

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)
FILING OF THE UNION LIGHT,) CASE NO. 9029-Q
HEAT AND POWER COMPANY)

O R D E R

On October 24, 1984, the Commission issued its Order in Case No. 9029, approving certain rates and providing for adjustments of these rates on a quarterly basis in accordance with the provisions of the gas cost adjustment ("GCA") clause set forth therein.

On December 1, 1988, The Union Light, Heat and Power Company ("Union") filed its revised quarterly gas cost adjustment which is to become effective January 1, 1989 and is to remain in effect until March 1, 1989. In this filing, Union proposed to change the time periods covered by its future GCA filings to be consistent with the revised quarterly purchased gas adjustment filing periods of two of its principal pipeline suppliers, Columbia Gas Transmission Corporation and Texas Gas Transmission Corporation. In a supplemental filing dated December 20, 1988, Union included its take-or-pay charges from pipeline suppliers along with a revised methodology for recovering these billings through its GCA.

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

(1) Union's notice of December 1, 1988 set out certain revisions in rates which Union proposed to place into effect, said

rates being designed to pass on the wholesale increase in gas costs from its suppliers in the amount of \$5,408,220 or 51.1 cents per Mcf, including take-or-pay charges.

(2) Union's notice set out a total refund adjustment of .7 cents per Mcf, which is a combination of a previous quarter's adjustment and the current quarter's adjustment.

(3) Union's notice set out a total actual adjustment of 4.4 cents per Mcf to compensate for previous over-recovery of gas cost by the company through the operation of its gas cost recovery procedure.

(4) Union's notice set out a total balance adjustment of 1.8 cents per Mcf to reconcile previous actual, refund and balance adjustments.

(5) Union set out an annualized take-or-pay charge of \$856,188 or 6.8 cents per Mcf.

(6) In order to effectuate the transition to GCA filing quarters effective March, June, September and December, Union requested authority to calculate its actual, balance and refund adjustments using 11 months instead of 12 months of sales for this quarter only. Union maintains that the change of quarters will enable it to synchronize its rate changes with those of its suppliers, thereby tracking and recovering its gas costs more accurately. This appears reasonable and should be approved.

(7) In order to recover take-or-pay demand surcharges from its pipeline suppliers, Union has proposed to divide annualized take-or-pay charges by tariff sales and transportation volumes for the most recent 12-month period available. The derived rate is to

be added to the expected gas cost as well as to the CF, TS and FT transportation rates. Union proposed to apply the take-or-pay component to the flexible rate TS and CF transportation rates to the extent that competitive conditions allow. The Commission interprets these conditions as being whenever Union is able to charge the fixed transportation rate or a negotiated rate higher than is currently being charged to a particular customer. With this clarification, Union's proposed methodology should be approved effective January 1, 1989.

(8) Union's gas cost recovery rate for exempt customers in the amount of \$3.660 per Mcf, which includes the fixed charge recovery component, is an increase of 61.3 cents per Mcf from the previously authorized rate. This increase represents the combined effect of the supplier increase, actual, refund and balancing adjustments.

(9) Any underrecovery of take-or-pay charges caused by the delay in the approval of a recovery methodology should be collected through the actual adjustment.

(10) Union's adjustment in rates, including fixed charge recovery, set out in the Appendix to this Order is fair, just, and reasonable and in the public interest and should be effective with bills rendered on and after January 1, 1989 or as soon as practicable thereafter.

IT IS THEREFORE ORDERED that:

(1) The rates proposed by Union be and they hereby are authorized effective with bills rendered on and after January 1, 1989 or as soon as practicable thereafter.

(2) The gas cost recovery rate for exempt customers shall be \$3.660 per Mcf.

(3) Union's proposal to revise its quarterly filing periods be and is hereby approved to be effective with the next GCA filing.

(4) Union's proposed take-or-pay recovery methodology be and it hereby is approved, subject to the Commission's interpretation of competitive conditions which allows recovery from TS and CP transportation customers.

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

(6) Within 30 days of the date of this Order Union shall file its revised transportation tariffs clearly setting out the conditions under which the take-or-pay rider will be applied.

Done at Frankfort, Kentucky, this 28th day of December, 1988.

PUBLIC SERVICE COMMISSION

Chairman

Robert M. Davis

Vice Chairman

Spencer D. Williams, Jr.

Commissioner

ATTEST:

Executive Director

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. 9029-Q DATED December, 1988.

The following rates and charges are prescribed for the customers served by Union Light, Heat and Power 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.

RATE GS
GENERAL SERVICE

Customer Charge per month:	
Residential Service	\$4.50
Non-Residential Service	\$6.00

	Base Rate	Gas Cost Adjustment	Total Rate
All Gas Used	13.91¢	plus 36.60¢	equals 50.51¢ per 100 cu. ft.

Minimum Bill: The minimum monthly charge shall be the customer charge as stated above.

The "Gas Cost Adjustment" as shown above, is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 19 of this tariff.

RATE F

Special Contract - Firm Use

	Base Rate	Gas Cost Adjustment	Total Rate
All Gas Used	7.39¢	plus 36.60¢	equals 43.99¢ per 100 cu. ft.

The "Gas Cost Adjustment" as shown above, is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 19 of this tariff.

RATE OP

OFF PEAK

NET MONTHLY BILL

Computed in accordance with the following charges:

(1) Firm Use shall be billed in accordance with Rate GS, General Service;

(2) Off Peak Gas (i.e., Gas in excess of Firm Use) shall be billed in accordance with the following:

<u>Base</u>	<u>Gas</u> <u>Cost</u>	<u>Total</u>
<u>Rate</u>	<u>Adjustment</u>	<u>Rate</u>

All Gas Used 4.42¢ plus 36.60¢ equals 41.02¢ per 100 cu. ft.

The "Gas Cost Adjustment" as shown above, is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 19 of this tariff.