

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
UTILITIES, INC., TO INCREASE ITS) CASE NO. 6126-N
RETAIL GAS RATES)

O R D E R

On September 30, 1980, Kentucky-West Virginia Gas Company (Kentucky-West) filed with the Federal Energy Regulatory Commission (FERC) at Docket No. TA80-1-46 (PGA 80-3 and IPR 80-3) revised tariff sheets to its FERC Gas Tariff, Original Volume No. 1. Kentucky-West has placed an effective date of November 1, 1980, upon the effected tariff sheets. This Commission has no jurisdiction in that case.

On November 9, 1978, the President of the United States signed into law the Natural Gas Policy Act of 1978, which established significantly higher rates for producers of certain categories of natural gas. This federal legislation has resulted in higher gas costs to interstate pipeline companies serving the various gas consuming states, including Kentucky. Once the FERC approves the right of these interstate transmission companies to pass this increased cost on to its distribution company customers, state commissions must, in turn, allow intrastate distributors to pass their increased costs on to their customers by adjusting the basic rates.

On January 21, 1975, the Commission issued its Final Order in Case No. 6126, prescribing certain rates and authorizing a Purchased Gas Adjustment Clause.

On October 6, 1980, the Applicant, East Kentucky Utilities, Inc., notified the Commission that its wholesale cost of gas would be increased by its supplier, Kentucky-West, effective November 1, 1980, and submitted with its Notice certain information in compliance with this Commission's Order of January 21, 1975. The notice set out certain revisions in rates which the Applicant proposed to place in effect with gas supplied on and after November 1, 1980, said rates being designed to increase the cost of natural

gas of its supplier in the amount of \$35,202.

The Commission after consideration of the information filed by the Applicant in this matter and being fully advised is of the opinion and finds:

1. The Commission has long stated (in writing to FERC) its opposition to the procedures and regulations used by the Federal Energy Regulatory agency in approving these supplier increases. We continue to be opposed and are continuing to seek alternative ways to overcome the regulatory inequities which have such a direct impact on the retail consumers.

2. The Federal Energy Regulatory Commission approval of a wholesale rate increase to a Kentucky gas retailer requires approval of the Commission of rates that will permit the Kentucky utility to adjust its customer charges to reflect the added purchase cost, or alternately the utility must absorb the added cost. We are of the opinion that failure to allow this increase to be passed through to its retail consumers on a timely basis would be unjust to the Company and would ultimately result in higher rates to their consumers in any event.

3. When the FERC "accepts" Kentucky-West's filing and makes it effective, Kentucky-West will begin charging the Applicant the new rates. This order cannot be implemented until and unless this occurs.

4. That the Applicant's supplier, Kentucky-West on September 30, 1980, filed with the FERC for increased rates to become effective November 1, 1980, and that the increase sought by the Applicant reflects Transmission's rates as so filed.

5. That the Commission should allow the Applicant to place into effect, subject to refund, the rates set out in Appendix "A" as soon as the Kentucky-West filing is made effective by FERC.

6. That the Applicant's adjustment in rates under the Purchased Gas Adjustment Clause approved by the Commission in its Order in Case No. 6126 dated January 21, 1975, is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

IT IS THEREFORE ORDERED that said Purchased Gas Adjustment sought by the Applicant and adjusted as aforesaid mentioned be and the same is hereby approved, as set out in Appendix "A" attached hereto and made a part hereof, to be effective subject to refund, with gas supplied on and after the date the increased cost of wholesale gas becomes effective ("acceptance" by FERC).

IT IS FURTHER ORDERED that for the purpose of the future Application of the Purchased Gas Adjustment Clause of Applicant the Base Rate for purchased gas shall be:

| | <u>Commodity</u> |
|------------------------------------|------------------|
| Kentucky-West Virginia Gas Company | 1.3581/dth |

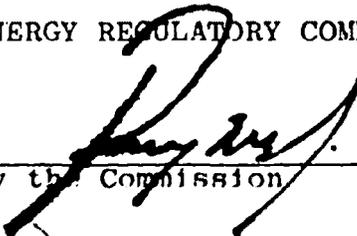
IT IS FURTHER ORDERED that East Kentucky Utilities, Inc., shall maintain its records in such manner as will enable it, or the Commission, or any of its customers, to determine the amounts to be refunded and to whom due in the event a refund is ordered by the Commission.

IT IS FURTHER ORDERED that within thirty (30) days after the date of this Order, Applicant shall file with this Commission its revised tariff sheets setting out the rates approved herein.

IT IS FURTHER ORDERED that the information furnished this Commission by Applicant on October 6, 1980, constitutes full compliance with the Commission's requirements and Order in Case No. 6126, and any other information ordinarily required to be filed under the Commission's regulations is hereby waived.

Done at Frankfort, Kentucky, this 28th day of October, 1980.

ENERGY REGULATORY COMMISSION


By the Commission

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE ENERGY REGULATORY
COMMISSION IN CASE NO. 6126-N DATED OCTOBER 28, 1980

The following rates are prescribed for the customers in the area served by East Kentucky Utilities, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

RATES: Monthly

| | | |
|----------|--------|------------------|
| First | 2 MCF | \$2.7927 per MCF |
| Next | 48 MCF | 2.2131 per MCF |
| All Over | 50 MCF | 2.0731 per MCF |

The minimum monthly bill shall be \$3.45 per month.