

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

PURCHASED GAS ADJUSTMENT                    )  
FILING OF VALLEY GAS, INC.                    )        CASE NO. 6902-J

O R D E R

On February 12, 1978, the Commission issued its final Order in Case No. 6902, approving a purchased gas adjustment clause permitting certain adjustments in rates and providing under certain conditions for the further adjustments of such rates when the wholesale cost of gas is increased or decreased.

On July 16, 1981, Valley Gas, Inc., ("Applicant") notified the Commission that its wholesale cost of gas would be increased by its supplier, Texas Gas Transmission Corporation ("Texas Gas"), effective August 1, 1981. On June 29, 1981, Texas Gas filed with the Federal Energy Regulatory Commission ("FERC"), increased rates to become effective August 1, 1981.

The Applicant's notice, in compliance with this Commission's Order of February 12, 1978, set out certain revisions in their rates which were designed to pass on to its customers the increased cost of natural gas of its supplier in the amount of \$25,719.38 or an increase of approximately 38.62¢ per Mcf in the cost of wholesale gas.

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

(1) The Public Service Commission is being asked to approve a price increase already approved by the FERC when it granted the Applicant's supplier, Texas 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 Applicant 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) The Applicant's supplier, Texas Gas, has filed for increased rates to become effective August 1, 1981.

(3) The Application filed July 16, 1981, reflected Texas Gas' rates as filed with the FERC on June 29, 1981, to be effective August 1, 1981.

(4) The application filed July 16, 1981 does not provide the Commission with the 20 day statutory notice and, therefore, the rates should become effective on and after August 5, 1981.

(5) 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.

(6) 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.

(7) An increase of 38.62¢ per Mcf in the Applicant's purchased gas adjustment is proper to give effect to the Texas Gas rate increase.

(8) The Applicant's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 6902, dated February 12, 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 wholesale gas becomes effective, but not prior to August 5, 1981.

IT IS THEREFORE ORDERED that the purchased gas adjustment sought by the Applicant as set out in Appendix A attached hereto and made a part hereof, be and the same, is hereby approved to be effective subject to refund with gas supplied on and after the date the increased cost of wholesale gas becomes effective, but not prior to August 5, 1981.

IT IS FURTHER ORDERED that Applicant shall maintain its record 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:

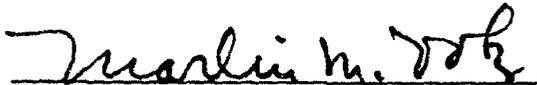
	<u>Commodity</u>
Texas Gas Transmission Corporation	299.34¢ per Mcf

IT IS FURTHER ORDERED that within 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 July 16, 1981, constitutes full compliance with the Commission's requirements in Case No. 6902, and any other information ordinarily required to be filed under the Commission's regulations is hereby waived.

Done at Frankfort, Kentucky, this 11th day of August, 1981.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

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Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE  
COMMISSION IN CASE NO. 6902-J Dated August 11,  
1981

The following rates and charges are prescribed for the customers in the area served by Valley Gas, 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

APPLICABLE TO:

GAS RATE SCHEDULE 1

PURCHASED GAS ADJUSTMENT:

To each bill rendered under the above named rate schedule there shall be added an amount equal to 3.862¢ per 100 cubic feet of gas used during the billing period.