

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF VALLEY) CASE NO. 6902-X
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 July 24, 1986, Valley Gas, Inc., ("Valley") notified the Commission that its wholesale cost of gas had been increased by its supplier, Texas Gas Transmission Corporation ("Texas Gas"), effective August 1, 1986, and 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 July 24, 1986, set out certain revisions in rates which Valley proposed to place into effect, said rates being designed to pass on a wholesale increase in price from its supplier; Valley miscalculated the amount of its

increase, however, by mistaking the tariff price listed on the tariff sheet for the amount of increase in cents per Mcf in its gas cost. The amount of increase should be \$1,936 or 3.55 cents per Mcf.

(2) Texas Gas filed an application for increased rates with the Federal Energy Regulatory Commission ("FERC") to become effective August 1, 1986. This increase is subject to refund.

(3) A Legislative change in KRS Chapter 278, effective July 15, 1986, requires 30 days' notice of a change in rates, with the Commission having the discretion to shorten the required period to 20 days upon showing of good cause. Reductions in rates will, as always, be made effective with the date of the supplier decrease. Increases in rates will continue to be effective with 20 days' notice providing that: 1) the effective date from the supplier is not more than 20 days in the future, in which case the actual effective date will be used, and 2) the company has included in its filing a specific request that a tariff sheet or some other notification from the supplier be considered a showing of good cause for 20 days' notice.

(4) Valley requested an effective date for the proposed increase in rates of August 1, 1986. The effective date should be August 13, 1986, however, because Valley is required to give at least 20 days' notice of an increase in rates. The Commission, on its own motion, will allow 20 days' notice in this case.

(5) Valley's corrected adjustment 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 August 13, 1986. Valley's increase should be subject to refund because that of Texas Gas is subject to refund.

(6) In future filings, Valley should provide either the price per Mcf it is to be billed by its supplier or a BTU conversion factor, owing to the fact that Texas Gas prices its gas in MmBtus.

IT IS THEREFORE ORDERED that:

(1) The rates proposed by Valley be and they hereby are denied. The rates in the Appendix to this Order be and they hereby are authorized effective with gas supplied on and after August 13, 1986, subject to refund.

(2) Within 30 days of the date of this Order Valley shall file with this Commission its revised tariffs setting out the rates authorized herein.

(3) In future filings for rate increases Valley shall specifically request 20 days' notice upon showing of good cause, as directed herein.

(4) Valley shall supply either its new gas price in Mcf or a conversion factor in all future filings.

Done at Frankfort, Kentucky, this 18th day of August, 1936.

PUBLIC SERVICE COMMISSION

Richard D. Weman
Chairman

[Signature]
Vice Chairman

Spencer N. Williams
Commissioner

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 6902-X DATED 8/18/86

The following rates and charges are prescribed for the customers served by Valley Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES:

All Mcf consumed over 1	\$3.8159	per Mcf
Minimum charge (0-1 Mcf)	\$3.82	per Meter per Month

A refund factor of 68.52 cents per Mcf shall be used as a reduction in the purchased gas adjustment until August 30, 1986.

The base rate for the future application of the purchased gas adjustment clause of Valley Gas, Inc., shall be:

	<u>Commodity</u>
Texas Gas Transmission Corp.	3.2142¢ per Mcf