

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

RATE APPLICATION OF WESTERN KENTUCKY )  
GAS COMPANY ) CASE NO. 95-010

O R D E R

On July 18, 1995, the parties to this proceeding filed a Joint Stipulation and Recommendation ("Settlement") which was approved with modifications by Order issued August 10, 1995. Objecting to the ordered modification regarding the appropriate depreciation rates to be used, Western Kentucky Gas filed a petition for rehearing on August 17, 1995. Rehearing was denied by Order entered August 29, 1995. Two days later Western withdrew from the unanimous Settlement.

On October 9, 1995, the parties submitted a new Settlement for approval. The October 9, 1995 Settlement differs from the July 18, 1995 Settlement in several respects. The effective dates for Phase I and Phase II rates have been changed to November 1, 1995 and March 1, 1996, respectively. The monthly charges for the installation of Electronic Flow Measurement ("EFM") equipment remain the same as those rejected by the Commission in its August 10, 1995 Order. However, Western agrees to prepare and file a study analyzing cost data on the purchase, installation, operating costs and durability of the equipment in its next general rate case. The October 9, 1995 Settlement also provides that a new depreciation study will be prepared by Western and submitted no

later than Western's next general rate application. The remaining provisions are identical to the July 18, 1995 Settlement.

The parties urge the Commission to review and accept the Settlement in its entirety as a reasonable resolution to this proceeding. The Commission is bound by law to act in the public interest to ensure the Settlement is reasonable to all concerned. In reviewing this Settlement, the Commission considered the fact that this is a unanimous agreement and that the participation of these parties represents a wide range of interests. The Commission has also considered its previous analysis of the Settlement terms and the rationale set forth in Orders of August 10, and August 29, 1995. Although we remain concerned with the depreciation rates agreed to by the parties in settlement, we cannot say, in view of Western's agreement to perform a new study no later than its next general rate application, that the rates will result in an unreasonable agreement to the long-term detriment of the parties or Western's customers. Western should be aware that the concerns expressed in the Commission's August 10, 1995 Order will remain pertinent for our review of its next depreciation study.

The concerns expressed by the Commission regarding the monthly EFM charges are somewhat mollified by the parties agreement to collect and analyze cost information related to providing EFM equipment. Again, Western should be aware that absent significant cost support to justify the monthly collection of this charge, the concerns expressed by the Commission in its Order of August 10,

1995 are likely to become issues for the next general rate proceeding.

As previously proposed in the July 18, 1995 Settlement, and retained in the October 9, 1995 agreement, Western seeks approval of a Firm Carriage T-4 tariff (a modified version of its T-3 tariff) effective November 1, 1995. Since Western withdrew from the July 18, 1995 Settlement where this tariff was originally proposed, the 30 day notice requirement in KRS 278.180 has not been met. The Commission will therefore approve the T-4 tariff to become effective for service provided thereunder on and after November 8, 1995.

In all other respects this proposal mirrors the July 18, 1995 Settlement. Those provisions not addressed herein which were previously addressed and accepted in the Commission's Order of August 10, 1995 are approved without discussion.

After consideration of the foregoing and being otherwise sufficiently advised, the Commission finds that the October 9, 1995 Settlement is fair and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. Western's proposed tariff T-4 is approved for service rendered on and after November 8, 1995.
2. The October 9, 1995 Settlement is approved.
3. The rates included in Attachment A to the Settlement are approved for service rendered on and after November 1, 1995. The base rates included in Attachment B of the Settlement are approved for service rendered on and after March 1, 1996.

4. Within 20 days of the date of this Order, Western shall file its revised tariff sheets setting out the rates and tariffs approved for service rendered on and after November 1, 1995, as well as the Firm Carriage T-4 tariff effective November 8, 1995. At least 10 days prior to the effective date, Western shall file its revised tariffs setting out the rates approved for service rendered on and after March 1, 1996.

5. The hearing scheduled to commence on Tuesday, October 24, 1995, is, perforce, cancelled.

Done at Frankfort, Kentucky, this 20th day of October, 1995.

PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman

DISSENT OF COMMISSIONER LINDA K. BREATHITT

I dissent from the majority opinion with great reluctance. Previous orders have been issued by the Commission in this case dealing with the adjustments to depreciation rates in the Settlement before us today. The only difference between the Settlement ordered modified and the "new" Settlement is language that allows the Commission to review and explore the issue in Western's next rate proceeding. We have that ability now. This assurance apparently convinces the Commission that the unfairness to Western's ratepayers as a result of this adjustment can be dealt with later. I do not agree that approval of this Settlement today

with the promise of correcting an unjust result in the future is sound regulatory policy.

The depreciation adjustment agreed to in the Settlement allows Western an additional \$1,000,000 in annual revenues that this Commission found unreasonable in its Orders of August 10 and 29, 1995. The additional revenues enuring to Western as a result of this adjustment will be generated by the rates its customers pay from November 1, 1995 until new rates are set by this Commission in a subsequent rate proceeding.

If either Western's current depreciation rates or the rates developed by Western's consultant, Deloitte and Touche, prove to have been accurate, Western's ratepayers will be called upon to pay the deficit in a future case. Taking the easy way out today, whether as a result of the parties persistence or representations that we can fix it later, will no doubt render future decisions more difficult for the Commission and increase the future burden on Western's ratepayers.

My reluctance is further increased because the Settlement contains provisions under which the parties agree to pursue a demand-side management program directed to low income customers. I have great concern for those who are forced to forego basic utility service, in this instance gas for cooking and heating, because of financial hardship. My support for programs designed to assist consumers facing lost service is both well known and sincere. However, I must nonetheless take exception to approval of the Settlement as a whole which imposes such a quantifiable monetary burden on Western's customers.

Although there is no doubt in my mind that portions of this Settlement are fair and represent considerable concessions by the parties, I would, at a minimum, require Western to complete and file a depreciation study in 1996 pursuant to the recommendation of its own consultant.

  
Linda K. Breathitt

ATTEST:

  
Executive Director