

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

MOTION TO ADJUST RATES IN ACCORDANCE)
WITH PURCHASED GAS ADJUSTMENT CLAUSE) CASE NO. 7176-E
OF MIKE LITTLE GAS COMPANY, INC.)

O R D E R

On December 6, 1978, the Commission issued its Final Order in Case No. 7176, 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 October 13, 1980, the Applicant, Mike Little Gas Company, Inc., notified the Commission that its wholesale cost of gas would be increased by its supplier, Kentucky-West Virginia Gas Company, effective November 1, 1980, and submitted with its notice certain information in compliance with this Commission's Order of December 6, 1978. The notice set out certain revisions in rates which the Applicant proposed to place in effect, said rates being designed to increase the cost of natural gas of its supplier.

On September 30, 1980, Kentucky-West Virginia Gas Company (Kentucky-West) filed with the Federal Energy Regulatory Commission (FERC) at Docket No. TA80-1-46 (PGA 80-3 and IPR 80-3) revised tariff sheets to its FERC Gas Tariff, Original Volume No. 1. Kentucky-West has placed an effective date of November 1, 1980, upon the effected tariff sheets. This Commission has no jurisdiction in that case.

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 has resulted in higher costs to interstate pipeline companies serving the various gas consuming states, including Kentucky. Once the FERC approves the right of these interstate transmission companies to pass this increased cost on to its distribution company customers, state commissions must, in turn, allow intrastate distributors to pass their increased cost on to their customers by adjusting the basic rates.

The amount of the increased cost of gas to the Applicant will be \$14,837 on an annual basis.

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

1. The Commission has long stated (in writing to FERC) its opposition to the procedures and regulations used by the Federal Energy Regulatory agency in approving these supplier increases. We continue to be opposed and are continuing to seek alternative ways to overcome the regulatory inequities which have such a direct impact on the retail consumers.

2. The FERC approval of a wholesale rate increase to a Kentucky gas retailer requires approval of the Commission of rates that will permit the Kentucky utility to adjust its customer charges to reflect the added purchase cost, or alternately the utility must absorb the added cost. We are of the opinion that failure to allow this increase to be passed through to its retail consumers on a timely basis would be unjust to the Company and would ultimately result in higher rates to their consumers in any event.

3. When the FERC "accepts" Kentucky-West's filing and makes it effective, Kentucky-West will begin charging the Applicant the new rates. This order cannot be implemented until and unless this occurs.

4. That the Applicant's supplier, Kentucky-West on September 30, 1980, filed with the FERC for increased rates to become effective November 1, 1980, and that the increase sought by the Applicant reflects Kentucky-West's rates as so filed.

5. That the proposed rates set out in the Applicant's filing of October 13, 1980, are unfair, unjust, unreasonable and not in the public interest and should be denied.

6. That the Commission should allow the Applicant to place into effect, subject to refund, the rates set out in Appendix "A" as soon as the Kentucky-West filing is made effective by FERC.

7. That the Commission's adjustment in rates under the Purchased Gas Adjustment provisions approved by the Commission in its Order in Case No. 7176, dated December 6, 1978, is fair, just and reasonable and in the public interest and should be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

IT IS THEREFORE ORDERED that the proposal rate set out in the Applicants filing of October 13, 1980, are unfair, unjust, unreasonable and not in the public interest and are hereby denied.

IT IS THEREFORE ORDERED that the Purchased Gas Adjustment sought by the Applicant as set out in Appendix "A" attached hereto and made a part hereof, be and the same, is hereby approved to be effective, subject to refund, with gas supplied on and after the date the increased cost of gas becomes effective ("acceptance" by FERC).

IT IS THEREFORE ORDERED that for the purpose of the future application of the Purchased Gas Adjustment Clause of the Applicant, the base rate for purchased gas shall be:

	<u>Commodity</u>
Kentucky-West Virginia Gas Company	\$1.3629 per dth*

*Includes 0.48 per dth, Gas Research Institute charge.

IT IS FURTHER ORDERED that Mike Little Gas Company, Inc., shall maintain its records in such manner as will enable it, or the Commission, or any of its customers, to determine the amounts to be refunded and to whom due in the event a refund is ordered by the Commission.

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

IT IS FURTHER ORDERED that the information furnished this Commission by Applicant on October 13, 1980, constitutes full compliance with the Commission's requirements and Order in Case No. 7176, and any other information ordinarily required to be filed under the Commission's regulations is hereby waived.

Done at Frankfort, Kentucky, this 26th day of November, 1980.

ATTEST:

ENERGY REGULATORY COMMISSION

Secretary



For the Commission

APPENDIX "A"

APPENDIX TO AN ORDER OF THE ENERGY REGULATORY
COMMISSION IN CASE NO. 7176-E DATED NOVEMBER 26, 1980

The following rates are prescribed for the customers in the area served by Mike Little Gas Company, Inc. 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.

Monthly Rates:

First	2 MCF	\$2.8761 per MCF
Next	28 MCF	2.6761 per MCF
Over	30 MCF	2.6261 per MCF

Minimum Bill

The minimum bill shall be \$4.47 which entitles the user to less than 2 MCF per month.