

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR RATE ADJUSTMENT FOR ) CASE NO.  
RICHARDSVILLE GAS COMPANY, INC. ) 2009-00123

ORDER

On March 24, 2009, Richardsville Gas Company, Inc. ("Richardsville") applied to the Commission for authority to adjust its base rates pursuant to 807 KAR 5:076, the alternative rate filing procedure for small utilities. It also requested Commission authority to revise its tariff to include a purchased gas adjustment clause. No parties have requested or have been granted leave to intervene in this proceeding.

Richardsville requested an increase in its base rates that will produce annual revenues of \$10,077, which is an approximate 43.6 percent increase, or \$3,060 above its test-period revenues from base rates of \$7,017. By this Order, we establish rates that will produce annual revenues of \$10,758, which is an approximate increase of 53.3 percent, or \$3,741 over normalized revenues from existing base rates of \$7,017.

Richardsville is a Kentucky corporation regulated by the Commission as a utility under KRS 278.010(3)(b). It provides gas service to 54 residential customers in Warren

County, Kentucky.<sup>1</sup> Prior to this application, Richardsville had not requested an adjustment in its base rates.

Using Richardsville's responses to its information requests, Commission Staff performed a limited financial review of Richardsville's test-period operations for the calendar year ending December 31, 2007. A report was issued on June 6, 2009 containing Staff's findings and recommendations and giving the parties until July 4, 2009 to file written comments, to request a hearing, or to request an informal conference.

In its report, Staff determined that, based upon its pro forma operations, Richardsville could justify a revenue requirement from base rates of \$10,758. But, noting that Richardsville's requested revenue requirement of \$10,077 would be sufficient for Richardsville to pay its pro forma "cash" expenses and would allow Richardsville to meet the debt service requirements of its long-term debt issuances, Staff recommended that the Commission approve the rates requested by Richardsville.

During the past heating season, Richardsville purchased 2,515.4 gallons of propane at a cost of \$3,697. When the outside temperature stays between 18 and 20 degrees for an extended period of time, Richardsville operates a peak shaving plant that mixes propane and air with natural gas to maintain pressure and volume adequate to allow its customers' heating systems to operate. To allow Richardsville to recover its propane cost, Staff recommended that the Commission approve a monthly surcharge

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<sup>1</sup> Annual Report of Richardsville to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2007 ("2007 Annual Report") at 1 and 9.

("propane surcharge") of \$5.70 per customer that would be placed in effect for a 12-month period or until \$3,697 has been collected.

Staff directed Richardsville to amend its application if Richardsville chooses to request base rates that would generate the \$10,758 revenue requirement that Staff determined Richardsville could justify, and/or the monthly propane surcharge. Staff further directed Richardsville to provide confirmation to the Commission that it had published notice of those higher rates and monthly surcharge pursuant to 807 KAR 5:011, Section 8.

On July 7, 2009, Richardsville accepted Staff's recommendations and amended its application to request the total amount of revenue requirement that it could justify of \$10,758 and to request the monthly propane surcharge. Richardsville submitted the requested documentation to show that it complied with Staff's direction regarding the publication of notice of the amended rates.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. The recommendations and findings contained in the Staff Report are supported by the evidence of record and are reasonable.
2. The base rates contained in Richardsville's Amended Application will produce annual revenues from gas sales of \$10,758.
3. Richardsville's proposed tariff revision to include a purchased gas adjustment ("PGA") clause is reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The recommendations and findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.
2. The base rates contained in Richardsville's Application are denied.
3. The base rates contained in Richardsville's Amended Application and set forth in the Appendix to this Order are approved for service rendered by Richardsville on and after the date of this Order and will produce gross annual revenues as found reasonable herein.
4. The purchased gas rate set forth in the Appendix is approved for service rendered by Richardsville on and after the date of this Order.
5. The monthly propane surcharge of \$5.70 per customer contained in Richardsville's Amended Application and set forth in the Appendix shall be placed in effect as of the date of this Order and shall remain in effect until \$3,697 has been collected.
6. Within 20 days of the date of this Order, Richardsville shall file with the Commission its revised tariff setting out the base rates, the monthly propane surcharge, and purchased gas rate approved herein.
7. Richardsville's proposed tariff revision to include a PGA clause is reasonable and is approved.
8. The monthly propane surcharge shall appear as a separate line item on the customers' bills.

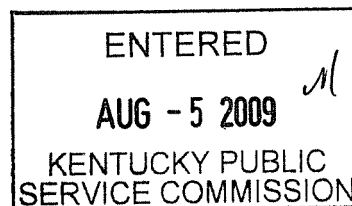
9. Richardsville shall place the monthly propane surcharge collections in a separate interest-bearing account and shall use the proceeds of the propane surcharge solely for the payment of the propane accounts payable of \$3,697.

10. Richardsville shall file its semi-annual activity reports within 15 days of the close of the reporting period. The semi-annual activity reports shall contain the following information: the monthly propane surcharge billings and collections; the monthly propane surcharge bank statement; and a detailed listing of the payments made from the account.

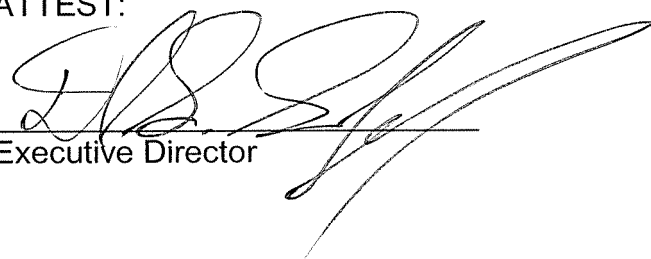
11. The surcharge approved herein is subject to review in any application Richardsville files under KRS 278.180 while the surcharge mechanism is in place.

12. Richardsville's failure to comply with the conditions described in ordering paragraphs 6 through 10 shall warrant the revocation of the surcharge and the refunding of the monies already collected, plus interest.

By the Commission



ATTEST:

  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2009-00123 DATED **AUG - 5 2009**

The following rates and charges are prescribed for the customers in the area served by Richardsville Gas Company, Inc. 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.

**BASE GAS RATES**

<u>RATE CLASSIFICATION</u>		<u>BASE RATE</u>
First	2 MCF	\$ 5.65 Minimum bill
Over	2 MCF	\$ 2.41 per Mcf

**GAS COST**

Per Mcf	\$ 2.50
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**PROPANE SURCHARGE**

Per Month	\$ 5.70 per Customer
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