

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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 October 19, 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 November 1, 1982, and submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with the Commission.

Valley's increase from Texas Gas is another one of those federally-mandated pass-throughs of higher gas prices in which upon the record this Commission has no discretion. Valley will not realize even one cent of profit but simply will turn over to its supplier the increased amount which it must collect from its consumers.

After reviewing the notice filed in this case and being advised, the Commission is of the opinion and finds that:

(1) Valley's notice of October 19, 1982, set out certain revisions in rates which Valley proposed to place into effect, said rates being designed to pass on the wholesale increase in cost from its supplier in the amount of \$32,054 or 49.03 cents per Mcf.

(2) The Public Service Commission is being asked to authorize a pass-through of a price increase already approved by the Federal Energy Regulatory Commission ("FERC"). 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. The Commission has (in writing) indicated its opposition to the procedures and regulations used by FERC since 1975 to approve these supplier increases.

We are also actively presenting our views to FERC and to our Kentucky Congressional delegation concerning revisions to the Natural Gas Policy Act formulas allowing producers to so raise their prices and because of the action of FERC in allowing such increases to pass through to the transmission company and through it to the distributing company, in this case Valley, this Commission has no real authority in the matter. Under federal law and actions, this Commission serves merely as the conduit for the final pass-through of the increased cost of gas to the consumers when, as here, the distributing utility makes no profit from the increased prices which it must pay for gas purchased from the transmission company.

(3) The proposed rates will allow Valley to recover only the increased cost of wholesale gas and will not permit it to make any profit in doing so. 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.

(4) Valley's notice of October 19, 1982, does not provide the Commission with the 20-day notice as required by statute; therefore, the proposed rates should become effective on and after November 8, 1982, subject to refund.

(5) Valley's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 6902 dated February 12, 1978, is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after November 8, 1982, subject to refund.

IT IS THEREFORE ORDERED that the rates contained in Appendix A be and they hereby are approved, effective for gas supplied on and after November 8, 1982, subject to refund.

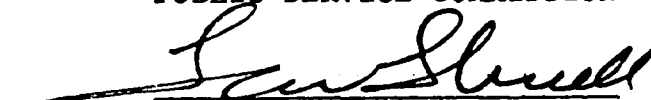
IT IS FURTHER ORDERED that for the purpose of the future application of the purchased gas adjustment clause of Valley the base rate for purchased gas shall be:

	<u>Commodity</u>
Texas Gas Transmission Corporation	432.71¢ 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 authorized herein.

Done at Frankfort, Kentucky, this 8th day of November, 1982.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

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Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE  
COMMISSION IN CASE NO. 6902-M DATED  
NOVEMBER 8, 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 4.903¢ per 100 cubic feet of gas used during the billing period.