

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT)	CASE NO.
FILING OF WESTERN LEWIS-RECTORVILLE)	2024-00172
WATER AND GAS DISTRICT)	

ORDER

On May 31, 2024, Western Lewis-Rectorville Water and Gas District (Western Lewis-Rectorville District) filed its proposed Gas Cost Recovery (GCR) rate report to be effective July 1, 2024. Western Lewis-Rectorville District's previous GCR rate was approved in Case No. 2024-00032.¹

LEGAL STANDARD

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates or the rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.²

¹ Case No. 2024-00032, *Electronic Purchased Gas Adjustment Filing of Western Lewis-Rectorville Water and Gas District* (Ky. PSC Mar. 28, 2024).

² KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

DISCUSSION

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that Western Lewis-Rectorville District’s report includes revised rates designed to pass on to its customers its expected change in gas costs.

Western Lewis-Rectorville District’s report sets out an Expected Gas Cost (EGC) of \$4.3445 per Mcf. In reporting its line loss for the 12 months ended March 31, 2024, Western Lewis-Rectorville District used the incorrect purchases of 34,206 Mcf rather than the reported 35,490 Mcf. Correcting this produces a line loss for the 12 months ended March 31, 2024, to be 7.99 percent. In calculating its EGC, Western Lewis-Rectorville District failed to adjust its allowable Mcf purchases for excess line loss based on the 12 months ended March 31, 2024 purchases of 34,206 Mcf and sales of 32,656 Mcf. Because the line loss is over 5 percent at 7.99 percent, sales volumes of 32,656 Mcf divided by .95 should be used on the Allowable Mcf Purchases line on Schedule II, instead of the 35,490 Mcf of actual purchase volume. Using line loss adjusted purchases instead of actual purchases produces a corrected Total Expected Gas Cost of \$142,573.04.³ Dividing the corrected Total Expected Gas Cost of \$142,573.04 by the 12 months ended

³ The correct calculation should be as follows:

Totals	35,490	\$147,198.72
Line loss for 12 months ended <u>3/31/2024</u> is based on purchases of and sales of <u>32,656.00</u> Mcf.	7.99%	<u>35,490.00</u>
Total Expected Cost of Purchases (6) / Mcf Purchases (4)	<u>Unit</u>	<u>Amount</u> \$147,198.72 35,490
= Average Expected Cost Per Mcf Purchased		\$4.1476
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		34,374.74
= Total Expected Gas Cost (to Schedule IA)		\$142,573.04

March 31, 2024 sales of 32,656 Mcf results in an EGC rate of \$4.3659 per Mcf, which is an increase of \$0.8560 per Mcf from its previous EGC of \$3.5099 per Mcf.

Western Lewis-Rectorville District's report sets out no Refund Adjustment. Western Lewis-Rectorville District's report sets out a current quarter Actual Adjustment (AA) of (\$0.5488) per Mcf. In calculating its total AA, Western Lewis-Rectorville erroneously used the incorrect Previous Quarter Reported AA, Second Previous Quarter Reported AA, and Third Previous Quarter Reported AA as (\$0.0499) per Mcf, (\$0.2945) per Mcf, and (\$1.0098) per Mcf, respectively. The Commission approved Previous Quarter Reported AA, Second Previous Quarter Reported AA, and Third Previous Quarter Reported AA are (\$0.1576) per Mcf,⁴ (\$0.0499) per Mcf,⁵ and (\$0.2945) per Mcf,⁶ respectively. Western Lewis-Rectorville District's corrected total AA is (\$1.0508) per Mcf, which is an increase of \$0.4610 per Mcf from its previous total AA of (\$1.5118) per Mcf.

Western Lewis-Rectorville District's report set out a GCR rate of \$3.7957 per Mcf. Based on the calculations above, the Commission finds that Western Lewis-Rectorville District's corrected GCR rate is \$3.3151 per Mcf, which is an increase of \$1.3170 per Mcf from the previous GCR rate of \$1.9981 per Mcf. The Commission finds that rates as set forth in the Appendix to this Order are fair, just and reasonable and should be approved for service rendered by Western Lewis-Rectorville District on and after July 1, 2024.

⁴ Case No. 2024-00032, *Electronic Purchased Gas Adjustment Filing of Western Lewis-Rectorville Water and Gas District* (Ky. PSC Mar. 28, 2024), at 2.

⁵ Case No. 2023-00378, *Electronic Purchased Gas Adjustment Filing of Western Lewis-Rectorville Water and Gas District* (Ky. PSC Dec. 21, 2024), at 2.


⁶ Case No. 2023-00278, *Electronic Purchased Gas Adjustment Filing of Western Lewis-Rectorville Water and Gas District* (Ky. PSC Sept. 22, 2024), at 3.

For the purpose of transparency and to maintain a record of information for future use, the Commission finds that Western Lewis-Rectorville District shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports. Should Western Lewis-Rectorville District purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount must be documented in its cover letter to the Commission.

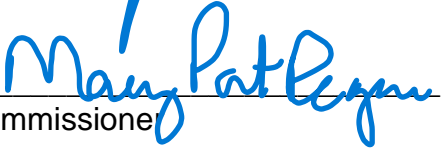
IT IS THEREFORE ORDERED that:

1. The rates proposed by Western Lewis-Rectorville District are denied.
2. The rates set forth in the Appendix to this Order are approved for service rendered on and after July 1, 2024.
3. Western Lewis-Rectorville District shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports.
4. Should Western Lewis-Rectorville District purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount shall be documented in its cover letter to the Commission.
5. Within 20 days of the date of service of this Order, Western Lewis-Rectorville District shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
JUN 27 2024
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KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00172 DATED JUN 27 2024

The following rates and charges are prescribed for the customers in the area served by Western Lewis-Rectorville Water and Gas District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

Monthly Usage

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
All MCF	\$1.5642	\$3.3151	\$4.8793

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