

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
UTILITIES, INC., TO INCREASE ITS) CASE NO. 8114-C
RETAIL GAS RATES)

O R D E R

On August 10, 1981, the Commission issued its Order in Case No. 8114 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 September 8, 1982, East Kentucky Utilities, Inc. ("East Kentucky") notified the Commission that its wholesale cost of gas would be increased by its supplier Kentucky West Virginia Gas Company ("Kentucky West") effective October 1, 1982, and submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with this Commission.

East Kentucky's increase from Kentucky West is another one of those federally-mandated pass-throughs of higher gas prices in which upon the record this Commission has no discretion. East Kentucky will not realize even one cent of profit but simply will turn over to its supplier the increased amounts which it must collect from its consumers.

The estimated net increase in revenue as a result of East Kentucky's filing of September 8, 1982, is \$335,342 or \$1.6358 per Mcf.

After reviewing the notice filed in this case and being advised, the Commission is of the opinion and finds that:

(1) The Public Service Commission is being asked to authorize a pass-through of a price increase already approved by the Federal Energy Regulatory Commission ("FERC"). Failure to allow this increase to be passed through to its retail consumers on a timely basis would be unfair and unjust to East Kentucky and would ultimately result in higher rates to its consumers. The Commission has (in writing) indicated its opposition to the procedures and regulations used by FERC since 1975 to approve these supplier increases.

We are also actively presenting our views to FERC and to our Kentucky Congressional delegation concerning revisions to the Natural Gas Policy Act of 1978, which allows gas suppliers to raise their gas prices without regard to costs. Because of Natural Gas Policy Act formulas allowing producers to so raise their prices and because of the action of FERC in allowing such increases to pass through to the transmission company and through it to the distributing company, in this case East Kentucky, this Commission has no real authority in the matter. Under federal law and actions, this Commission serves merely as the conduit for the final pass-through of the increased cost of gas to the consumers when, as here, the distributing utility makes no profit from the increased prices which it must pay for gas purchased from the transmission company.

(2) The proposed rates will allow East Kentucky to recover only the increased cost of wholesale gas and will not permit it to make any profit in doing so. The magnitude of this filing exposes East Kentucky to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(3) The Commission should waive its policy of requiring evidence of FERC acceptance in this case and allow East Kentucky to place into effect, subject to refund, the rates in Appendix A.

(4) East Kentucky's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 8114 dated August 10, 1981, is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after October 1, 1982, subject to refund.

IT IS THEREFORE ORDERED that the rates contained in Appendix A be and they are approved effective for gas supplied on and after October 1, 1982, subject to refund.

IT IS FURTHER ORDERED that for the future application of the purchased gas adjustment clause of East Kentucky, the base rate for purchased gas shall be:

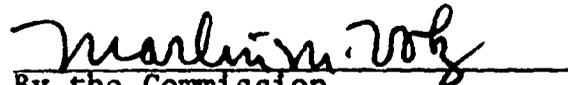
	<u>Commodity</u>
Kentucky West Virginia Gas Company	\$3.0755/dth

IT IS FURTHER ORDERED that within 30 days after the date of this Order, East Kentucky shall file with this Commission its revised tariff sheets setting out the rates authorized herein.

IT IS FURTHER ORDERED that the information furnished this Commission by East Kentucky on September 8, 1982, constitutes full compliance with the Commission's requirement and Order in Case No. 8114.

Done at Frankfort, Kentucky, this 24th day of September, 1982.

PUBLIC SERVICE COMMISSION


By the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8114-C DATED
SEPTEMBER 24, 1982

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.

<u>RATES:</u>	Monthly		
	First	1 Mcf	\$7.1091 per Mcf
	Over	1 Mcf	4.0691 per Mcf

Minimum Bill: \$5.40 for less than 1 Mcf.