

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	CASE NO. 91-138-F
ADJUSTMENT FILING OF KENTUCKY-)	
OHIO GAS COMPANY)	

O R D E R

On December 18, 1991, the Commission issued its Order in Case No. 91-138 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased or a refund is received.

On December 2, 1996, Kentucky-Ohio Gas Company ("KOG") filed its quarterly gas cost ("GCA") which is to become effective January 1, 1997 to remain in effect until April 1, 1997.

After reviewing the record in these cases and being otherwise sufficiently advised, the Commission finds that:

1. KOG's notice of December 2, 1996 proposed to pass through to its customers an increase in its expected gas cost ("EGC"). KOG's proposed EGC for the quarter beginning January 1, 1997 is \$3.07 per Mcf. KOG proposed to calculate its EGC using projected instead of historical purchases due to decreased purchase requirements. KOG used its projected purchase figure instead of a projected sales figure to make its final EGC calculation on Schedule I. It is more reasonable to project a sales figure by applying KOG's

historic line loss to its projected purchase volume of 379,134 Mcf. The resulting sales figure to be used on Schedule I in calculating the EGC is 365,788 Mcf. KOG's corresponding EGC should be \$3.19 per Mcf.

2. KOG's notice set out no refund adjustment.

3. KOG's notice set out a current actual adjustment ("AA") of (11) cents per Mcf to reconcile a net over-recovery of gas cost from July, August and September 1996. KOG miscalculated its unit cost of gas for each month on Schedule IV by dividing the total cost of volumes purchased by purchase volumes instead of sales volumes. KOG also used GCRs in effect for the months of August and September instead of the EGCs in effect for these months. Correcting these errors and dividing the total over-recovery of \$20,856 by expected sales of 365,788 Mcf, instead of historical sales of 469,732 Mcf, produces an AA of (6) cents per Mcf. The total AA is 70 cents per Mcf, which is composed of the current AA and the two previous quarter AAs of 4 cents and 72 cents.

4. KOG's corrected gas cost recovery rate is \$3.89 per Mcf, which is an increase of 49 cents per Mcf from KOG's last GCR.

5. KOG's corrected adjustment in rates is fair, just, and reasonable, in the public interest, and should be effective with service rendered on and after January 1, 1997.

IT IS THEREFORE ORDERED that:

1. The rates proposed by KOG are denied.

2. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable and are approved effective for final meter readings on and after January 1, 1997.

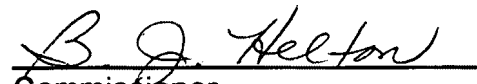
3. Within 30 days of the date of this Order, KOG shall file with the Commission its revised tariffs setting out the rates authorized in this Order.

Done at Frankfort, Kentucky, this 9th day of December, 1996.

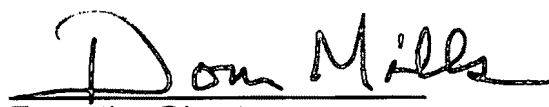
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 91-138-F DATED DECEMBER 9, 1996

The following rates and charges are prescribed for the customers in the area served by Kentucky-Ohio Gas 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 effective date of this Order.

RATES:

<u>Monthly</u>	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total Rate</u>
All Mcf	\$4.24	\$3.89	\$8.13

Minimum Bill

The minimum bill shall be \$8.13