

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF AUXIER) CASE NO. 9318-D
ROAD GAS COMPANY, INC.)

O R D E R

On August 13, 1987, the Commission issued its Order in Case No. 9318-D, a purchased gas adjustment filing of Auxier Road Gas Company, Inc. ("Auxier Road"). The Commission's Order: (1) approved a reduction in Auxier Road's rates based on a reduction in cost of Auxier Road's wholesale gas supply; and (2) directed Auxier Road to file a detailed plan for passing the savings from a contract with Kentucky-West Virginia Gas Company ("Kentucky West") through to ratepayers.

On August 31, 1987, Auxier Road filed a Motion requesting the Commission to reconsider its Order with respect to the above mentioned items. Auxier Road claims that the Commission's approved minimum bill of \$9.10 is unlawful as a violation of the temporary injunction issued by the Franklin Circuit Court,¹ and that its minimum bill should be \$10, the amount that became effective during its last rate case, Case No. 9318. The Commission finds no merit in this claim.

¹ Auxier Road Gas Co. v Kentucky Public Service Commission, et. al., Civil Action No. 86-CI-1356, Franklin Circuit Court.

The reduction in Auxier Road's minimum bill is not an attempt by the Commission to implement the rate Order that has been enjoined by the Franklin Circuit Court. The lower rate for the minimum bill, as well as the lower rate for all gas consumed in excess of the first Mcf, is due solely to Auxier Road's Purchased Gas Adjustment filings made subsequent to Case No. 9318. Those filings reflect a 90 cent reduction in wholesale gas cost and result in an equal adjustment to Auxier Road's retail rates. Pursuant to Auxier Road's filed Purchased Gas Adjustment Clause, whenever it experiences a change in its wholesale cost of gas, its retail rates are adjusted upward or downward to track the wholesale change.

Auxier Road's argument is that its purchased gas adjustments should be effective for all Mcf above one but not for the first Mcf. This position is clearly erroneous. If Auxier Road's wholesale cost of gas had increased by 90 cents since filing Case No. 9318 instead of decreasing by 90 cents, under Auxier Road's argument, its minimum bill of \$10 would stay constant while its rates for all Mcf over one would increase from \$9.22 (the amount authorized by the injunction) to \$10.12. This would produce the result of having a minimum bill for the first Mcf which is lower than the cost of each subsequent Mcf. Auxier Road would then be selling one Mcf to each customer every month at a loss. In contrast, under the facts of this case (wholesale cost decrease of 90 cents per Mcf), Auxier Road is attempting to bill each customer for 90 cents of gas cost that does not exist.

Auxier Road requests not to file information on the volumes and prices of gas purchased from Kentucky West and a detailed plan for passing the savings from the Kentucky West contract through to ratepayers. Auxier Road also requests a meeting with Commission staff.

Commission staff met with Auxier Road in April 1987 at which time it was understood that Auxier Road would make a filing in May 1987. Auxier Road has a different recollection of the meeting. Auxier Road has benefited from lower gas supply costs due to the Kentucky West contract and ratepayers have seen none of this lower gas cost. The Commission sees no benefit to another staff meeting with Auxier Road at this time.

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

1. The minimum monthly bill for Auxier Road in Case No. 9318-D should be \$9.10 based on the rates presently in effect under the Franklin Circuit Court injunction.

2. Auxier Road should file revised tariffs as set out in Case No. 9318-D.

3. Auxier Road should file information on the volumes and prices of gas purchased from Kentucky West and a detailed plan for passing the savings from the Kentucky West contract through to ratepayers.

4. Auxier Road's request for a meeting with Commission staff should be denied.

IT IS THEREFORE ORDERED that:

1. The minimum monthly bill of Auxier Road shall be \$9.10.

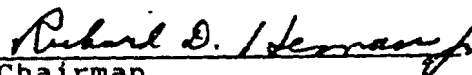
2. Within 10 days of the date of this Order Auxier Road shall file revised tariffs as set out in Case No. 9318-D.

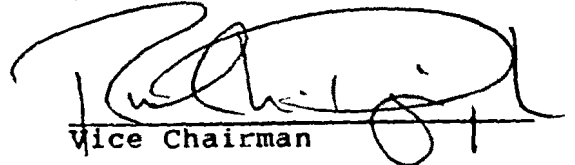
3. Within 20 days of the date of this Order Auxier Road shall file information on the volumes and prices of gas purchased from Kentucky West and a detailed plan for passing the savings from the Kentucky West contract through to ratepayers.

4. Auxier Road's request for a meeting with Commission staff be and it hereby is denied.

Done at Frankfort, Kentucky, this 21st day of September, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director