

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF PUBLIC) CASE NO. 8186-F
GAS COMPANY)

INTERIM ORDER

On November 13, 1981, the Commission issued its Order in Case No. 8186 approving certain rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

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 allows producers, after proper application, to classify certain gas wells as "stripper" wells and increase the cost of gas produced. Once the Federal Energy Regulatory Commission ("FERC") classifies the producer's well as a stripper well and the producer increases the cost of gas to the distribution company, state commissions must, in turn, allow the distributors to pass their increased costs on to their customers by adjusting the base rates.

On February 17, 1983, Public Gas Company ("Public") filed its notice wherein it requested to increase its rates in accordance with natural gas ceiling prices for stripper gas effective March 1983. Public proposed to include in its rates a compression charge of 22.6 cents per Mcf.

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

1. Public is attempting to pass on to its customers costs incurred from its supplier, Panbowl Production Company, Inc., ("Panbowl"). As an intrastate producer of natural gas, Panbowl is subject to the jurisdiction of the Public Service Commission ("PSC"). Accordingly, Panbowl's rates must be approved by the PSC. Panbowl has included in its rates certain production related costs that have not had appropriate regulatory approval. Therefore, these costs cannot be passed on to Public's customers without prior approval from this Commission.

2. Public should be allowed to charge the stripper well price effective March 1, 1983, which results in an increase in the amount of \$2,845 or \$0.0275 per Mcf.

3. On February 24, 1983, the Commission issued an Interim Order in Case No. 8186-E. Therefore, the rates in this case are approved on an interim basis and are subject to refund.

4. Public's adjustment in rates under the purchased gas adjustment clause approved by the Commission in its Order in Case No. 8186 dated November 13, 1981, is fair, just and reasonable, and should be approved, on an interim basis, effective with gas supplied on and after March 16, 1983, subject to refund.

IT IS THEREFORE ORDERED that the proposed production related costs be and they hereby are denied.

IT IS FURTHER ORDERED that the rates in Appendix A be and they hereby are approved, on an interim basis, effective for gas supplied on and after March 16, 1983, subject to refund.

IT IS FURTHER ORDERED that within 30 days after the date of this Order, Public shall file with this Commission its revised tariffs setting out the rates approved herein.

Done at Frankfort, Kentucky, this 16th day of March, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8186-F DATED March
16, 1983.

The following rates are prescribed for the customers
in the area served by Public 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.

RATES: Monthly

First 1 Mcf

\$6.8557 Minimum Bill

Over 1 Mcf

5.7357 per Mcf