

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED)
GAS ADJUSTMENT FILING OF) CASE NO. 8735-C
B & H GAS COMPANY)

O R D E R

On May 31, 1983, the Commission issued its Order in Case No. 8735 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 January 31, 1986, B & H Gas Company ("B & H") notified the Commission of a change in its retail rates effective January 1, 1986. B & H's notice did not contain all the information required by its purchased gas adjustment ("PGA") clause to calculate its change in retail rates. The Commission issued several data requests and eventually collected sufficient information to calculate B & H's correct rates as of January 1, 1986, as well as correct rates for the intervening months between January 1, 1986, and the date of this Order.

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

(1) The rates proposed by B & H in its notice of January 31, 1986, did not take into account several changes in rates from one of its suppliers, Kentucky-West Virginia Gas Company ("Ky-West").

(2) The seasonality of B & H's purchases from Ky-West has been the source of problems for B & H's PGA filings in the past; B & H is currently refunding \$1,764 to its customers in order to reconcile gas cost and revenues for the year 1984. B & H only purchases gas from Ky-West in the months of January, February, March, April, November and December. B & H's primary supplier, Bradley and Son Oil and Gas ("Bradley") has in recent years changed its wholesale rate only in January of each year. It is the opinion of the Commission that B & H should return to its former surcharge mechanism. Under this mechanism, a surcharge would be established at the beginning of each year to recover the additional cost of gas from Ky-West purchases. This surcharge would be added to B & H's regular rates, which would be designed to recover the cost of gas based on Bradley's wholesale rate. The surcharge would begin January 1st of each year and continue until the full amount allowed had been recovered. The surcharge rate would be established using projected purchases and sales figures based on the previous year's sales. The amount recoverable through the surcharge would be determined after the winter heating season when actual purchases from Ky-West are known. Suggested methodology for calculating the surcharge is contained in Appendix G.

(3) On or before December 31, 1986, B & H should file proposed rates based on Bradley's 1987 wholesale rate and a proposed surcharge for 1987. B & H should report to the

Commission its gas cost and amount of purchases in dollars and Mcf per each month of 1986 from each of its suppliers, as well as a billing analysis by month for January through December, 1986. Any over/under collections for the year 1986 will be computed and the Commission will consider netting them against any future surcharges.

(4) Under the surcharge mechanism B & H should file a PGA only when it receives a change in rates from Bradley.

(5) Because the rates proposed by B & H did not reflect all changes in gas cost effective January 1, 1986, or since then for changes that have occurred in 1986, the Commission has calculated rates to bring B & H up to date for all changes in supplier rates. Those rates are contained in Appendices A through F of this Order. The rates in Appendix A should be approved effective January 1, 1986; the rates in Appendix B should be approved effective February 1, 1986; the rates in Appendix C should be approved effective March 1, 1986; the rates in Appendix D should be approved effective May 1, 1986; the rates in Appendix E should be approved effective June 7, 1986; and the rates in Appendix F are the rates that are currently to be in effect and should be approved effective November 1, 1986. B & H's proposed adjustment in rates under the PGA provisions approved by the Commission in Case No. 8735 dated May 31, 1983, is not fair, just or reasonable or in the public interest and should be denied.

IT IS THEREFORE ORDERED that:

(1) The rates proposed by B & H be and they hereby are denied. The rates in Appendices A through F to this Order be and

they hereby are authorized effective with gas supplied on and after the dates specified herein.

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

(3) On or before December 31, 1986, B & H shall file the information concerning purchases and sales for the year 1986 that has been requested herein, as well as a proposed surcharge and proposed rates.

(4) Effective with the date of this Order B & H shall file a PGA only when Bradley changes its wholesale rate.

(5) Effective with the date of this Order a surcharge mechanism shall be implemented whereby any undercollections resulting from a failure to change B & H's rates along with changes in Ky-West's rates will be recovered.

Done at Frankfort, Kentucky, this 11th day of November, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Newman, Jr.
Chairman

Richard D. L.
Vice Chairman

Spencer N. Williamson, Jr.
Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8735-C DATED 11/11/86

The following rates and charges are prescribed for the customers served by B & H Gas Company. 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 date of this Order.

