

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

UNION LIGHT, HEAT AND POWER)
COMPANY'S PROPOSED TARIFF FILING) CASE NO. 10071
RATE SCHEDULE FT, FIRM)
TRANSPORTATION SERVICE)

O R D E R

On October 20, 1987, Union Light, Heat and Power Company ("ULH&P") filed a proposed tariff to add a new rate schedule, Rate Schedule FT, Firm Transportation Service, in accordance with Administrative Case No. 297, An Investigation of the Impact of Federal Policy on Natural Gas to Kentucky Consumers and Suppliers. Rate FT offers high priority firm transportation service to any customer purchasing gas from another supply source, where distribution mains are adjacent to the premises to be served.

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

1. ULH&P proposed a transportation charge of 23 cents per Ccf or \$2.30 per Mcf. In a request for information dated November 13, 1987, ULH&P was asked to provide support for this rate. In its response dated November 30, 1987, ULH&P replied that it had been calculated by adding the currently effective General Service Base Rate of \$1.391 per Mcf to the currently effective

Supplier Demand Cost Component of 88 cents ($\$1.391 + .88 = \2.271 , rounded to $\$2.30$). This methodology appears reasonable and should be approved.

2. ULH&P proposed a monthly administrative charge of \$250. The calculation contained in the November 30 data response indicated that payroll costs of the Gas Procurement and Transportation Division had been allocated to end-user transportation in the amount of \$20,404. This amount was divided by 12 to find the monthly end-user cost and then divided among 6 customers, for an administrative charge of \$250 (rounded down from \$283).

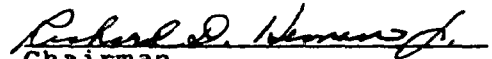
Although ULH&P has provided some cost support for its administrative charge, it nevertheless appears to be set at a rather high level. ULH&P should be allowed to implement its proposed \$250 administrative charge, but it should be prepared to provide full cost support for this and all other charges in its next rate case.

IT IS THEREFORE ORDERED that:

1. The FT tariff as proposed by ULH&P should be approved effective with the date of this Order, including the \$2.30 per Mcf transportation charge and the \$250 administrative charge.

Done at Frankfort, Kentucky, this 14th day of January, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director