

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED)
GAS ADJUSTMENT FILING OF) CASE NO. 8735-D
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 December 9, 1986, B & H Gas Company ("B & H") notified the Commission that its wholesale cost of gas would be increased by its supplier, Bradley and Son Oil and Gas Company ("Bradley"), effective January 1, 1987, and submitted with its notice certain information required by this Commission in the Order in Case No. 8735-D. This information was requested in order to institute a surcharge mechanism designed to recover the cost of gas from Kentucky-West Virginia Gas Company ("Ky.-West"), leaving only the cost of gas from Bradley in B & H's approved rates.

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 December 9, 1986, were designed to include only the cost of gas from Bradley and to pass on the wholesale increase in price from Bradley in the

amount of 50 cents per Mcf. The methodology used is in accordance with the Commission's Order in Case No. 8735-C.

(2) B & H's wholesale cost of gas was increased by Bradley effective January 1, 1987.

(3) B & H's notice requested an effective date for its proposed rates of January 1, 1987. B & H did not provide the 30-day notice as required by statute for a rate increase; therefore, the proposed rates should go into effect on and after January 7, 1987.

(4) B & H proposed to implement a surcharge in the amount of 82.9 cents per Mcf. The surcharge was calculated in accordance with Appendix G of Order 8735-C. The Commission notes, however, that there was a mistake in the suggested computation of the surcharge in Appendix G. In calculating the gas cost already recovered through rates, the total Mcf purchased from Ky.-West during the previous heating season should have been multiplied by \$2.50 (B & H's current cost of gas from Bradley) instead of 80 cents as directed. The amount of the surcharge, after correcting the Ky.-West gas cost already recovered, is 25.32 cents.

(5) The surcharge should begin with the effective date of Bradley's proposed rates, January 7, 1987, and should continue until any undercollections resulting from the failure to change B & H's rates along with changes in Ky.-West's rates are recovered. The amount recoverable through the surcharge should be determined after the winter heating season when actual purchases from Ky.-West are known.

(6) In the Order in Case No. 8735-C, B & H was ordered to 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. This was to be filed by December 31, 1986. In its notice of December 9, 1986, B & H requested an extension of the required filing period in order to allow adequate time to collect information from the December billing. An extension should be granted and the information should be filed no later than January 31, 1987.

(7) Within 30 days from the date the surcharge is terminated, B & H should file a summary statement reconciling supplier billings from Ky.-West and the amount collected from customers through the surcharge.

(8) B & H's adjustment in rates under the purchased gas adjustment provision approved by the Commission in its Order in Case No. 8735 dated May 31, 1983, is fair, just and reasonable and in the public interest and should be effective with gas supplied on and after January 7, 1987.

IT IS THEREFORE ORDERED that:

(1) The rates in Appendix A to this Order be and they hereby are authorized effective with gas supplied on and after January 7, 1987.

(2) The surcharge, as re-calculated by the Commission and shown in Appendix B to this Order, be and it hereby is authorized

effective January 7, 1987, and shall terminate when under-collections resulting from purchases from Ky.-West have been recovered.

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

(4) On or before January 31, 1987, B & H shall file the information concerning purchases and sales for the year 1986 that was requested in Case No. 8735-C.

(5) Within 30 days of the date the surcharge is terminated, B & H shall file a reconciliation showing billings from Ky.-West and customer collections.

Done at Frankfort, Kentucky, this 24th day of December, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Demarc, Jr.
Chairman

Paul H. L.
Vice Chairman

Spencer N. Williams, Jr.
Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8735-D DATED 12/24/86

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	\$8.6807 (Minimum Bill)
Next 8 Mcf	4.0183 per Mcf
Next 20 Mcf	3.6965 per Mcf
Over 30 Mcf	3.5033 per Mcf

A surcharge in the amount of 25.32 cents per Mcf shall be added to the approved rates.

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 Co. \$2.50 per Mcf

APPENDIX B

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: 7,989 dth

$$\begin{array}{r} 7,989 \text{ dth} \\ \times 2.5927 \\ \hline \$20,713.0803 \end{array}$$

2. Calculate amount of gas cost already recovered through rates:

Total Mcf purchased from Ky-West in previous heating season: 6,378

$$\begin{array}{r} 6,378 \\ \times 2.50 \text{ (cost built into rate case rates)} \\ \hline \$15,945 = \text{Ky-West gas cost already recovered} \end{array}$$

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:
 $\$20,713.08 - \$15,945 = \$4,768.08$

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.)

$$\begin{array}{r} \$4,768.08 \div 18,830 \text{ (total Mcf sales January - September 1985)} \\ = \$0.2532 \end{array}$$