

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE REQUEST OF B&H GAS COMPANY )  
FOR APPROVAL OF EMERGENCY )  
PURCHASES OF NATURAL GAS ) CASE NO. 8981  
FROM KENTUCKY WEST VIRGINIA )  
GAS COMPANY )

O R D E R

On January 30, 1984, B&H Gas Company ("B&H") notified the Commission that it would not have sufficient gas to supply its customers during January, February and March 1985, and requested approval to make emergency purchases from Kentucky West Virginia Gas Company ("Kentucky-West") for a period of 91 days and to recover the additional cost of the emergency purchases by applying a net surcharge to customers' bills of 78 cents per Mcf. On February 13, 1984, B&H revised its requested net surcharge to 63 cents per Mcf.

On March 2, 1984, the Commission approved the request to make emergency purchases from Kentucky-West for a period of 91 days, effective January 1, 1984, and a net surcharge of 58 cents per Mcf.

The Commission approved requests from B&H for extensions of the 58 cent surcharge on April 27, 1984, and August 29, 1984, to be applied to billings until the amount that was needed to balance the account with Kentucky-West was collected. On November 13, 1984, the Commission ordered B&H to cease charging the 58 cent

surcharge immediately and to file a statement of total gas surcharge revenue collected since January 1, 1984. Any amount over \$15,320 was ordered to be refunded to B&H's customers. On February 26, 1985, B&H filed a statement reflecting that \$17,084 had been collected through the surcharge. This was an overcollection of \$1,764.

On March 22, 1985, the Commission ordered B&H to file a plan to refund overcollections to its customers.

On April 17, 1985, B&H requested permission to retain the \$1,760 in overcollections to offset its December 1984 gas purchase cost from Kentucky-West. B&H stated that its customers were not charged for gas purchased from Kentucky-West in December 1984. An Order issued February 28, 1985, in Case No. 8735-B, The Notice of Purchased Gas Adjustment Filing of B&H Gas Company, allowed B&H to recover the cost of its Kentucky-West purchases effective January 23, 1985. B&H did not make a timely application for an earlier approval.

On July 11, 1985, the Commission ordered B&H to comply with the provisions of the Commission's March 22, 1985, Order. In a letter filed on August 20, 1985, B&H requested an extension on the July 11, 1985, Order and a conference on the refund and the proposed purchased gas cost offset.

On October 25, 1985, the Commission granted B&H an extension of time to comply with the March 22, 1985, Order and reopened this case to investigate B&H's current financial situation and to allow B&H to present evidence not previously

considered regarding the surcharge and the proposed purchased gas cost offset.

Information filed by B&H on December 18, 1985, shows that during the months of January through October 1984, when the surcharge was in effect, B&H billed 21,902 Mcf. A 78 cent surcharge applied to 21,902 Mcf produces the \$17,084 reported by B&H. Reported revenues for December 1984 of \$12,025.12 significantly exceeds potential revenues for reported sales of 3,483 Mcf at tariffed rates. Total reported revenues for 1984 of \$93,633.18 appears to be higher than likely for reported sales of 28,836 Mcf at tariffed rates.

B&H's current rates are based on a gas supply contract from Kepco, Inc. ("Kepco") at \$3.91 per Dth. This contract was filed in support of B&H's request for a PGA increase in Case No. 8735-B. On December 18, 1985, B&H filed copies of bills from all suppliers. The bills show that in 1985 B&H has continued to purchase winter supplies from Kentucky-West at its general service rate. B&H was billed by Kentucky-West at \$3.5661 per Dth for the winter of 1984-85. Kentucky-West's general service rate has subsequently declined to \$2.9496 per Dth.

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

1. B&H should file a billing analysis for 1984 showing units billed at each rate or charge during the year and reconciling with reported revenues and Mcf sold. Data should be broken down by month where necessary to show rate changes during the year.

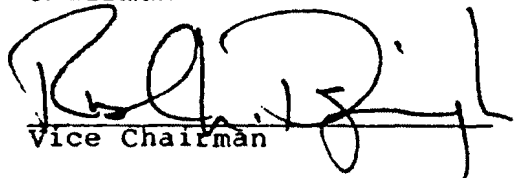
2. Kentucky-West's general service rate has declined. B&H should comply with the provisions of its PGA clause and file to adjust its rates in accordance with its supplier's rates.

IT IS THEREFORE ORDERED that B&H shall, within 20 days of the date of this Order, comply with the findings of this Order or show cause why such filings are not necessary.

Done at Frankfort, Kentucky, this 7th day of January, 1986.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary