

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF WESTERN)	CASE NO. 8227-P
KENTUCKY GAS COMPANY)	

O R D E R

On October 9, 1981, the Commission entered its Order in Case No. 8227 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 or a refund is received.

On July 7, 1983, Western Kentucky Gas Company ("Western") notified the Commission that it had received a refund from its supplier, Texas Gas Transmission Corporation ("Texas Gas"), and had collected excess revenues that are due its customers. The Texas Gas refund is the result of approved settlement rates in FERC Docket RP82-74. The excess revenues result from the retroactive rate settlement by Texas Gas and a rate reduction by Tennessee Gas Pipeline Company ("Tennessee Gas").

The total refundable amount in the filing is \$1,450,970.62. Western proposes to refund this amount to its customers over a period of 12 months. The purchased gas adjustment clause of Western provides that in the event of

any large or unusual refunds, Western may apply for the right to depart from the normal refund procedure. Since this refund is very large and the normal refund period would occur primarily during non-heating months, a disproportionate share of the refund would go to industrial customers. Thus, Western requests to make the refund over a 12-month period rather than a 4-month period.

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

(1) Western has received a refund in the amount of \$871,499.91 from its supplier, Texas Gas, for the period from November 1, 1982, through March 31, 1983, to be refunded to its customers.

(2) Certain of Western's local production contracts track the Texas Gas rate. Western estimates a refund obligation of \$264.71 attributable to local production purchases for the period from November 1, 1982, through March 31, 1983.

(3) Due to the retroactive rate settlement of Texas Gas as reflected in Case No. 8227-0, Western estimates \$394,694 in excess revenues were collected during the period from April 1, 1983, through June 30, 1983. This amount is due Western's customers.

(4) Western estimates \$184,512 were collected in excess revenues during the period from May 1, 1983, through June 30, 1983, as a result of the rate reduction of Tennessee Gas in Case No. 8227-0. This amount is due Western's customers.

(5) A refund factor of \$0.0398 per Mcf should be used as a reduction in the purchased gas adjustment.

(6) The refund factor should remain in effect for 12 months or until such time as the full amount plus interest has been returned to Western's customers.

(7) The refund should begin with meter readings taken on August 1, 1983, or as soon as practical thereafter.

(8) Western should refund the amounts reported in its application plus interest at a rate equal to the average of the "3-Month Commercial Paper Rates" for the immediately preceding 12-month period less 1/2 of 1 percent to cover the cost of refunding. These monthly rates are reported in the Federal Reserve Bulletin and the Federal Reserve Statistical Release.

IT IS THEREFORE ORDERED that Western shall apply a refund factor in the amount of \$0.0398 per Mcf as a reduction in the approved purchased gas adjustment beginning with meter readings taken on August 1, 1983, or as soon as practical thereafter, and this refund factor shall remain in effect until such time as necessary so that the total amount refunded will, as nearly as possible, reflect the amount received. The refund factor will terminate when the amount refunded equals the refund herein reported plus interest.

IT IS FURTHER ORDERED that within 30 days from the date the refund factor is terminated Western shall file with this Commission a summary statement showing a reconciliation of customer billings and the amount refunded.

Done at Frankfort, Kentucky, this 27th day of July, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary