

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

PURCHASED GAS ADJUSTMENT FILING)
OF WESTERN KENTUCKY GAS COMPANY) CASE NO. 7157-T

O R D E R

On December 6, 1978, the Commission issued its Final Order in Case No. 7157, 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.

On June 5, 1980, Western Kentucky Gas Company (the Applicant), filed with the Commission its Notice of an increase in rates from one of its suppliers, Tennessee Gas Pipeline Company (Tennessee Gas).

On May 30, 1980, Tennessee Gas filed Substitute Twenty-Ninth Revised Sheet No. 12A to its FERC Gas Tariff, Ninth Revised Volume No. 1. The purpose of this filing is to reflect Purchased Gas Cost pursuant to Article XXIII of the General Terms and Conditions of Ninth Revised Volume 1, a rate adjustment for curtailment credits pursuant to Section 9 of Article XXIV, a R & D rate adjustment pursuant to Section 2 of Article XXV, a First Use Tax rate adjustment pursuant to Section 2 and 3 of Article XXVIII and an Estimated Incremental Pricing Surcharges pursuant to Section 2 of Article XXIV. Tennessee Gas proposed that the revised tariff sheet become effective on July 1, 1980.

On July 18, 1980, Tennessee filed Second Substitute Twenty-Ninth Revised Sheet No. 12A to its FERC Gas Tariff. The purpose of this filing was to reflect a reduction of \$.0091 in commodity charge retroactive to July 1, 1980. This reduction is the result of a revision by Tennessee to its original Purchased Gas Adjustment rate adjustment to reflect the actual cost of Mexican gas in lieu of the projected price which was used in the original filing.

On July 29, 1980, the Applicant filed an Amended notice to reflect the reduced Tennessee base rate and the reduced Purchased Gas Adjustment effective August 1, 1980.

As a result of the changes effective as aforesaid the cost of gas to the Applicant for the twelve (12) months ended April 30, 1980, would have increased \$1,116,188.

After reviewing this evidence of record and being advised, the Commission is of the opinion and finds:

(1) That the Energy Regulatory Commission is being asked to approve a price increase already approved by the Federal Energy Regulatory Commission when it granted the Applicant's supplier, Tennessee Gas, a wholesale gas cost increase. 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 unfair and unjust to the Company and would ultimately result in higher rates to their consumers in any event. The Commission has (in writing) indicated its opposition to the procedures and regulations used by the Federal agency in approving these supplier increases since 1975. 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) That the Applicant's supplier, Tennessee Gas, has filed revised tariff sheets reflecting an increase in rates with the Federal Energy Regulatory Commission and said increase to become effective August 1, 1980.

(3) That the application filed July 29, 1980, reflected Tennessee Gas rates as filed with the FERC on July 18, 1980, to be effective August 1, 1980.

(4) That the magnitude of this filing exposes the Applicant to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(5) That the Commission should waive its policy of requiring evidence of FERC acceptance in this case and allow the Applicant to place into effect subject to refund the rates set out in Appendix "A".

(6) That the Applicant's adjustment in rates under the Purchased Gas Adjustment provisions approved by the Commission in its Order in Case No. 7157, dated December 6, 1978, is fair, just and reasonable and in the public interest and should be effective

with gas supplied on and after the date the increased cost of whole-sale gas becomes effective.

(7) That the Applicant's Base Supplier Rate for purchased gas will be as follows:

| | <u>Demand/MCF</u> | <u>Commodity/MCF</u> |
|------------------------------------|-------------------|----------------------|
| Texas Gas Transmission Corporation | | |
| G-2 | \$1.88 | \$1.9634 |
| G-3 | 2.36 | 1.9934 |
| G-4 | 2.56 | 2.0213 |
| Tennessee Gas Pipeline Company | | |
| G-2 | \$1.51 | \$2.2233 |
| GS-2 | - | 2.3135 |
| Local Producers | - | \$2.0710 |

(8) That Applicant's adjustment in rates under the Purchased Gas Adjustment Clause, as set out in Exhibit D, page 1 of its Notice herein, in the amount of 91.04¢ per Mcf, is fair, just and reasonable and in the public interest and should be allowed to become effective for service rendered 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, as set forth in Exhibit D, page 1 of its Notice, be and the same is hereby approved to be effective for service rendered on and after the date the increased cost of whole-sale gas becomes effective, subject to refund, for all customers as set out in Appendix "A" attached hereto and made a part hereof.

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

| | <u>Demand/MCF</u> | <u>Commodity/MCF</u> |
|------------------------------------|-------------------|----------------------|
| Texas Gas Transmission Corporation | | |
| G-2 | \$1.88 | \$1.9634 |
| G-3 | 2.36 | 1.9934 |
| G-4 | 2.56 | 2.0213 |

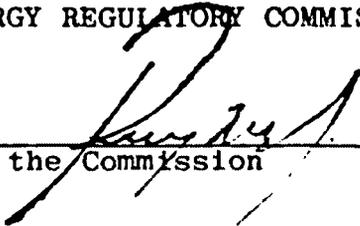
| | <u>Demand/MCF</u> | <u>Commodity/MCF</u> |
|--------------------------------|-------------------|----------------------|
| Tennessee Gas Pipeline Company | | |
| G-2 | \$1.51 | \$2.2233 |
| GS-2 | - | 2.3135 |
| Local Producers | - | \$2.0710 |

IT IS FURTHER ORDERED that the information furnished this Commission by Applicant on July 29, 1980, constitutes full compliance with the Commission's Order in Case No. 7157, and any other information ordinarily required to be filed under the Commission's Regulations is hereby waived.

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

Done at Frankfort, Kentucky, this 6th day of August, 1980.

ENERGY REGULATORY COMMISSION



 For the Commission

ATTEST:

 Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE ENERGY REGULATORY
COMMISSION IN CASE NO. 7157-T DATED AUGUST 6, 1980

The following rates are prescribed for the customers in the area served by Western Kentucky Gas Company. 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:

Applicable to All Rate Schedules

Purchased Gas Adjustment

To each bill rendered under all rate schedules there shall be added an amount equal to; 91.04¢ per Mcf of gas used during the billing period.