

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter:

PURCHASED GAS ADJUSTMENT)
FILING OF WESTERN) CASE NO. 8227-K
KENTUCKY GAS COMPANY)

O R D E R

On October 9, 1981, the Commission issued its Order in Case No. 8227 approving certain adjustments in rates and providing under certain conditions for the future adjustment of such rates when the wholesale cost of gas is increased or decreased.

On January 10, 1983, Western Kentucky Gas Company ("Western") filed its notice with the Commission stating that it had received notification of wholesale rate changes from 3 suppliers, Texas Gas Transmission Corporation ("Texas Gas"), Tennessee Gas Pipeline Company ("Tennessee") and its local producers, effective February 1, 1983, and submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with the Commission.

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

(1) On December 28, 1982, Texas Gas filed with the Federal Energy Regulatory Commission ("FERC") a revised tariff to reflect reductions in the cost of gas purchased pursuant to the provisions of Texas Gas' purchased gas adjustment clause approved by FERC Order issued July 1, 1972, in Docket No. RP72-156. This tariff

also reflects a special surcharge to recover, over a 12-month period, retroactive payments by Texas Gas to producers. Texas Gas has requested that the revised tariff become effective on February 1, 1983.

(2) Western's filing reflects a semi-annual adjustment for local production costs. The adjustment results in a decrease in the amount of \$0.0026 per Mcf to be effective February 1, 1983.

(3) On July 30, 1982, Tennessee filed revisions to its FERC Gas Tariff, Original Volume No. 1. Tennessee proposed that these tariffs become effective September 1, 1982. The tariffs were accepted for filing and suspended for the full statutory period of 5 months until February 1, 1983, when they will be permitted to become effective, subject to refund.

(4) The Public Service Commission is being asked to authorize a pass-through of price increases following action by FERC. Failure to allow these increases to be passed through to its retail consumers on a timely basis would be unfair and unjust to Western 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 to the distributing company, in this case Western, 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.

(5) Western's filing of January 10, 1983, set out certain revisions in rates which Western proposed to place into effect, said rates being designed to pass on the wholesale increase in price in the amount of \$359,105 or \$0.0068 per Mcf.

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

(7) Western's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 8227, dated October 9, 1981, is fair, just and reasonable and in the public interest and should be effective with gas supplied on and after February 1, 1983, subject to refund.

(8) Western's base supplier rate for purchased gas will be as follows:

	<u>Demand/Mcf</u>	<u>Commodity/Mcf</u>
Texas Gas Transmission Corp.		
G-2	\$5.53	\$3.5513
G-3	6.36	3.6029
G-4	6.90	3.6462
	<u>Commodity Rate</u>	<u>Gas Rate/Dth</u>
Tennessee Gas Pipeline Company		
G-2	\$.3706	\$3.4859
GS-2	.8585	3.4859
Local Producers	-	3.8120

Western's adjustment in rates under the purchased gas adjustment clause, as set out in Exhibit D, page 1 of its notice herein in the amount of \$1.1887 per Mcf, is fair, just and reasonable and in the public interest and should be allowed to become effective for service rendered on and after February 1, 1983, subject to refund.

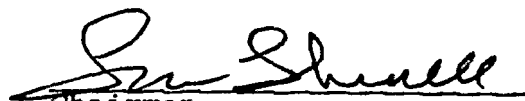
IT IS THEREFORE ORDERED that the purchased gas adjustment in Appendix A be and it hereby is approved effective for gas supplied on and after February 1, 1983, subject to refund.

IT IS FURTHER ORDERED that the base supplier rate as set out in Finding 8 above be and it hereby is effective for gas supplied on and after February 1, 1983.

IT IS FURTHER ORDERED that within 30 days from the date of this Order, Western shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 1st day of February, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8227-K DATED February
1, 1983.

The following rates are prescribed for the customers in the area served by Western Kentucky 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:

Applicable to All Rate Schedules

Purchased Gas Adjustment

To each bill rendered under all rate schedules there shall be added an amount equal to: \$1.1887 per Mcf of gas used during the billing period.