

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF MIKE LITTLE)
GAS COMPANY, INC., TO INCREASE) CASE NO. 7176-I
ITS RETAIL GAS RATES)

O R D E R

On December 6, 1978, the Commission issued its Order in Case No. 7176 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 September 21, 1982, Mike Little Gas Company, Inc., ("Mike Little") notified the Commission that its wholesale cost of gas would be increased by its supplier Kentucky West Virginia Gas Company ("Kentucky West") effective October 1, 1982, and submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with this Commission.

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

(1) The estimated net increase in revenue as a result of Mike Little's filing of September 21, 1982 is \$170,778 or \$1.9083 per Mcf.

(2) Mike Little's increase from Kentucky West is another one of those federally-mandated pass-throughs of higher gas prices

in which upon the record this Commission has no discretion. Mike Little will not realize even one cent of profit but simply will turn over to its supplier the increased amounts which it must collect from its consumers.

(3) 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 Mike Little 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 of 1978, which allows gas suppliers to raise their gas prices without regard to costs. Because of 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 Mike Little, 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 distribution utility makes no profit from the increased prices which it must pay for gas purchased from the transmission company.

(4) The proposed rates will allow Mike Little 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 Mike Little to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(5) Mike Little's notice of September 21, 1982, failed to provide the 20 days notice as required by Statute and, therefore, the rates should become effective for service rendered on and after October 11, 1982.

(6) Mike Little's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 7176 dated December 6, 1978, is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after October 11, 1982, subject to refund.

IT IS THEREFORE ORDERED that the rates contained in Appendix A be and they are authorized to be effective for gas supplied on and after October 11, 1982, subject to refund.

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>Commodity</u>
Kentucky West Virginia Gas Company	\$3.0755 per dth

IT IS FURTHER ORDERED that within 30 days after the date of this Order, Mike Little shall file with this Commission its revised tariff sheets setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 5th day of October, 1982.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 7176-I

The following rates are prescribed for the customers in the area served by Mike Little Gas Company, 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

First 2 Mcf	\$4.8725 Per Mcf
Next 28 Mcf	4.6725 per Mcf
Over 30 Mcf	4.6225 per Mcf

Minimum Bill shall be \$6.97 for which the user is entitled to less than 2 Mcf per month.