

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT        )  
FILING OF PEOPLE'S GAS, INC.        )        CASE NO. 2009-00098

ORDER

On April 30, 2001, in Case No. 2001-00027, the Commission approved the transfer of the Phelps portion of the Mike Little Gas Co., Inc. ("Mike Little") system to People's Gas, Inc. ("People's") and provided for the adjustment of rates on a quarterly basis in accordance with Mike Little's Gas Cost Adjustment ("GCA") clause, which People's adopted and ratified as ordered in paragraph 3 of the Commission's Order approving the transfer.<sup>1</sup>

On March 3, 2009, People's filed a GCA to be effective April 1, 2009. Because People's GCA represents a decrease in rates, 30 days' notice is not required for an April 1 effective date. People's tariff states that its calendar quarters for GCA rates to be effective are the three-month periods beginning February, May, August, and November of each year, with GCA filings required no less than 30 days before the beginning of each calendar quarter. The Commission, therefore, considers this filing to be an interim filing, with the next quarterly filing required April 1, 2009 for rates to be effective May 1, 2009.

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<sup>1</sup> Case No. 2001-00027, Joint Petition of Mike Little Gas Company, Inc. and People's Gas Inc. for the Transfer of Gas Transmission Facilities and Joint Motion for Relief from Compliance Schedule (Ky. PSC Apr. 30, 2001).

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

1. People's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.

2. People's notice sets out an Expected Gas Cost ("EGC") of \$14.589 per Mcf, based on Columbia Gas of Kentucky's ("Columbia") Intrastate Utility Service ("IUS") rate. Columbia's IUS rate is updated quarterly when it revises its GCA. Although Columbia's most current GCA and IUS rates were approved after People's submitted its pending application, the Commission believes it is beneficial for People's GCA to reflect as accurately as possible the natural gas purchase costs it will actually incur until its next required filing. In light of this, Commission Staff ("Staff") updated the calculation of People's EGC to reflect Columbia's current IUS rate. Staff also corrected People's 12 months' purchases and sales to reflect the actual monthly purchase and sales volumes set out in the Actual Adjustment ("AA"). People's revised EGC is \$11.2767, which is a decrease of \$3.7141 from its prior EGC of \$14.9908. Staff's revised calculations are attached as Appendix B.

3. People's notice sets out no current quarter Refund Adjustment.

4. People's notice sets out no current quarter AA, although it provided sufficient calculations in its filing to reconcile under- and over-recoveries of gas cost for the 12-month period ended January 31, 2009. In order to reconcile People's gas cost collections for the months since its last AA calculation, staff calculated a current quarter AA of \$.7337. People's total AA is \$2.2100 per Mcf, which is comprised of the current quarter AA plus a previous quarter AA of \$1.4763. The total AA is an increase of

\$1.1888 per Mcf from its previous total AA of \$1.0212. Staff's calculations are attached as Appendix B.

5. People's notice proposes no current quarter Balance Adjustment ("BA"). In previous GCA filings, People's did not file to reconcile recoveries of gas through its AA of (\$.3040) which expired August 1, 2008 or through its AA of \$.4462 which should have expired March 1, 2008, but, due to People's failure to file for rates effective March 1, 2008, did not expire until August 1, 2008. In order to reconcile People's gas cost collections through the operation of these AAs, staff calculated a current quarter BA of (\$.1347). People's total BA of (\$.1347) per Mcf is a decrease of \$.1347 from its previous total BA. Staff's calculations are attached as Appendix B.

6. People's GCA is \$13.3520 per Mcf, which is a decrease of \$2.6600 per Mcf from its previous rate of \$16.0120.

7. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for billing for service rendered by People's on and after April 1, 2009.

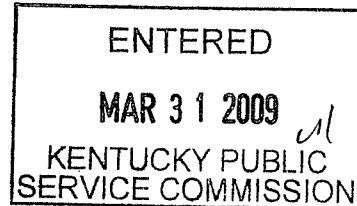
8. On or before April 1, 2009, People's should file its quarterly GCA for the calendar quarter beginning May 1, 2009.

IT IS THEREFORE ORDERED that:

1. The rates proposed by People's are denied.
2. The rates in Appendix A, attached hereto and incorporated herein, are approved for billing for service rendered on and after April 1, 2009.
3. Within 20 days of the date of this Order, People's shall file with this Commission its revised tariffs setting out the rates authorized herein.

4. On or before April 1, 2009, People's shall file its quarterly GCA for the calendar quarter beginning May 1, 2009.

By the Commission



ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2009-00098 DATED **MAR 3 1 2009**

The following rates and charges are prescribed for the customers in the area served by People's 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 date of this Order.

