

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)
FILING OF VALLEY GAS, INC.) CASE NO. 6902-L

O R D E R

On February 12, 1978, the Commission issued its final Order in Case No. 6902, approving a purchased gas adjustment clause permitting 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 July 14, 1982, Valley Gas Inc., ("Valley") notified the Commission that its wholesale cost of gas would be increased by its supplier, Texas Gas Transmission Corporation ("Texas Gas") effective August 1, 1982. The tariff sheet reflects a net increase of 46.20 cents per Mcf in SG Rate Zone 4 which is applicable to Valley.

Texas Gas Transmission Corporation beginning July 31, 1979 FPC Docket Nos. 72-156 thru 77-156 and Opinion No. 770-A July 27, 1976; November 24, 1976, December 2, 1976; and December 15, 1976 has put into effect rate changes in the cost of gas which reflects Texas Gas Adjustment Clause approved by the Federal Energy Regulatory Commission ("FERC").

The producer rates utilized in determining the cost of purchased gas are those specified by the FERC to be effective for the month of August, 1982, under the provisions of the Natural Gas Policy Act of 1978 ("NGPA) increased by the monthly inflation factor to derive the rate which will become effective on August 1, 1982.

On June 29, 1982, Texas Gas filed a Gas Purchase Adjustment to be effective on August 1, 1982.

As a result of the Texas Gas rate change, the cost of gas to Valley for the 12 months ending June 30, 1982, will increase \$30,304.89.

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

(1) The Commission is being asked to approve a price increase already approved by the FERC when it granted Valley'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 Valley and would ultimately result in higher rates to its consumers in any event. The Commission has (in writing) indicated its opposition to the procedures and regulations used by the FERC 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) Valley's supplier, Texas Gas, has filed for increased rates to become effective August 1, 1982.

(3) The application filed July 14, 1982, reflected Texas Gas' rates as filed in the FERC on June 29, 1982, to be effective August 1, 1982.

(4) The magnitude of this filing exposes Valley 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 Valley to place into effect subject to refund the rates in Appendix A.

IT IS THEREFORE ORDERED that the purchased gas adjustment sought by Valley as set out in Appendix A attached hereto and made a part hereof, be and is hereby approved to be effective subject to refund with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

IT IS FURTHER ORDERED that Valley 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 Valley the base rate for purchased gas shall be:

Texas Gas Transmission Corporation

Commodity

384.12¢ per Mcf

IT IS FURTHER ORDERED that within 30 days after the date of this Order, Valley 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 Valley on July 14, 1982, constitutes full compliance with the Commission's requirements in Case No. 6902, and any other information ordinarily required to be filed under the Commission's regulations is hereby waived.

Done at Frankfort, Kentucky, this 23rd day of July, 1982.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 6902-L DATED July 23, 1982.

The following rates and charges are prescribed for the customers in the area served by Valley Gas, 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.

RATES: Monthly

APPLICABLE TO:

GAS RATE SCHEDULE 1

PURCHASED GAS ADJUSTMENT:

To each bill rendered under the above named rate schedule there shall be added an amount equal to 4.62¢ per 100 cubic feet of gas used during the billing period.