

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF INCREASING)	
WHOLESALE NATURAL GAS PRICES)	ADMINISTRATIVE
AND THE IMPACTS OF SUCH INCREASES)	CASE NO. 384
ON THE RETAIL CUSTOMERS SERVED BY)	
KENTUCKY'S JURISDICTIONAL NATURAL)	
GAS DISTRIBUTION COMPANIES)	

O R D E R

On July 17, 2001, the Commission entered an Order in this case describing certain findings and specifying certain practices in regard to the effects of wholesale gas prices on Kentucky's gas utilities and their customers (the "July 17 Order"). In response to the July 17 Order, the Commission has received a Response and Reply by Metro Human Needs Alliance and POWER ("MHNA" and "POWER," respectively), filed August 23, 2001 ("MHNA and POWER Response"), and a Response to Order of July 17, 2001, filed on August 21, 2001, by counsel for Delta Natural Gas Company, Inc. ("Delta"), on behalf of all five of the local distribution companies ("LDCs") who participated in this case ("LDC Response"). MHNA and POWER request, among other things, reconsideration of the Commission's directives to LDCs concerning education and counseling of customers with chronic payment problems, such education and counseling to take place when such customers apply for service restoration. The LDC Response requests the Commission to clarify whether the July 17 Order permits the costs of the required gas planning and procurement strategies audits to be passed through an LDC's gas cost adjustment ("GCA") mechanism. Though, pursuant to KRS 278.400, the time to request rehearing on these issues expired prior to the date these

requests were filed, the Commission will address these issues in turn, in order to provide necessary clarification.

MHNA and POWER characterize the Order's directive requiring LDCs to offer and explain budget plans explicitly at the time of service restoration as a "radical revision" of the existing regulatory scheme, which requires only that budget plans be offered to customers.¹ They contend that such requirement will delay reconnection and will be onerous to customers. They also object to the Commission's having given the LDCs authority to require, for customers who have "chronic payment problems resulting in disconnections,"² a written waiver of the option of budget billing.³ This, they claim, will result in delay of reconnection.⁴

The Commission does not concur that mechanisms meant to ensure that customers are made aware of an option provided by regulation constitutes revision of that regulation. Nor is the Commission convinced that ensuring that customers are made aware of a potential benefit constitutes a burden for those customers. Moreover, there is no need to establish by Order specific criteria for such counseling, as MHNA and POWER suggest.⁵ The "counseling" involved concerns only explicit notification to the customer of his option to go on a budget billing program; and the written waiver provision applies only to customers whose chronic payment problems justify obtaining

¹ MHNA and POWER Response, at 1.

² July 17 Order at 5.

³ MHNA and POWER Response, at 1-2.

⁴ MHNA and POWER Response, at 2.

⁵ MHNA and POWER Response, at 1.

written acknowledgment that they are fully aware that a budget billing option is available. While it is possible that the written waiver might result in a brief delay in reconnection, that single delay might help the customer avoid future disconnections.

As to the second issue, the LDCs correctly note that both the July 17 Order and KRS 278.255 explicitly permit the cost of these gas procurement audits to be included in the LDCs' rates. The question is whether these costs should be passed through the GCA. We believe that such treatment is reasonable and comports with the purpose of the GCA.

A GCA permits a gas utility to recover, without resort to a full rate proceeding, the costs of purchasing gas, to the extent that those costs were prudently incurred, from those on whose behalf the costs were incurred. Costs actually related to the purchase of gas are appropriately recovered through a GCA. See, e.g., Midwest Gas Users' Association v. Public Service Comm'n, 976 S.W.2d 485 (Mo. App. 1998) (permitting use of the PGA for take-or-pay costs and gas supply realignment costs); General Motors Corp. v. Illinois Commerce Comm'n, 191 Ill.App.3d 450, 461, 547 N.E.2d 1299, 1306 (Ill.App. 1989), rev'd in part on other grounds, 143 Ill.2d 407, 574 N.E.2d 650 (1991), cert. denied, 504 U.S. 908 (1992) (explaining that a GCA is an appropriate recovery mechanism for costs, such as take-or-pay settlement costs, that are actually related to the acquisition of the gas supply); Attorney General v. Public Service Comm'n, 215 Mich. App. 356, 364-366, 546 N.W.2d 266, 270-71 (1996) (rejecting an argument that costs associated with a hedging program could not be characterized as a booked cost of gas sold, affirming the commission's decision to permit recovery of such costs through the gas cost recovery mechanism, and declaring "[t]hat hedging is an indirect

cost does not render it any less real a cost"). In this case, the gas planning and procurement audits have been ordered by the Commission, will be overseen by the Commission to ensure their direct relationship to the LDCs' cost of gas, and should result in direct benefits for the LDCs' customers.

IT IS THEREFORE ORDERED that:

1. The request of MHNA and POWER for reconsideration is denied.
2. The Commission's July 17, 2001 Order is clarified as stated herein.

Done at Frankfort, Kentucky, this 6th day of September, 2001.

By the Commission

ATTEST:


Executive Director