

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED)	
GAS ADJUSTMENT FILING OF)	CASE NO. 6741-I
CAPITOL OIL COMPANY, INC.)	

O R D E R

On February 21, 1978, the Commission issued its Order in Case No. 6741 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 November 6, 1987, Capitol Oil Company, Inc., ("Capitol"), formerly Capitol Oil and Gas Company, notified the Commission that its wholesale cost of gas was decreased by two of its suppliers, Panbowl Production Company, Inc., and Capitol Producing Company, effective on and after October 1, 1987, 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) Capitol's notice of November 6, 1987, set out certain revisions in rates which Capitol proposed to place into effect, said rates being designed to pass on the overall wholesale decrease in gas costs from its suppliers in the amount of \$540,027 or 79 cents per Mcf.

(2) Because it had a change in supplier mix, Capitol calculated its change in rates based on the difference in the average cost of gas from its last rate case and the new average cost of gas. It used \$1.06 as the average gas cost per Mcf in Case No. 6741; however, the actual average cost of gas allowed in that case was \$1.24. The \$1.24 is derived by dividing pro forma purchased gas expense found reasonable in the Order in rate case No. 6741, dated February 21, 1978, by 24,528 Mcf used in calculating rates. There is, therefore, an 81 cent increase in rates added to the base rates instead of a 99 cent increase as Capitol calculated. This is a 79 cent decrease from rates approved in Case No. 6741-H.

(3) Capitol should report to this Commission any excess revenues collected from October 1, 1987, to the date the proposed rates are implemented, along with a plan to refund excess revenues to its customers.

(4) Capitol's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 6741 dated February 21, 1978, is fair, just, and reasonable and in the public interest and should be effective with gas supplied on and after October 1, 1987.

(5) Capitol should submit copies of each new gas purchase contract.

IT IS THEREFORE ORDERED that:

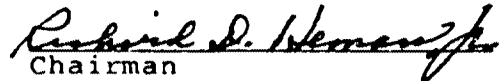
(1) The rates in the Appendix to this Order be and they hereby are authorized effective with gas supplied on and after October 1, 1987, in place of those proposed by Capitol.

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

(3) Within 30 days of this Order Capitol shall file with this Commission any excess revenues collected from October 1, 1987, to the date the proposed rates are implemented, along with a refund plan.

(4) Within 20 days of the date of this Order Capitol shall supply the new contract information requested herein.

Done at Frankfort, Kentucky, this 10th day of December, 1987.
PUBLIC SERVICE COMMISSION


Chairman

Dr. Robert M. Davis
did not participate.
Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 6741-I DATED 12/10/87

The following rates and charges are prescribed for the customers served by Capitol Oil and 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: Monthly

First 2 MCF \$3.31 per MCF

Over 2 MCF 3.31 per MCF

The minimum monthly charge is \$5.00 which entitles the customer to less than 2 MCF of gas.

The base rates for the future application of the purchased gas adjustment clause of Capitol Oil and Gas Company shall be:

	<u>Demand</u>	<u>Commodity</u>
Holly Creek Production Corporation	—	\$ 0.45 per MCF
Panbowl Production Company	—	1.955 per MCF
Capitol Producing	—	2.53 per MCF
Others	—	1.944 per MCF