

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF B & H)
GAS COMPANY FOR APPROVAL)
OF A PURCHASED GAS ADJUSTMENT)
CLAUSE) CASE NO. 8135

O R D E R

On January 29, 1981, B & H Gas Company ("Applicant") filed its notice and application wherein it proposed to adjust the unit charges in all rate schedules pursuant to the Purchased Gas Adjustment Clause contained in the Applicant's E.R.C. Ky. No. 2 Tariff.

The Applicant further stated that the proposed adjustment was based on the need to make emergency purchases of gas from Kentucky-West Virginia Gas Company and that the Applicant was not in a financial position that would allow it to absorb this increased cost.

On February 5, 1981, the Commission issued an Interim Order wherein it approved the Applicant's request for emergency gas purchases from Kentucky-West Virginia for a period of 120 days and ordered that the additional cost be recovered in the form of a surcharge to be added to the present rates.

The Commission further ordered that the approval of a Purchased Gas Adjustment Clause would be considered at a later date.

On March 11, 1981, a hearing was held in the Commission's offices in Frankfort, Kentucky to determine the reasonableness of

this part of the Applicant's request. At the hearing, it was revealed that the Applicant had failed to provide proper notice to its customers as required and the hearing was rescheduled at a later date.

On April 30, 1981, another hearing was held in the Commission's offices concerning the Applicant's proposed Purchased Gas Adjustment Clause. All parties of interest were notified and there were no intervenors present.

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

(1) The Applicant does not have on file with the Commission a Purchased Gas Adjustment Clause in its E. R. C. No. 2 Tariff.

(2) A Purchased Gas Adjustment Clause is fair, just and reasonable and should be approved.

(3) For the purpose of the future application of the Purchased Gas Adjustment Clause of the Applicant, the base rate for purchased gas should be:

<u>Supplier</u>	<u>Rate</u>
Bradley and Son	.47 per Mcf
Gypsy Hughes	.65 per Mcf

IT IS THEREFORE ORDERED that the Purchased Gas Adjustment Clause set out in Appendix A attached hereto is fair, just and reasonable and is hereby approved.

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

<u>Supplier</u>	<u>Rate</u>
Bradley and Son	.47 per Mcf
Gypsy Hughes	.65 per Mcf

IT IS FURTHER ORDERED that the Applicant shall file with this Commission within 20 days from the date of this Order, its revised tariff sheets setting out the Purchased Gas Adjustment Clause approved herein.

Done at Frankfort, Kentucky, this 17th day of June, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Voth
Chairman

Katherine Spadell
Vice Chairman

Sam Hargrave
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8135 DATED June 17, 1981

The following rates are prescribed for the customers in the area served by B & H 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.

PURCHASED GAS ADJUSTMENT APPLICABLE TO ALL RATE SCHEDULES

The rates authorized herein are based upon the wholesale cost of gas to the Applicant as computed upon rates of its wholesale suppliers then currently in effect under valid contracts or under wholesale tariffs of this Commission. For the purpose of this purchased gas adjustment clause, these rates shall be considered as the base rate for purchased gas. In the event there is an increase in this base rate the Applicant shall file with this Commission the following information:

- (1) A copy of the wholesale supplier tariff or wholesale tariff of this Commission effecting the change in the base rate and a statement relative to the effective date of such proposed change.
- (2) A statement setting out the details of gas purchased under the provision of the base rate for the previous twelve months showing billing under the base rate and under the proposed revised rate applicable to this service.
- (3) A statement setting out the details of gas sold for the previous twelve months.
- (4) A balance sheet as of the end of the latest twelve-month period and a statement of operating expenses and revenues in the same detail as reported to this Commission in the utility's annual report.
- (5) Such other information as this Commission may request for a proper determination of the purchased gas adjustment.

In the event there is a decrease in purchased gas costs or refund, the Applicant shall file the information required in 1, 2, and 4 above.

Upon receipt of this information, this Commission will review the effect of the revised rate on the operation of the Applicant and will issue its Order setting out the purchased gas adjustment that the utility shall apply to its rates.

The maximum amount of the adjustment so prescribed shall not produce revenue adjustments based upon the actual preceding twelve-month period, greater than the difference between the purchased gas billed at the then existing rates and the purchased gas billed at the revised rate.

On and after the effective date of this rate schedule, if any increase or decrease is made into the rate at which the company's gas suppliers sell gas to the company, the unit charges of the aforesaid rate schedule shall be increased or decreased by a purchased gas adjustment determined as follows:

(1) Gas purchases will be determined by the company under supplier's applicable rate schedule during a period of twelve calendar months ending within three months preceding the month of the effective date of the supplier's rate change. Such purchases shall be:

- (a) At the base supplier rate
- (b) At the new supplier rate

The difference between these amounts shows the total change in the company's purchased gas costs.

(2) The total change in purchased gas costs shall be divided by the actual number of cubic feet of gas sold by the company during said twelve-month period, yielding the purchased gas adjustment expressed in cents per cubic feet, unless the company's gas loss exceeds five percent. The unit charge or credit so determined shall be the purchased gas adjustment applicable to consumer billings.

In instances where the gas loss exceeds five percent, the actual gas sales shall be divided by 95 percent, yielding the maximum allowable gas purchases. The maximum allowable gas purchases shall then be multiplied by the change in cost per cubic foot yielding the total allowable change. The total allowable change shall then be divided by the actual number of cubic feet of gas sold by the company during the said twelve-month period, yielding the unit charge or credit applicable to consumer billings.

(3) The new supplier rate shall become the base supplier rate to be used in measuring the effect of any subsequent supplier rate change. Each such subsequent change shall be treated in the same manner as set forth above for the establishment of a new purchased gas adjustment and for the establishment of a new base supplier rate.

In the event that the company receives from its supplier a refund of amounts paid to such supplier in respect of a prior period, the company will apply to the Commission for authority and upon receipt thereof make adjustments on the amount charged to its customers under this provision, as follows:

(1) The "refundable amount" shall be the amount received by the company as a refund. Such refundable amount shall be divided by the number of cubic feet of gas that company estimates it will sell to its customers during the four-month period commencing with the first day of the month following receipt of the refund thus determining a "refund factor".

(2) Effective with meter readings taken on and after the first day of the second month following receipt of the refund, the company will reduce by the refund factor so determined any purchased gas adjustment that would otherwise be applicable during such period. Provided, however, that the period of reduced purchased gas adjustment will be adjusted, if necessary, in order to refund as nearly as possible the refundable amount.

(3) In the event of any large or unusual refunds, the company may apply to the Public Service Commission for the right to depart from the refund procedure herein set forth.

The base rate for purchased gas for the future application of this Purchased Gas Adjustment Clause is:

<u>Supplier</u>	<u>Rate</u>
Bradley and Son	.47 per Mcf
Gypsy Hughes	.65 per Mcf