

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT FILING)	
OF ELAM UTILITY COMPANY)	CASE NO. 9845-I

ORDER

On July 30, 1987, the Commission issued its Order in Case No. 9845 approving certain adjustments in rates for Elam Utility Company ("Elam") 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 March 2, 2001, Elam filed its GCA to become effective from April 1, 2001 to June 30, 2001.

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

1. In its notice of March 2, 2001, Elam proposed revised rates designed to pass on to its customers its expected wholesale increase in gas costs. Elam's proposed EGC is \$7.9222 per Mcf. Elam incorrectly calculated its EGC on Schedule II by using historical purchased gas costs rather than estimates for the next quarter provided by its suppliers. Elam also used a purchase volume that was 95 percent of its sales volume. Elam should have multiplied the Average Expected Cost per Mcf Purchased by its purchase volume of 58,006 Mcf. The correct procedure is to use the actual purchase volumes unless the utility experienced line loss greater than 5 percent. If line loss is greater than 5 percent, then the purchase volume used is the sales volume

divided by .95. Correcting for this error produces a revised EGC of \$7.0407, 67 cents per Mcf more than the prior EGC of \$6.3707.

2. Elam's notice set out no refund adjustment.

3. Elam's notice set out a current quarter actual adjustment ("AA") of \$2.4581 per Mcf to collect under-recovered gas cost from prior periods. Elam used its prior GCA rather than its EGC to calculate its current quarter AA. Correcting for this error produces a current AA of \$2.4452 per Mcf. Elam proposed a total AA of \$2.2473 per Mcf. Elam incorrectly used its prior total AA as one of the components of its current total AA. Correcting for the current AA and the total AA produces a total AA of \$2.5865 per Mcf, representing an increase of \$2.4452 per Mcf from the total AA previously in effect.

4. Elam's notice set out no current quarter balance adjustment ("BA").

5. These adjustments produce a revised gas cost recovery rate of \$9.6272 per Mcf, an increase of \$3.1152 per Mcf from the prior rate of \$6.5120 per Mcf.

6. The rate adjustment in the Appendix to this Order is fair, just and reasonable, is in the public interest, and should be approved for service rendered on and after April 1, 2001.

IT IS THEREFORE ORDERED that:

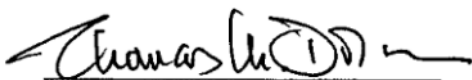
1. The rates in the Appendix to this Order are fair, just, and reasonable, and are effective for service rendered on and after April 1, 2001.

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

Done at Frankfort, Kentucky, this 30th day of March, 2001.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas H. Dixon", written over a horizontal line.

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9845-I DATED MARCH 30, 2001

The rates in this Appendix reflect both the new GCA as well as an increase in base rates approved in today's Order in Case No. 2000-432. The following rates and charges are prescribed for the customers served by Elam Utility Company. All other rates and charges not specifically mentioned herein shall remain in effect under authority of this Commission prior to the effective date of this Order.

RATES:

Residential

	<u>Base Rate</u>	<u>Gas Cost Adjustment</u>	<u>Total</u>
Customer Charge			\$6.15
First 11 Mcf	\$4.1214	\$9.6272	\$13.7486
Over 11 Mcf	5.1214	9.6272	14.7486

Industrial

Customer Charge			\$9.01
All Mcf	\$4.1214	\$9.6272	\$13.7486