

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF CAPITOL) CASE NO. 6741-A
OIL AND GAS COMPANY)

O R D E R

On February 21, 1978, the Commission issued its Final Order in Case No. 6741 approving certain rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On November 9, 1978, the President of the United States signed into law the Natural Gas Policy Act of 1978, which established significantly higher rates for producers of certain categories of natural gas. This federal legislation allows producers, after proper application, to classify certain gas wells as "stripper" wells and increase the cost of the gas produced. Once the Federal Energy Regulatory Commission, (FERC), classifies the producers's well as a "stripper" well and the producer increases the cost of gas to the distribution company, state Commissions must, in turn, allow the distributors to pass their increased costs on to their customers by adjusting the basic rates.

On June 18, 1980, the Applicant, Capitol Oil and Gas Company (Capitol Oil), notified the Commission that its wholesale cost of gas would be increased by one of its suppliers, Capitol Producing Company (Capitol), effective July 15, 1980. This increase is in the amount of \$251,393 per year or \$0.79 per MCF based on estimated gas purchased for twelve (12) months ending December 31, 1979.

On July 10, 1980, the Applicant notified the Commission of an increase due to Severence Tax as provided in Subchapter H, part 271, Subpart 3271.1100, of the FERC's regulations adopted under the Natural Gas Policy Act of 1978. This increase is necessitated by action of the 1978 Kentucky General Assembly in enacting House Bill 968 effective June 1, 1980. This increase is in the amount of \$0.09225 per MCF.

After reviewing this evidence of record and being advised, the Commission is of the opinion and finds:

1. That the gas well belonging to the Applicant's supplier Capitol has been classified as a "stripper" well by the FERC and that Capitol has increased the wholesale cost of gas and said increase became effective July 15, 1980.

2. That the Applicant has received an increase due to severance tax in the amount of \$0.09225 per MCF effective June 1, 1980.

3. That the Applicant's adjustment in rates under the Purchased Gas Adjustment Clause approved by the Commission in its Order in Case No. 6741 dated February 21, 1980, are fair, just and reasonable and in the public interest and should be allowed to be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

IT IS THEREFORE ORDERED, that the rates including the proposed Purchased Gas Adjustment sought by the Applicant be and the same are hereby approved to be effective with gas billed on and after the date the increased cost of wholesale gas becomes effective, as set out in Appendix "A" attached hereto and made a part hereof.

IT IS FURTHER ORDERED, that for the purpose of the future application of the Purchased Gas Adjustment Clause of Applicant the Base Rate for purchased gas shall be:

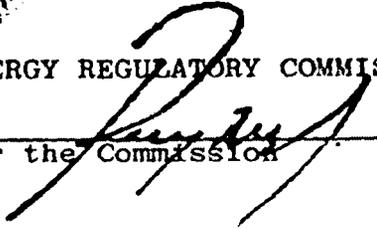
	<u>Demand</u>	<u>Commodity</u>
Holly Creek	-	\$0.17
Capitol Producing Company		2.519

IT IS FURTHER ORDERED, that the information furnished this Commission by the Applicant constitutes full compliance with the Commission's Order in Case No. 6741 and any other information ordinarily required to be filed under the Commission's Rules is hereby waived.

IT IS FURTHER ORDERED, that within thirty (30) days after the date of the Order, Applicant shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 10th day of September, 1980.

ENERGY REGULATORY COMMISSION



For the Commission

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE ENERGY REGULATORY
COMMISSION IN CASE NO. 6741-A DATED SEPTEMBER 10, 1980.

The following rates are prescribed for the customers in the area served by Capitol Oil and Gas Company. 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 date of this Order.

RATES: Monthly

First	2 MCF	\$ 3.386 per MCF
Over	2 MCF	3.386 per MCF

The minimum monthly charge is \$5.00 which entitles the customer to less than 2 MCF of gas.