

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF COLUMBIA)
GAS OF KENTUCKY, INC.) CASE NO. 90-063-G

O R D E R

On October 10, 1990, the Commission issued its Order in Case No. 90-063 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates on a periodic basis in accordance with the provisions of the gas cost adjustment ("GCA") clause set forth therein.

On January 29, 1993, Columbia Gas of Kentucky, Inc. ("Columbia") filed for an adjustment to its gas cost pursuant to its GCA clause. On March 1, 1993, after having issued a data request and received a response from Columbia concerning gas inventory charges contained in its actual adjustment, the Commission suspended Columbia's rates to permit further review by this Commission.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Columbia's notice of January 29, 1993 set out certain revisions in rates which Columbia proposed to place into effect, said rates being designed to pass on to its customers the expected wholesale decrease in gas costs from its suppliers in the amount of

29.54 cents per Mcf excluding take-or-pay billings. Columbia's expected gas cost for the semi-annual period is \$3.8347.

2. Columbia's notice set out a fixed charge recovery rate of 2.44 cents per Mcf to recover pipeline contract reformation and take-or-pay charges from its customers.

3. Columbia's notice set out an actual adjustment in the amount of (8.78) cents per Mcf, which is a combination of its previously approved actual adjustment of (13.51) and a newly proposed component of 4.73 cents per Mcf. This new actual adjustment component is calculated to recover gas inventory charges ("GICs") from Columbia Gas Transmission ("Transmission") in the amount of \$247,944. Supporting documentation and explanation supplied on February 16, 1993 and on March 22, 1993 in response to Commission Orders show that on a month-to-month basis over the 12-month period ended October 31, 1992 Transmission's prices have, in all but one instance, exceeded spot prices by more than the 35 cent GIC, making Columbia's spot market purchasing decisions a reasonable choice. The Commission finds Columbia's incurrence of GICs to be reasonable and their inclusion in the actual adjustment should be approved. The Commission finds, however, that Columbia's proposal to collect the GIC billing over the remaining 6 months of the actual adjustment to be too burdensome on its customers in this case. The 6-month proposed recovery period with its corresponding 5,238,000 Mcf estimated sales volumes is greatly disproportionate to the historical 12 month level of sales volumes of 17,324,871 Mcf for the 12 months ended December 31, 1992. Columbia's required

filings for adjustments in gas cost rates, occurring in February and August, can each contain actual adjustment components instead of being only confined to the August filing. The actual adjustment component to recover GIC charges should, therefore, be calculated using sales of 17,324,871 Mcf and should expire March 1, 1994; the adjustment itself will be in the amount of 1.43 cents per Mcf. The total revised actual adjustment should be (12.08) cents per Mcf.

4. Columbia's notice set a balancing adjustment in the amount of 2.88 cents per Mcf which is designed to correct any remaining over- and under-collections from previous quarters.

5. Columbia's notice contained a refund adjustment in the amount of .06 cents per Mcf to return refunds of \$3,393, including interest, to its customers.

6. Columbia's notice set out the Special Agency Service refund adjustment in the amount of .07 cents per Mcf approved in its last filing.

7. Columbia's approved gas cost recovery rate of \$3.7658, which includes the fixed charge recovery component, represents a decrease in retail rates of 26.82 cents per Mcf.

8. Columbia's adjustment in rates, pursuant to the gas cost adjustment provisions approved by the Commission in its Order in Case No. 90-063, dated October 10, 1990, is fair, just, and reasonable, in the public interest, and should be effective with gas supplied on and after the date of this Order.

IT IS THEREFORE ORDERED that:

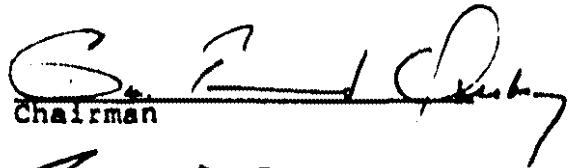
1. The rates proposed by Columbia be and they hereby are denied.

2. The rates in the Appendix to this Order, attached hereto and incorporated herein, are fair, just, and reasonable, and are approved effective with gas supplied on and after the date of this Order.

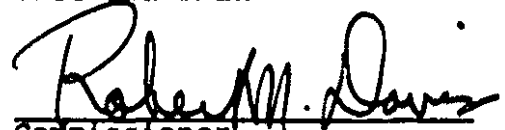
3. Within 30 days of the date of this Order, Columbia shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 1st day of April, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 90-063-G DATED April 1, 1993.

The following rates and charges are prescribed for the customers in the area served by Columbia Gas of Kentucky, 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.

CURRENTLY EFFECTIVE BILLING RATES

	<u>Base Rate Charge</u> \$	<u>Gas Cost Adjustment</u> \$ 1/	<u>Total Billing Rate</u> \$
<u>RATE SCHEDULE GS</u>			
First 1 Mcf or less per Mo.			
Residential	7.45	3.7658	11.2158
Commercial or Industrial	16.34	3.7658	20.1058
Next 49 Mcf per Mo.	1.6872	3.7658	5.4530
Next 150 Mcf per Mo.	1.6378	3.7658	5.4036
Over 200 Mcf per Mo.	1.5886	3.7658	5.3544
<u>Delivery Service</u>			
<u>Demand Charge</u>			
Demand Charge times Firm Mcf Volume in Customer Service Agreement		10.0821	10.0821
Volumetric	1.5886	.0211	1.6097
<u>RATE SCHEDULE FI</u>			
Customer Charge	135.79		135.79
<u>Customer Demand Charge</u>			
Demand Charge times Firm Mcf Volume in Customer Service Agreement		10.0821	10.0821
Commodity Charge-All Volume	.5573	3.7658	4.3231
<u>Delivery Service</u>			
Interruptible	.4861	.0211	.5072

RATE SCHEDULE IS

Customer Charge	135.79		135.79
Commodity Charge	.5573	3.7658	4.3231
<u>Delivery Service</u>			
Interruptible	.4861	.0211	.5072

RATE SCHEDULE IUS

For all Volumes Delivered			
Each Month	.1735	3.7658	3.9393
<u>Delivery Service</u>	.1735	1.4502	1.6237
<u>Delivery Service - Mainline</u>	.1000		.1000

- 1/ The Gas Cost Recovery Rate, as shown, is an adjustment per Mcf determined in accordance with the "Semi-Annual Gas Cost Adjustment Clause" as set forth on Sheets 80 through 82 of this tariff.