Monthly:

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
First 1 Mcf – Minimum Bill	\$4.3971	\$13.3520	\$17.7491
Over 1 Mcf	\$2.7670	\$13.3520	\$16.1190

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2009-00098 DATED **MAR 31 2009**

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$11.2767
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	\$2.2100
Balance Adjustment (BA)	\$/Mcf	(\$0.1347)
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$13.3520

to be effective for service rendered from **April 3, 2009 to July 1, 2009**

<u>A. EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$117,176.57
/Sales for the 12 months ended	\$/Mcf	10,391.00
Expected Gas Cost	\$/Mcf	\$11.2767
<u>B. REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	
=Refund Adjustment (RA)	\$ Mcf	\$0.0000
<u>C. ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	\$0.7337
+Previous Quarter Reported Actual Adjustment	\$/Mcf	
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$1.4763
=Actual Adjustment (AA)	\$ Mcf	\$2.2100
<u>D. BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	(\$0.1347)
+Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	
=Balance Adjustment (BA)	\$ Mcf	(\$0.1347)

SCHEDULE II  
 EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended January, 2009

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
Columbia Gas			13,179	\$10.71	\$141,185.31
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00

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Totals 13,179 \$141,185.31

Line loss for 12 months ended Jan, 2009 is based on purchases of 13,179.00  
 and sales of 10,391.00 Mcf. 21.15%

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)		\$141,185.31
/ Mcf Purchases (4)		13,179
= Average Expected Cost Per Mcf Purchased		\$10.7129
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		10,937.89
= Total Expected Gas Cost (to Schedule IA)		\$117,176.57

ACTUAL ADJUSTMENT

For the 12 month period ended January, 2009

Particulars	Unit	Feb., 08 Month 1	March, 08 Month 2	April, 08 Month 3	May, 08 Month 4	June, 08 Month 5	July, 08 Month 6	August, 08 Month 7	Sept, 08 Month 8	Oct, 08 Month 9	Nov, 08 Month 10	Dec, 08 Month 11	Jan., 2009 Month 12	
Total Supply Volumes Purchased	Mcf	1729	1483	846	552	552	555	571	437	790	1564	1845	2255	13,179.0
Total Cost of Volumes Purchased	\$	\$19,609.76	\$17,950.97	\$10,639.13	\$8,830.50	\$8,830.50	\$9,006.80	\$8,802.88	\$7,605.96	\$11,971.02	\$23,449.74	\$25,850.31	\$31,538.17	
/ Total Sales *	Mcf	1,753.9	1,408.9	942.1	524.4	524.4	527.3	542.5	415.2	750.5	1,485.8	1,752.8	2,260.9	
= Unit Cost of Gas	\$/Mcf	\$11.1807	\$12.7416	\$11.2930	\$16.8392	\$16.8392	\$17.0826	\$16.2280	\$18.3210	\$15.9507	\$15.7826	\$14.7484	\$13.9494	
- EGC in Effect for Month	\$/Mcf	\$11.1464	\$11.1464	\$11.1464	\$11.1464	\$11.1464	\$11.1464	\$14.9908	\$14.9908	\$14.9908	\$14.9908	\$14.9908	\$14.9908	
= Difference	\$/Mcf	\$0.0343	\$1.5952	\$0.1466	\$5.6928	\$5.6928	\$5.9362	\$1.2372	\$3.3302	\$0.9599	\$0.7918	(\$0.2424)	(\$1.0414)	
x Actual Sales during Month	Mcf	1,753.9	740.4	942.1	342.1	342.1	342.1	352.7	331.6	541.1	1,165.3	1,276.5	2,260.9	10,390.8
= Monthly Cost Difference	\$	\$60.09	\$1,181.07	\$138.11	\$1,947.52	\$1,947.52	\$2,030.77	\$436.36	\$1,104.29	\$519.42	\$922.65	(\$309.39)	(\$2,354.53)	
Total Cost Difference			\$	\$7,623.88										
/ Sales for 12 months ended			Mcf	10,391.0										
= Actual Adjustment for the Reporting Period (to Sch IC)				\$0.7337										

\* May not be less than 95% of supply volume



Effective Date	Mcf Sales	Effective Factor	March 1, 2007 Charged through Refunded	To expire Balance	March 1, 2008 August 1, 2008
Beginning Balance		\$0.4462		\$4,019	
March-07	525				
April	748				
May	541				
June	477				
July	275				
August	251				
Sept	253				
Oct	276				
Nov	980				
Dec	1,797				
January-08	1,567				
Feb	1,754				
March	740				
April	942				
May	342				
June	342				
July	342				
	12,152		\$5,422		
Under/(Over) Recovery	(\$1,403)				
Mcf Sales for factor	10,391				
BA Factor	(\$0.1350)				

Effective Date	Mcf Sales	Effective Factor	August 1, 2007 Expired Refunded	Balance	August 1, 2008
Beginning Balance				(\$2,911)	
August	251	(\$0.3040)			
Sept	253	(\$0.3040)			
Oct	276	(\$0.3040)			
Nov	980	(\$0.3040)			
Dec	1,797	(\$0.3040)			
Jan	1,567	(\$0.3040)			
Feb	1,754	(\$0.3040)			
March	740	(\$0.3040)			
April	942	(\$0.3040)			
May	342	(\$0.3040)			
June	342	(\$0.3040)			
July	342	(\$0.3040)			
	9,586		(2,914.20)		
Under/(Over) Recovery	\$3				
Mcf Sales for factor	10,391				
BA Factor	\$0.0003				
Total BA Factor	(\$0.1347)				

Randall A Hayes  
President  
Peoples Gas, Inc.  
P. O. Box 245  
Stanville, KY 41659-0245