS CORPORATION)	CASE NO. 98-244-C

O R D E R

On October 27, 1998, in Case No. 98-244, the Commission approved certain rates for Sigma Gas Corporation ("Sigma") and provided by tariff for their further adjustment on a quarterly basis in accordance with its approved gas cost adjustment ("GCA") clause.

On March 1, 1999, Sigma filed its GCA Case No. 98-244-B to be effective April 1, 1999 through June 30, 1999. On March 31, 1999, the Commission suspended Sigma's proposed rates in order to investigate the pricing of its gas supply. On June 1, 1999, Sigma filed its GCA Case No. 98-244-C to be effective July 1, 1999 through September 30, 1999.

After reviewing the records in these cases and being otherwise sufficiently advised, the Commission finds that:

1. In its notice of March 1, 1999 Sigma proposed revised rates designed to pass on to its customers its expected wholesale change in gas costs. Sigma proposed for the first time to include a fixed price from Alliance Energy Services (Alliance) of \$2.90 per Mcf in the calculation of its Expected Gas Cost (EGC). It also proposed to include a rate from Equitable Resources (Equitable) which includes 20 cents per Mcf

pursuant to a transportation agreement with Auxier Road Gas Company (Auxier) whereby Auxier transports those volumes across its system from Alliance and Equitable. In response to information Orders from the Commission, Sigma stated that Auxier is transporting Equitable s and Alliance s gas for Sigma, and that its rate from Alliance is a fixed rate of \$2.90 per Mcf.

Sigma s EGC should be set prospectively for the calendar quarter beginning July 1, 1999 based on the \$2.90 per Mcf price from Alliance, plus the 20 cents per Mcf transportation rate. It should also reflect the 20 cents per Mcf transportation rate that Auxier is now charging Sigma for transporting Equitable s gas. Sigma s proposed EGC in its filing of June 1, 1999, in Case No. 98-244-C is \$3.4590 per Mcf. It should be recalculated to reflect the \$3.10 per Mcf from Alliance instead of the market-based citygate estimate that Sigma had traditionally used in its calculation. Sigma s EGC should be \$3.2685 per Mcf, 6.8 cents per Mcf less than the prior EGC.

2. Sigma's notice set out no current refund adjustment.

3. Sigma's notices set out current quarter actual adjustments ("AAs") to return over-recovered gas cost from October 1998 through March 1999. These over-recoveries should be combined and collected through one current quarter AA to be effective July 1, 1999. The current AA should be (12.26) cents per Mcf, which will return total over-recoveries of \$5,207 to customers over the 12 months beginning July 1, 1999. The total AA of (21.36) cents per Mcf is composed of the current AA and previous quarter AAs, and represents an increase of 19.04 cents per Mcf from the prior total AA.

4. Sigma notices proposed current quarter balance adjustments ("BAs") to reconcile under-recoveries from previous AAs. The current BA, which is designed to

recover two quarters under-recoveries in the amount of \$1,291, should be 3.04 cents per Mcf. The total BA of 24.74 cents per Mcf represents an increase of .34 cent per Mcf over the prior total BA.

5. Sigma's revised gas cost recovery rate is \$3.3023 per Mcf, 12.58 cents per Mcf more than the previously authorized rate of \$3.1765 per Mcf.

6. Sigma's adjustment in rates contained in the Appendix to this Order is fair, just, and reasonable, in the public interest, and should be approved effective with bills rendered on and after July 1, 1999, and incorporates all adjustments proposed for both filings.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Sigma are hereby denied.
2. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable, and are authorized to be effective with bills rendered on and after July 1, 1999.
3. Within 30 days of the date of this Order, Sigma shall file with this Commission its revised tariffs setting out the rates approved herein.

Done at Frankfort, Kentucky, this 1st day of July, 1999.

By the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NOS. 98-244-B AND 98-244-C DATED JULY 1, 1999

The following rates and charges are prescribed for the customers in the area served by Sigma Gas Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

	<u>Base Rate</u>	<u>Gas Cost Recovery</u>	<u>Total</u>
First Mcf (Minimum Bill)	\$6.25	\$3.3023	\$ 9.5523
All Over 1st Mcf	\$4.5522	\$3.3023	\$ 7.8545