

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF VALLEY) CASE NO. 6902-W
GAS, INC.)

O R D E R

On February 12, 1978, the Commission issued its Order in Case No. 6902 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 March 24, 1986, Valley Gas, Inc., ("Valley") notified the Commission that its wholesale cost of gas had been decreased by its supplier, Texas Gas Transmission Corporation ("Texas Gas"), effective February 1, 1986, and that it had refunds and overcollections to return to its customers. Valley submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with this Commission.

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

(1) Valley's notice of March 24, 1986, set out certain revisions in rates which Valley proposed to place into effect, said rates being designed to pass on the wholesale decrease in

price from its supplier in the amount of \$26,527 or 47.83 cents per Mcf.

(2) Texas Gas filed an application for decreased rates with the Federal Energy Regulatory Commission ("FERC") to become effective February 1, 1986.

(3) Valley has refunds and overcollections in the amount of \$9,887 to return to its customers. A refund factor of 68.52 cents per Mcf should be used as a reduction in the purchased gas adjustment for a period of 6 months or until such time as the full amount plus interest has been refunded. The refund should begin with meter readings taken on March 1, 1986, or as soon as practical thereafter.

(4) Valley should refund the amount reported plus interest at a rate equal to the average of the "3-Month Commercial Paper Rates" less 1/2 of 1 percent to cover the costs of refunding. These monthly rates are reported in the Federal Reserve Bulletin and the Federal Reserve Statistical Release.

(5) Valley requested an effective date for its rate decrease of March 1, 1986, instead of February 1, 1986, because the overcollection resulting from a March effective date has already been included in the amount to be refunded beginning March 1, 1986. This being the case, the effective date should be March 1, 1986.

(6) Valley's adjustments in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 6902 dated February 12, 1978, is fair, just and

reasonable and in the public interest and should be effective with gas supplied on and after March 1, 1986.

(7) The Commission notes that Valley does not have a current copy of its purchased gas adjustment ("PGA") clause on file with its current tariff sheet. Valley should file a signed, up-dated copy of its PGA clause, duplicating the clause from Case No. 5660 included in this Order, and setting it out in tariff sheet form.

IT IS THEREFORE ORDERED that:

(1) The rates in the Appendix to this Order be and they hereby are authorized effective with gas supplied on and after March 1, 1986.

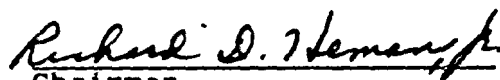
(2) Valley shall apply a refund factor of 68.52 cents per Mcf as a reduction in the approved purchased gas adjustment beginning with meter readings taken on March 1, 1986, and this refund factor shall remain in effect until such time as necessary so that the total amount refunded will, as nearly as possible, reflect the amount received. The refund factor will terminate when the amount refunded equals the amount herein reported plus interest.

(3) Within 30 days from the date the refund factor is terminated Valley shall file with this Commission a summary statement showing a reconciliation of customer billings and the amount refunded.

(4) Within 30 days of the date of this Order Valley shall file with this Commission its revised tariffs setting out the rates and refund factor authorized herein, and including a current, signed PGA clause.

Done at Frankfort, Kentucky, this 8th day of April, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX "A"

Appendix to an Order of the Kentucky Public Service
Commission in Case No. 5660 dated April 12, 1972

PURCHASED GAS ADJUSTMENT CLAUSE

The rates authorized herein are based upon the wholesale cost of gas to the Applicant as computed upon rates of its wholesale suppliers then currently in effect under Federal Power Commission tariffs for interstate business or under wholesale tariffs of this Commission. For the Purpose of this purchased gas adjustment clause, these rates shall be considered as the base rate for purchased gas. In the event there is an increase in this base rate, the Applicant shall, within thirty days from the time it receives notice of the proposed change, file with this Commission the following information:

(1) A copy of the Federal Power Commission tariff or wholesale tariff of this Commission effecting the change in the base rates and a statement relative to the effective date of such proposed change.

(2) A statement setting out the details of gas purchased under the provisions of the base rate for the previous twelve months showing billing under the base rate and under the proposed revised rate applicable to this service.

(3) A balance sheet as of the end of the latest twelve-month period and a statement of operating expenses and revenues in the same detail as reported to this Commission in the Utility's Annual Report.

(4) A forecast showing the estimated gas purchases from all of the utility's contract suppliers for the next twelve-months period, together with an estimate of the cost thereof.

(5) Such other information as this Commission may request for a proper determination of the purchased gas adjustment.

Upon receipt of this information this Commission will review the effect of the revised base rate on the operations of the Applicant and will, prior to the effective date of the revised base rate but not less than thirty days from the date of the filing of the above prescribed information, issue its Order setting out the purchased gas adjustment that the utility shall apply to its rates.

In the event there is a decrease in purchased gas costs or refund, the Applicant shall file the information required in 1, 2, 4 and 5 above.

Upon receipt of this information the Commission shall review the proposed reductions and within thirty days from receipt of the information required, issue its Order setting out the proper refund and/or revised rates.

The maximum amount of the adjustment so prescribed shall not produce revenue adjustments based upon the actual preceding twelve-months period, greater than the difference between the purchased gas billed at the then existing rates and the purchased gas billed at the revised rates.

The base rate for purchased gas for the application of the Purchased Gas Adjustment Clause of Valley Gas is:

Commodity

Texas Gas Transmission Corporation