

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter:

THE APPLICATION OF EAST)
KENTUCKY UTILITIES INC.,) CASE NO. 9109
FOR A TEMPORARY SURCHARGE)

O R D E R

On July 17, 1984, East Kentucky Utilities Inc., ("East Ky.") requested authority to include a temporary surcharge in its rates due to the loss of a major portion of its gas supply from Southeastern Gas Company ("Southeastern"). The loss is the result of a break that occurred May 28, 1984, in the main line that crosses Beaver Creek. East Ky. expected the break to be repaired at once but Southeastern has indicated it has no definite plans to restore service. East Ky. has been forced to depend on Kentucky West Virginia Gas Co. ("Ky. West") for almost all its gas needs. This has placed a strain on East Ky. because the cost of gas from Ky. West is 10 times that from Southeastern.

Based on purchases for the 12 months ended April 1984, East Ky. purchases 30 percent of its annual gas supply from Southeastern at a rate of 46 cents per Mcf. The remainder is purchased from Ky. West at a current rate of \$3.6759 per Dth including the Gas Research Institute funding charge. With East Ky. receiving less than 1 percent of its gas needs from Southeastern, its average cost of gas will increase \$1.21 per Mcf.

The Commission is concerned about the potential hardship on consumers produced by this increased cost of gas.

The Commission notes that East Ky. has excessive line loss. The 1983 Annual Report shows unaccounted-for gas equal to approximately 25 percent of purchases. At the increased cost of gas, this line loss rate results in an annualized loss of over \$200,000.

The Commission is of the opinion and finds that a hearing and investigation will be necessary in order to determine the status of negotiations between East Ky. and Southeastern regarding the restoration of service, the ability of East Ky. to absorb part of the increased cost of gas, and the nature of East Ky.'s program to reduce line loss and provide safe, reliable and reasonably priced gas service to its customers.

Furthermore, applications for a rate increase must be accompanied by information specified in the Commission's Administrative Regulations. Therefore, East Ky. should file an application for a rate increase pursuant to 807 KAR 5:001, Section 9, within 20 days from the date of this Order.

IT IS THEREFORE ORDERED that this case be and it hereby is set for hearing on the 19th day of September, 1984, at 1:30 p.m., Eastern Daylight Time, in the Commission's offices at Frankfort, Kentucky.

IT IS FURTHER ORDERED that an original and eight copies of the information required by 807 KAR 5:001, Section 9, shall be filed with a copy to all parties of record within 20 days from the date of this Order.

IT IS FURTHER ORDERED that East Ky. shall give notice of the hearing in accordance with the provisions of 807 KAR 5:011, Section 8 (Tariffs).

Done at Frankfort, Kentucky, this 29th day of August, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Henson
Chairman

Robert D. [unclear]
Vice Chairman

[Signature]
Commissioner

ATTEST:

Secretary