

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)
FILING OF ELAM UTILITY) CASE NO. 9375-D
COMPANY)

O R D E R

On September 10, 1986, Elam Utility Company ("Elam") notified the Commission that on July 1, 1986, it began purchasing natural gas through Columbia Gas Transmission ("Transmission") Special Marketing Program Pool. According to the information Elam furnished about the Special Marketing Program, rates for this gas start at \$2.00 per Dth, but nominated quantities must be forwarded to Transmission a month in advance. Any quantities taken over and above the nominated quantities are billed at Transmission's SGS rate schedule. If Elam takes less quantities than it nominates, the nominated quantity will still be billed at \$2.00 per Dth. There are additional minimum bill charges and a one-time \$600 service charge.

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

(1) Elam requested to deviate from its PGA clause on file with this Commission. The rate for the Special Marketing Program gas purchased is substantially below Transmission's SGS rate on which Elam's current retail rates are based. Elam, therefore, requested permission to maintain its currently approved retail

rates from Case No. 9375-C on file with this Commission, and to make a customer refund every 3 months to reconcile the collections from its customers and its payments to Transmission. Because of the uncertainty involved in calculating an expected cost of gas in this situation, Elam should be allowed to make quarterly customer refunds.

(2) Beginning with the refund due for the months of July, August and September, and continuing as long as Elam has this special arrangement with Transmission, Elam shall file a detailed refund plan with this Commission. The refund plan should be filed no later than 15 days from the end of the quarter and should include the quantities of Mcf nominated, purchased and sold for the quarter, as well as the dollar amount of purchases and sales. Elam should set out the credit to be subtracted from the customers' bills in the coming quarter and show how the credit was derived. Every refund should be calculated to be spread over the 3-month period following the quarter in which excess revenues occur.

(3) The cost of gas to be recovered from Elam's customers for the months of July, August and September of 1986 should include the \$600 service charge. Each quarter's cost of gas should include any additional minimum bill charges.

IT IS THEREFORE ORDERED that:

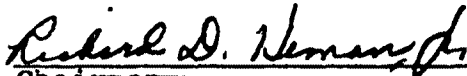
(1) Elam shall be allowed to deviate from its PGA clause by using a quarterly refund to pass along the reduction in gas cost to its customers. Elam shall make its quarterly refund filings in the manner authorized herein.

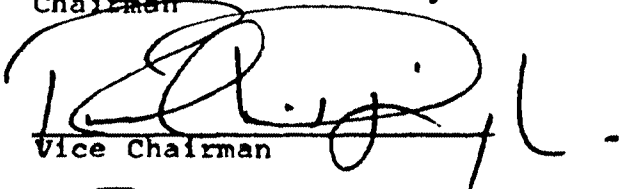
(2) Elam's refund plans shall include all costs of gas, including the \$600 service charge and any additional minimum bill charges.

(3) On or before October 15, 1986, Elam shall file its refund plan for the months of July, August and September.

Done at Frankfort, Kentucky, this 30th day of September, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director