RATES:

First 2 Mcf	\$8.2459 (Minimum Bill)
Next 8 Mcf	3.9008 per Mcf
Next 20 Mcf	3.5791 per Mcf
Over 30 Mcf	3.3859 per Mcf

The base rates for the future application of the purchased gas adjustment clause of B & H Gas Company shall be:

Bradley and Son Oil and Gas	\$2.00 per Mcf
Kentucky-West Virginia Gas	\$2.9496/Dth*

*Includes GRI Charge of \$.0135

APPENDIX B

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8735-C DATED 11/11/86

The following rates and charges are prescribed for the customers served by B & H Gas Company. 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 date of this Order.

RATES:

First 2 Mcf	\$8.0947 (Minimum Bill)
Next 8 Mcf	3.8252 per Mcf
Next 20 Mcf	3.5035 per Mcf
Over 30 Mcf	3.3103 per Mcf

The base rates for the future application of the purchased gas adjustment clause of B & H Gas Company shall be:

Bradley and Son Oil and Gas	\$2.00 per Mcf
Kentucky-West Virginia Gas	\$2.7266 per Dth*

*Includes GRI Charge of \$.0135

APPENDIX C

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8735-C DATED 11/11/86

The following rates and charges are prescribed for the customers served by B & H Gas Company. 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 date of this Order.

RATES:

First 2 Mcf	\$8.2495 (Minimum Bill)
Next 8 Mcf	3.9026 per Mcf
Next 20 Mcf	3.5809 per Mcf
Over 30 Mcf	3.3877 per Mcf

The base rates for the future application of the purchased gas adjustment clause of B & H Gas Company shall be:

Bradley and Son Oil and Gas	\$2.00 per Mcf
Kentucky-West Virginia Gas	\$2.9375/Dth*

*Includes GRI Charge of \$.0135

APPENDIX D

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8735-C DATED 11/11/86

The following rates and charges are prescribed for the customers served by B & H Gas Company. 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 date of this Order.

RATES:

First 2 Mcf	\$8.1725 (Minimum Bill)
Next 8 Mcf	3.8641 per Mcf
Next 20 Mcf	3.5424 per Mcf
Over 30 Mcf	3.3492 per Mcf

The base rates for the future application of the purchased gas adjustment clause of B & H Gas Company shall be:

Bradley and Son Oil and Gas	\$2.00 per Mcf
Kentucky-West Virginia Gas	\$2.8109/Dth*

*Includes GRI Charge of \$.0135

APPENDIX E

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8735-C DATED 11/11/86

The following rates and charges are prescribed for the customers served by B & H Gas Company. 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 date of this Order.

RATES:

First 2 Mcf	\$8.0155 (Minimum Bill)
Next 8 Mcf	3.7856 per Mcf
Next 20 Mcf	3.4639 per Mcf
Over 30 Mcf	3.2707 per Mcf

The base rates for the future application of the purchased gas adjustment clause of B & H Gas Company shall be:

Bradley and Son Oil and Gas	\$2.00 per Mcf
Kentucky-West Virginia Gas	\$2.6062/Dth*

*Includes GRI Charge of \$.0135

APPENDIX F

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8735-C DATED 11/11/86

The following rates and charges are prescribed for the customers served by B & H Gas Company. 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 date of this Order.

RATES:

First 2 Mcf	\$7.9809 (Minimum Bill)
Next 8 Mcf	3.7683 per Mcf
Next 20 Mcf	3.4466 per Mcf
Over 30 Mcf	3.2534 per Mcf

The base rates for the future application of the purchased gas adjustment clause of B & H Gas Company shall be:

Bradley and Son Oil and Gas	\$2.00 per Mcf
Kentucky-West Virginia Gas	\$2.5612/Dth*

*Includes GRI Charge of \$.0135

APPENDIX G

Suggested Computation of Surcharge:

1. Calculate total purchases in Dth from Ky-West for previous heating season (November to end of April, or whatever months purchases from Ky-West took place). Multiply by the current price per Dth from Ky-West to find estimated gas cost for the coming year.
2. Calculate amount of gas cost already recovered through rates:

Total Mcf purchased from Ky-West in previous heating season

X 80 cents (gas cost built into rate case rates)
= Ky-West gas cost already recovered
3. Subtract Ky-West gas cost already recovered (calculated above) from estimated cost of gas for purchases from Ky-West (calculated in part 1). The difference equals the estimated amount to be recovered through the surcharge.
4. Divide the amount to be recovered through the surcharge by Mcf sales of January through September of the previous year. The resulting amount is the surcharge to be added to retail rates for the surcharge period. (January to September is only a suggestion; the surcharge should start in January. The surcharge will run until actual additional gas costs from Ky-West purchases have been recovered.)
5. In filing to Commission, include all workpapers.