

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST RECOVERY)	
FILING OF EQUITABLE GAS COMPANY)	CASE NO. 2004-00255

O R D E R

On April 29, 2004, in Case No. 2003-00411, the Commission approved rates for Equitable Gas Company, a division of Equitable Resources, Inc. ("Equitable"), and provided for their further adjustment on a quarterly basis in accordance with Equitable's gas cost adjustment ("GCA") clause.¹

On June 21, 2004, Equitable filed its proposed GCA to be effective August 1, 2004. On June 25, 2004, Commission Staff issued a data request to which Equitable filed responses on July 9, 2004.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Equitable's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.
2. Equitable's expected gas cost ("EGC") is \$9.9572 per Mcf, which is an increase of \$1.7263 per Mcf from its previous EGC of \$8.2309. Equitable based its EGC on the 12-month average NYMEX prices for the period August 2004 through July

¹ Case No. 2003-00411, Application of Equitable Gas Company to Increase Rates Pursuant to KRS 278.485.

2005. Although the proposed GCA will only be in effect for three months, Equitable stated in its data responses that it preferred using a 12-month average. As set out in Administrative Case No. 384, the Commission has directed the major gas utilities in Kentucky to use a price forecast for the period the proposed GCA will be in effect.² Herein, we have adhered to that directive and have modified Equitable's EGC to reflect NYMEX average prices for the period August through October of 2004.

3. Equitable also included a 2.0 cent per Mcf surcharge from its pipeline supplier, Kentucky West Virginia Gas Company ("Kentucky West"), which it had included in previous GCA filings. This Kentucky West surcharge was mandated by the Federal Energy Regulatory Commission ("FERC") to fund the activities of the Gas Research Institute ("GRI"). However, such mandatory funding is being discontinued effective August 1, 2004.³ As Kentucky West will no longer be obligated to collect amounts to remit to GRI, Equitable will no longer be obligated to collect amounts to remit to Kentucky West. Using average NYMEX prices for the period August through October 2004 and eliminating the GRI surcharge amount results in a revised EGC of \$9.9072.

4. Equitable's notice sets out a current quarter actual adjustment ("AA") of 18.02 cents per Mcf. Equitable's total AA is 54.83 cents per Mcf, which is \$1.5425 per Mcf less than the previous total AA.

² Administrative Case No. 384, An Investigation of Increasing Wholesale Natural Gas Prices and the Impacts of Such Increases on the Retail Customers Served by Kentucky's Jurisdictional Natural Gas Distribution Companies, Order dated June 30, 2001.

³ GRI's June 4, 2004 Report filed in FERC Docket No. RP97-391-000.

5. Equitable's notice sets out a current quarter balancing adjustment ("BA") of 4.87 cents per Mcf. Equitable's total BA is (2.24) cents per Mcf, which is 6.86 cents per Mcf more than the previous total BA.

6. Equitable's revised GCA is \$10.4331 per Mcf, which is 20.24 cents per Mcf more than its previous rate of \$10.2307.

7. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for final meter readings by Equitable on and after August 1, 2004.

IT IS THEREFORE ORDERED that:

1. Equitable's proposed rates are denied.

2. The rates in the Appendix to this Order, attached hereto and incorporated herein, are approved for final meter readings on and after August 1, 2004.

3. Within 20 days of the date of this Order, Equitable shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 23rd day of July, 2004.

By the Commission

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2004-00255 DATED July 23, 2004

The following rates and charges are prescribed for the customers in the area served by Equitable 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: Monthly

Customer Charge		\$7.50	
	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total Rate</u>
All Mcf	\$2.1322	\$10.4331	\$12.5653

The minimum monthly bill shall be \$7.50