

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE ELAM)
UTILITY COMPANY FOR PURCHASED)
GAS ADJUSTMENT OF RATES) CASE NO. 8178-B

O R D E R

On September 21, 1981, the Commission issued its Order in Case No. 8178 approving certain adjustments in rates and providing, under certain conditions, for the further adjustments of such rates when the wholesale cost of gas is increased or decreased.

On October 1, 1981, Columbia Gas Transmission Corporation ("Transmission") filed with the Federal Energy Regulatory Commission ("FERC") a rate increase proposed to become effective November 1, 1981. The Commission has no jurisdiction in that case.

On October 9, 1981, Elam Utility Company ("Elam") notified the Commission that its wholesale cost of gas would be increased by its supplier, Transmission, effective November 1, 1981. This notice is based upon a conversion by Transmission from an Mcf basis for billing of gas to a dekatherm basis for billing gas, effective November 1, 1981.

Elam's notice of October 9, 1981, set out certain revisions in rates which Elam proposed to place in effect, the rates being designed to pass on the wholesale purchase price from its supplier in the amount of \$13,143.96.

On November 9, 1978, the Natural Gas Policy Act of 1978 was signed into law which established significantly higher rates for producers of certain categories of natural gas. This federal legislation has resulted in higher gas 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, pass on the matter of intrastate distributors recovering their increased cost of gas by adjusting their basic rates to their customers.

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

(1) The Commission has long stated (in writing to FERC) its opposition to the procedures and regulations used by the FERC 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 by the Commission of the 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 Elam and would ultimately result in higher rates to their consumers in any event.

(3) When the FERC "accepts" Transmission's filing, Transmission will begin charging Elam the new rates. This Order cannot be implemented until and unless this occurs.

(4) The Commission should allow Elam to place into effect, subject to refund, the rates in Appendix A as soon as Transmission's filing is "accepted" by FERC.

IT IS THEREFORE ORDERED that the purchased gas adjustment contained in Appendix A of this Order be and hereby is approved, effective on and after the date the increase in the cost of wholesale gas requested by Transmission is accepted by FERC.

IT IS FURTHER ORDERED that the rates contained in Appendix A shall be placed into effect, subject to refund, pending final determination by FERC of the rates contained in Transmission's October 1, 1981, filing in Docket No. RP 80-146.

IT IS FURTHER ORDERED that Elam shall maintain its records in a manner that will enable it or the Commission or any of its customers to determine the amount 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 Elam, the base rate for purchased gas shall be:

Commodity

Columbia Gas Transmission Corporation

Schedule SGS

\$3.4729 per Dth

IT IS FURTHER ORDERED that the information furnished this Commission by Elam on October 9, 1981, constitutes full compliance with the Commission's Order in Case No. 8178 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 after the date of this Order, Elam shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 28th day of October, 1981.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8178-B DATED
OCTOBER 28, 1981

The following rates are prescribed for the customers in the area served by Elam Utility 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

RESIDENTIAL

Customer Charge	\$4.00
First 11 Mcf	\$6.29
Over 11 Mcf	7.29

COMMERCIAL

Customer Charge	\$5.00
All Mcf	6.29

Purchased Gas Adjustment Clause

<u>Supplier</u>	<u>Rate</u>
Columbia Gas Transmission Corporation	\$3.8028