

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

PURCHASED GAS ADJUSTMENT FILING)
OF WESTERN KENTUCKY GAS COMPANY) CASE NO. 7157-AA

O R D E R

On December 6, 1978, the Commission issued its Final Order in Case No. 7157, approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On January 7, 1981, Western Kentucky Gas Company (the Applicant), filed with the Commission its Notice of an increase in rates from one of its suppliers, Texas Gas Transmission Corporation (Texas Gas).

On December 23, 1980, Texas Gas filed Thirty-Second Revised Sheet No. 7 to its FPC Gas Tariff, Third Revised Volume No. 1. The purpose of this filing is to reflect changes in the cost of gas purchased pursuant to the provisions of Texas Gas' Purchased Gas Adjustment Clause approved by Commission Order issued July 31, 1972, in Docket No. RP72-156; and changes in the Louisiana First Use Tax pursuant to the provisions of Section 25 of Texas Gas' Tariff as approved by Commission Order issued May 9, 1979, in Docket No. RP79-31. The producer rates utilized in determining the projected cost of purchased gas for the period February, 1981 through July, 1981, for those categories of gas subject to monthly escalation, are the average rates estimated to be effective during the period. All other categories of purchased gas are priced at the rates to be effective on February 1, 1981. Texas Gas has requested that the revised tariff sheet become effective on February 1, 1981.

As a result of the changes effective as aforesaid the cost of gas to the Applicant for the twelve (12) months ended November 30, 1980, would have increased \$5,350,921.

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

(1) That the Energy Regulatory Commission is being asked to approve a price increase already approved by the Federal Energy Commission when it granted the Applicant's supplier, Texas Gas, a wholesale gas cost increase. 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 unfair and unjust to the Company and would ultimately result in higher rates to their consumers in any event. The Commission has (in writing) indicated its opposition to the procedures and regulations used by the Federal agency in approving these supplier increases since 1975. 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) That the Applicant's supplier, Texas Gas has filed revised tariff sheets reflecting an increase in rates with the Federal Energy Regulatory Commission and said increase is to become effective February 1, 1981.

(3) That the Application filed January 7, 1981, reflected Texas Gas' rates as filed with the FERC on December 23, 1980, to be effective February 1, 1981.

(4) That the magnitude of this filing exposes the Applicant to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(5) That the Commission should waive its policy of requiring evidence of FERC acceptance in this case and allow the Applicant to place into effect subject to refund the rates set out in Appendix "A".

(6) That the Applicant's adjustment in rates under the Purchased Gas Adjustment provisions approved by the Commission in its Order in Case No. 7157, dated December 6, 1978, is fair, just and reasonable and in the public and should be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

(7) That the Applicant's Base Supplier Rate for purchased gas will be as follows:

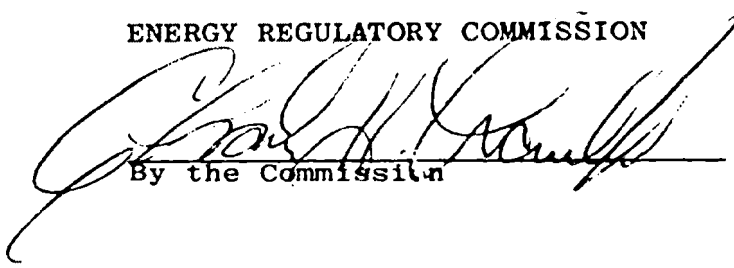
| | <u>Demand/MCF</u> | <u>Commodity/MCF</u> |
|------------------------------------|-------------------|----------------------|
| Texas Gas Transmission Corporation | | |
| G-2 | \$2.27 | \$2.2689 |
| G-3 | 2.63 | 2.3198 |
| G-4 | 3.06 | 2.3557 |
| Tennessee Gas Pipeline Company | | |
| G-2 | \$1.99 | \$2.5464 |
| GS-2 | - | 2.6654 |
| Local Producers | | 2.4063 |

IT IS FURTHER ORDERED that the information furnished this Commission by Applicant on January 7, 1981, constitutes full compliance with the Commission's Order in Case No. 7157, and any other information ordinarily required to be filed under the Commission's Regulations is hereby waived.

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

Done at Frankfort, Kentucky, this 4th day of February, 1981.

ENERGY REGULATORY COMMISSION


By the Commission

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE ENERGY REGULATORY
COMMISSION IN CASE NO. 7157-AA DATED FEBRUARY 4,
1981

The following rates as prescribed for the customers in the area served by Western Kentucky 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:

Applicable to All Rate Schedules

Purchased Gas Adjustment

To each bill rendered under all rate schedules there shall be added an amount equal to; 1.2622 per Mcf of gas used during the billing period.