

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------|---|---------------------|
| PURCHASED GAS ADJUSTMENT |) | |
| FILING OF ELAM UTILITY |) | CASE NO. 2009-00257 |
| COMPANY |) | |

ORDER

On October 24, 2003, in Case No. 2003-00171, the Commission approved rates for Elam Utility Company ("Elam") and provided for their further adjustment on a quarterly basis in accordance with Elam's gas cost adjustment ("GCA") clause.¹

On July 2, 2009, Elam filed its proposed GCA to be effective August 1, 2009. On July 30, 2009, Elam's proposed rates were suspended in order for the reasonableness of the proposed rates to be investigated. On August 21, 2009, Elam filed responses to data requests along with a revised GCA filing.

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

1. Elam's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.
2. Elam's revised notice sets out an Expected Gas Cost ("EGC") of \$5.1742 per Mcf. Elam multiplied an average of NYMEX prices for August, September, and October 2009 by Mcf volumes instead of Dth volumes to calculate its EGC. Correcting

¹ Case No. 2003-00171, A Review of the Rates of Elam Utility Company, Inc. Pursuant to the Decision to Approve the Financing Requested in Case No. 2001-00324 (Ky. PSC Oct. 24, 2003).

for this produces an EGC of \$5.1898 per Mcf, which is a decrease of \$8.0278 from the previously approved EGC of \$13.2176 per Mcf.

3. Elam's notice sets out no current Refund Adjustment ("RA").

4. Elam's notice sets out a current quarter Actual Adjustment ("AA") of (\$5.5732) per Mcf, based on its calculation of an over-recovery of \$247,917. Elam made a mathematical error in calculating its "Total cost difference" for May 2008 through March 2009; the over-recovery should have been \$249,063. It also used 11 months' sales instead of 12 months' sales volumes to calculate the AA. Correcting for these errors would produce a current quarter AA of (\$5.2275) per Mcf. The Commission finds that an AA of this level, which is attributable to Elam's failure to submit three required quarterly GCA filings, would produce a negative GCA rate and is not in the best interest of Elam or its customers. The Commission therefore finds that Elam's current quarter AA should be calculated so that it is returned over a 24-month period instead of a 12-month period. Elam's current and total AA should be (\$2.6137) per Mcf, and should remain in effect for 24 months from the date of this Order.

5. Elam's notice sets out no current quarter Balancing Adjustment ("BA") and no total BA, which is no change from the previous BA. In Elam's next GCA filing, it should include a BA to return to its customers over-recoveries resulting from its collection of a previous quarter AA of \$1.7923 per Mcf from September 2008 through the date of this Order. Elam should also include in its BA under-recoveries resulting from its continuing to charge a previous quarter AA of (\$4.7235) per Mcf. This AA should have expired in July 2009; due to Elam's failure to file its GCA filings as required

by its tariff on file with the Commission, both of these AAs continued to be included in Elam's rates.

6. Elam's revised GCA is \$2.5761 per Mcf, which is a decrease of \$7.7103 per Mcf from the previous GCA of \$10.2864 per Mcf.

7. The rates in the Appendix to this Order are fair, just and reasonable, and should be approved for billing for service rendered by Elam on and after the date of this Order.

8. Due to the suspension of the instant proceeding and the time involved in the ensuing investigation, Elam should submit its next GCA filing on or before December 1, 2009, for rates effective on and after January 1, 2010.

IT IS HEREBY ORDERED that:

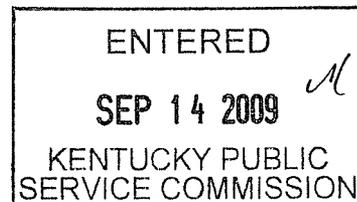
1. Elam's proposed rates are denied.
2. The rates in the Appendix to this Order are approved for billing for service rendered on and after the date of this Order.
3. Within 20 days of the date of this Order, Elam shall file with this Commission its revised tariff sheets setting out the rates authorized herein.
4. Elam shall submit its next GCA filing on or before December 1, 2009, for rates effective on and after January 1, 2010.

By the Commission

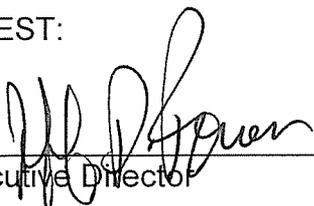
COMMISSIONER GARDNER'S
DISSENTING OPINION

I respectfully dissent with Chairman Armstrong and Commissioner Borders on the issue of collecting the over-recovery in this case over 24 months as opposed to 12 months. The accumulation of this over-recovery is a direct result of Elam's failure to submit its required GCA filings. Based upon the track record of this utility I would permit Elam's current quarter Actual Adjustment ("AA") to be carried over for only 12 months rather than the 24 months.

s/James W. Gardner
Vice Chairman



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2009-00257 DATED **SEP 14 2009**

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 the same as those 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 |
| All Mcf | \$4.2999 | \$2.5761 | \$6.8760 |

Industrial

| | | | |
|-----------------|----------|----------|----------|
| Customer Charge | | | \$9.00 |
| All Mcf | \$3.8101 | \$2.5761 | \$6.3862 |

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