

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ABANDONMENT OF GAS SERVICE BY)
ASHLAND EXPLORATION, INC., AND) CASE NO. 10038
BARNES TRANSPORTATION COMPANY, INC.)

O R D E R

Ashland Exploration, Inc., ("Ashland") is a natural gas company engaged in the production and sale of natural gas to Columbia Gas Transmission Corporation ("Columbia"). Ashland's gas is gathered and transported by Barnes Transportation Company, Inc., ("Barnes") to connecting points from which most of the gas is sold to Columbia. Since Columbia is an interstate pipeline, Ashland's sales were considered a part of interstate commerce and subject to federal regulation by the Federal Energy Regulatory Commission ("FERC"). In a previous ruling by the Federal Power Commission (now FERC), it had been determined that Barnes' non-gathering facilities were subject to federal jurisdiction.¹

Prior to July 18, 1981, Ashland sold the gas not delivered to Columbia to Ashland Oil, Inc., ("AOI") which is the parent corporation of Ashland and Barnes. AOI resold the gas to certain domestic gas users pursuant to KRS 278.485. On July 18, 1981, AOI

¹ Federal Power Commission, Opinion No. 306, issued September 27, 1957. In the Matter of Barnes Transportation Company, Inc., Docket No. G-7348.

transferred its domestic service contracts to Ashland. At this time Ashland entered into contracts with these customers to sell gas directly to them, and Barnes continued to transport the gas from the wellhead to the customers.

In early July 1981, Calvin Newsome verbally notified a member of the Commission's staff that Ashland had notified him and nine families by letter dated June 9, 1987, that gas service would be disconnected August 1, 1987. Mr. Newsome requested that if Ashland could legally terminate their service, then additional time was needed by the families to arrange for a replacement of the gas service. Subsequently, Commission staff requested, and Ashland agreed, to postpone the disconnection date until September 1, 1987, to allow Commission staff additional time to review the proposed action. On August 25, 1987, Commission staff notified Ashland that the proposed abandonment of service would require the approval of the Commission, and that the date for termination of service should be suspended until this issue was resolved.

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

1. The sales of natural gas by Ashland through Barnes' facilities to residential customers in Pike County are subject to the jurisdiction of this Commission pursuant to KRS 278.010(3)(6), 278.040(2), and 278.485(1) and (7).

2. Ashland and Barnes should file a joint application with the Commission for abandonment of service to the affected residential customers. Such application should clearly state the reasons

why abandonment of service is justified and include all supporting documentation.

3. A public hearing should be held as soon as practicable on Ashland's proposal to abandon service to the affected residential customers.

IT IS THEREFORE ORDERED THAT:

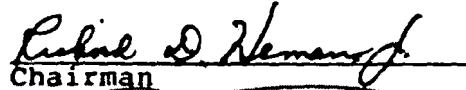
1. Ashland and Barnes shall file a formal application to abandon residential service from certain customers in Pike County, Kentucky, on or before October 9, 1987.

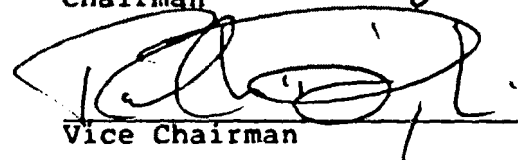
2. A public hearing to assess the merits of Ashland's proposed abandonment shall be conducted in the Commission's offices in Frankfort, Kentucky, on October 20, 1987, at 10:00 a.m., E.D.T.

3. Ashland shall provide a copy of this Order to each of the affected residential customers within 5 days from the receipt of this Order by the company.

Done at Frankfort, Kentucky, this 1st day of October, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director