

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT)	CASE NO.
FILING OF WESTERN LEWIS-RECTORVILLE)	2023-00278
WATER AND GAS DISTRICT)	

ORDER

On September 1, 2023, Western Lewis-Rectorville Water and Gas District (Western Lewis-Rectorville District) filed its proposed Gas Cost Recovery (GCR) rate report to be effective October 1, 2023. Western Lewis-Rectorville District's previous GCR rate was approved in Case No. 2023-00184.¹

LEGAL STANDARD

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates or the rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.²

¹ Case No. 2023-00184, *Electronic Purchased Gas Adjustment Filing of Western Lewis-Rectorville Water and Gas District* (Ky. PSC June 30, 2023).

² KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

DISCUSSION

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that Western Lewis-Rectorville District's report includes revised rates designed to pass on to its customers its expected change in gas costs. Western Lewis-Rectorville District's report sets out an Expected Gas Cost (EGC) of \$4.5260 per Mcf. In calculating its Total Expected Gas Cost, Western Lewis-Rectorville District miscalculated the Allowable Mcf Purchases, which should be sales of 32,310.00 Mcf divided by .95, or 34,010.53 Mcf instead of the 35,875.00 Mcf used by Western Lewis-Rectorville District.³ Multiplying the Average Expected Cost Per Mcf Purchased of \$4.0763 by the corrected Allowable Mcf Purchases of 34,010.53 produces a Total Expected Gas Cost of \$138,637.05 for the 12-month reporting period ending June 30, 2023.⁴ Western Lewis-Rectorville District's corrected EGC is \$4.2908 per Mcf,⁵ which is a decrease of \$0.0008 per Mcf from its previous EGC of \$4.2916 per Mcf. Western Lewis-Rectorville District's report sets out no Refund Adjustment. Western Lewis-Rectorville District's report sets out a current quarter Actual Adjustment (AA) of (\$0.5536) per Mcf. In the calculation of its current quarter AA, Western Lewis-Rectorville District miscalculated the Total Sales for the months of April, May, and June 2023 by incorrectly applying the five percent line

³ The row labeled "X Allowable Mcf Purchases" includes the statement, "(must not exceed Mcf sales / .95)".

⁴ The correct calculation should be as follows:

Total Expected Cost of Purchases (6)	\$146,237.20
/ Mcf Purchases (4)	35,875.00
<hr/>	
= Average Expected Cost Per Mcf Purchased	\$4.0763
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)	34,010.53
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= Total Expected Gas Cost (to Schedule IA)	\$138,637.05

⁵ The Total Expected Gas Cost of \$138,637.05 was divided by the sales of the twelve-months ended June 30, 2023, of 32,310.00 Mcf to get the EGC rate of \$4.2908 per Mcf.

loss limiter. The line loss limiter is applied to the amount of Total Sales for each month in circumstances when the Actual Sales volume during a month is less than 95 percent of the Total Supply Volumes Purchased.⁶ Western Lewis-Rectorville District reported its Total Sales for April, May, and June 2023 to be 7,636 Mcf, 4,521 Mcf, and 1,587 Mcf, respectively. Based on the Total Supply Volumes Purchased and the Actual Sales for the months of April, May and June 2023, the Total Sales for each month would not need to have the five percent line loss limiter applied. Thus, the corrected Total Sales for April, May, and June 2023 should be 3,602 Mcf, 1,674 Mcf, and 516 Mcf, respectively. The Commission notes in the circumstances in which the 5 percent line loss limiter is applied, the Total Sales volume for a given month should not be higher than the Total Supply Volumes Purchased or the Actual Sales for that month. Western Lewis-Rectorville District's corrected current quarter AA is (\$0.2945) per Mcf.⁷ Western Lewis-Rectorville District's total AA is (\$1.8063) per Mcf, which is a decrease of \$0.1177 per Mcf from its previous total AA of (\$1.6886) per Mcf.

⁶ The row labeled “/ Total Sales* ” includes the statement, “(*May not be less than 95% of supply volume)”.

⁷ The correct calculation should be as follows:

	Unit	April	May	June
Total Supply Volume Purchased	Mcf	2,321.00	1,100.00	517.00
Total cost of Volumes purchased	\$	\$ 8,038.00	\$ 4,759.00	\$1,671.00
/ Total sales	Mcf	3,602.00	1,674.00	516.00
= Unit cost of gas	\$/Mcf	\$ 2.2315	\$ 2.8429	\$ 3.2384
- EGC in effect for month	\$/Mcf	\$ 4.1407	\$ 4.1407	\$ 4.1407
= Difference	\$/Mcf	\$ (1.9092)	\$ (1.2978)	\$ (0.9023)
x Actual sales during the month	Mcf	3,602.00	1,674.00	516.00
= Monthly cost difference	\$	\$ (6,876.80)	\$ (2,172.53)	\$ (465.60)
Total Cost Difference		\$ (9,514.93)		
/ Sales for 12 months ended		32,310.00		
Actual Adjustment for the Reporting Period		(0.2945)		

Based on the calculations above, the Commission finds that Western Lewis-Rectorville District's corrected GCR rate is \$2.4845 per Mcf, which is a decrease of \$0.1185 per Mcf from the previous GCR rate of \$2.6030 per Mcf. The Commission finds that rates as set forth in the Appendix to this Order are fair, just and reasonable and are approved for service rendered by Western Lewis-Rectorville District on and after October 1, 2023.

For the purpose of transparency and to maintain a record of information for future use, the Commission finds that Western Lewis-Rectorville District shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports. Should Western Lewis-Rectorville District purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount must be documented in its cover letter to the Commission.

IT IS THEREFORE ORDERED that:

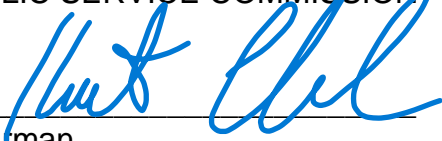
1. The rates proposed by Western Lewis-Rectorville District are denied.
2. The rates set forth in the Appendix to this Order are approved for service rendered on and after October 1, 2023.
3. Western Lewis-Rectorville District shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports.
4. Within 20 days of the date of service of this Order, Western Lewis-Rectorville District shall file with this Commission, using the Commission's electronic

Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

5. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
SEP 22 2023 bsb
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00278 DATED SEP 22 2023

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

Monthly Usage

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
All MCF	\$1.5642	\$2.4845	\$4.0487

*Sharon Dennison
Senior Office Clerk
Western Lewis-Rectorville Water and Gas District
8044 KY 3161
Maysville, KY 41056-9344

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Maysville, KY 41056-9344