

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

MIKE LITTLE GAS COMPANY, INC.,            )  
FOR RESTATEMENT OF ITS PURCHASED        )  
GAS ADJUSTMENT CLAUSE                    )        CASE NO. 10147

ORDER

On February 1, 1988, Mike Little Gas Company, Inc. ("Mike Little"), filed for a restatement of its wholesale base rate approved by the Commission in its Order of September 17, 1986 in Case No. 9535, An Adjustment of the Rates of the Mike Little Gas Company, Inc., from a Dth basis to a Mcf basis. The intended effect of this restatement is to allow recovery of fluctuations in gas cost caused by changes in the heating content of the gas rather than actual rate changes. Mike Little also proposes to continue filing a purchased gas adjustment ("PGA") for each supplier change, but to file not less than twice a year to reflect changes in gas costs caused by changes in the heating content of the gas.

In response to an Order issued by the Commission, Mike Little submitted detailed information to support its request.

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

(1) Mike Little is experiencing fluctuations in its gas cost due to changes in the heating content of the gas purchased from Kentucky West and not just from changes in the rates.

(2) Mike Little should be allowed to restate its wholesale base rate on a Mcf basis in order to more accurately reflect changes in its gas costs due to changes in the BTU content of gas purchased from Kentucky West.

(3) Mike Little should begin the restatement of its wholesale base rate in its next PGA filing using \$2.8291 per Mcf as its base rate.

(4) With each PGA filing, Mike Little should include the most recent 12-month purchases from Kentucky West along with the BTU conversion factor applicable to those purchases.

(5) Mike Little's PGA clause should be amended to provide for additional adjustments as needed from time to time to reflect in its rate changes in the heating content in the gas it purchases from Kentucky West, as these changes affect its cost of gas.

IT IS THEREFORE ORDERED that:

(1) Mike Little's base rate shall be restated as \$2.8291 per Mcf effective with the date of this Order.

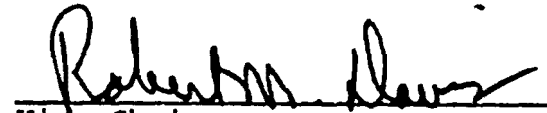
(2) Mike Little shall include purchases from Kentucky West and conversion factors with each future PGA filing.

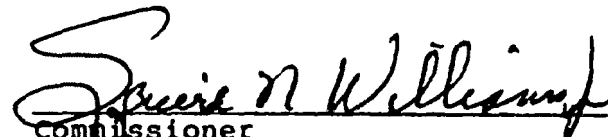
(3) Mike Little's PGA clause shall be amended as set out in the Appendix to this Order to provide for changes in the heating content of purchased gas.

Done at Frankfort, Kentucky, this 22nd day of June, 1988.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

\_\_\_\_\_  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 10147 DATED June 22, 1988

PURCHASED GAS ADJUSTMENT CLAUSE

The rates authorized herein are based upon the wholesale cost of gas to the Applicant as computed upon rates of its wholesale suppliers then currently in effect under Federal Energy Regulatory Commission tariffs for interstate business or under wholesale tariffs of this Commission. For the purposes of this purchased gas adjustment clause, these rates shall be considered as the base rate for purchased gas. In the event there is an increase in this base rate, the Applicant shall file with this Commission the following information.

(1) A copy of the Federal Energy Regulatory Commission tariff or wholesale tariff of this Commission effecting the change in the base rates and a statement relative to the effective date of such proposed change.

(2) A statement setting out the details of gas purchased under the provisions of the base rate for the previous 12 months showing billing under the base rate and under the proposed revised rate applicable to this service.

(3) A balance sheet as of the end of the latest 12 month period and a statement of operating expenses and revenues in the same detail as reported to this Commission in the Utility's Annual Report.

(4) Such other information as this Commission may request for a proper determination of the purchased gas adjustment.

Upon receipt of this information, this Commission will review the effect of the revised base rate on the operations of the Applicant and will prior to the effective date of the revised base rate, but not sooner than 30 days from the date of the filing of the above prescribed information, issue its Order setting out the purchased gas adjustment that the utility shall apply to its rates.

In the event there is a decrease in purchased gas costs or refund, the Applicant shall file the information required in 1, 2 and 4 above.

Upon receipt of this information, the Commission shall review the proposed reductions and within 30 days from receipt of the information required, issue its Order setting out the proper refund and/or revised rates.

In the event there has been no change in purchased gas costs for a period of at least 6 months, the Applicant shall file with this Commission the dekatherm conversion factor, by month, for each month since Applicant last filed a purchased gas adjustment, along with a calculation showing the effect on purchased gas costs of any change in the heating content of the gas. Applicant shall make no less than 2 such filings per year in the event of an unchanging wholesale rate.

Upon receipt of this information, the Commission shall review the effect of any change in heating content of the purchased gas on the operations of the Applicant and within 30 days from receipt of the information required, issue its Order setting out the revised rates.

The maximum amount of the adjustment so prescribed shall not produce revenue adjustments based upon the actual preceding 12 months period, greater than the difference between the purchased gas billed at the then existing rates and the purchased gas billed at the revised rate.

The base rate for the future application of the purchased gas adjustment clause of Mike Little Gas Company, Inc., shall be:

	<u>Commodity</u>
Kentucky West Virginia Gas Company	\$2.8291 per Dth