

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

PURCHASED GAS ADJUSTMENT FILING)
OF WESTERN KENTUCKY GAS COMPANY)

CASE NO. 7157-EE

O R D E R

On December 6, 1978, the Commission issued its 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 June 5, 1981, Western Kentucky Gas Company ("Applicant"), filed with the Commission its notice of an increase in rates from one of its suppliers, Tennessee Gas Pipeline Company ("Tennessee Gas"),

On May 29, 1981, Tennessee Gas filed First Revised Sheet Nos. 20 and 21 to Original Volume No. 1 of its FERC Gas Tariff. The purpose of this filing is to reflect purchased gas cost pursuant to Sections 2 and 3 of Article XXIII of the general terms and conditions of Original Volume 1; a rate adjustment for curtailment credits pursuant to Section 9 of Article XXIV; a R and D rate adjustment pursuant to Section 2 of Article XXV; a first use tax rate adjustment pursuant to Sections 2 and 3 of Article XXVIII; and the estimated incremental pricing surcharge pursuant to Section 2 of Article XXIX.

Tennessee has requested that the tariff sheets become effective on July 1, 1981. In this filing, Tennessee has revised its existing two-part demand and commodity sales rate to separate the present commodity rate into two components, a commodity rate based on non-gas costs and a gas rate based solely on gas costs. The gas cost is

billed on a dekatherm basis to reflect the average heating value of the gas sold. This change in billing basis does not result in any change in gas cost.

As a result of the changes effective as aforesaid, the cost of gas to the Applicant for the 12 month period ended April 30, 1981, would have increased \$1,238,391.

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

(1) The Public Service Commission is being asked to approve a price increase already approved by the Federal Energy Regulatory Commission (FERC) when it granted the Applicant's supplier, Tennessee 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 Applicant and would ultimately result in higher rates to its customers 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) The Applicant's supplier, Tennessee Gas, has filed revised tariff sheets reflecting an increase in rates with the (FERC) and said increase is to become effective July 1, 1981.

(3) The Application filed June 5, 1981, reflected Tennessee Gas's rates as filed with the FERC on May 29, 1981, to be effective July 1, 1981.

(4) 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) 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) The Applicant's adjustment in rates in the amount of 129.39¢ per Mcf under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 7157, dated December 6, 1978, and as set out in Exhibit D, page 1 of its notice herein is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

(7) 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
	<u>Commodity</u>	<u>Gas Rate</u>
Tennessee Gas Pipeline Company		
G-2	\$.3725	\$2.3526
GS-2	.4915	2.3526
Local Producers	-	2.4063

IT IS THEREFORE ORDERED that said purchased gas adjustment sought by the Applicant, as set forth in Exhibit D, page 1 of its notice, be and the same is hereby approved to be effective for service rendered on and after the date the increased cost of whole-sale gas becomes effective, subject to refund, for all customers as set out in Appendix A attached hereto and made a part hereof.

IT IS FURTHER ORDERED that the Applicant 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 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>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
	<u>Commodity</u>	<u>Gas Rate</u>
Tennessee Gas Pipeline Company		
G-2	\$.3725	\$2.3526
GS-2	.4915	2.3526
Local Producers	-	2.4063

IT IS FURTHER ORDERED that the information furnished this Commission by Applicant on June 5, 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 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 23rd day of June, 1981.

PUBLIC SERVICE COMMISSION

Stephen H. York
For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 7157-EE DATED
JUNE 23, 1981

The following rates are 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; 129.39¢ per Mcf of gas used during the billing period.