

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION BY KEN-GAS OF KENTUCKY, INC.)	
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY FOR THE CONSTRUCTION OF A)	CASE NO.
NATURAL GAS SYSTEM, APPROVAL OF FINANCING)	9586
AND CONSTRUCTION COSTS, AND APPROVAL OF)	
APPLICABLE RATES)	

O R D E R

On May 22, 1987, an Order was issued in this proceeding granting Ken-Gas of Kentucky, Inc., ("Ken-Gas") a Certificate of Public Convenience and Necessity for the construction of a natural gas system in Burkesville, Kentucky, and approving construction costs of \$307,125. The Order also required Ken-Gas to file certain bid information and design and construction documents prior to starting construction.

Based upon site visits by a Commission gas safety investigator on July 20 and 31, 1987, and an informal conference between Commission staff and Ken-Gas on July 27, 1987, the Commission initiated Case No. 9987,¹ requiring Ken-Gas to appear before the Commission to show cause why it should not be fined for its failure to comply with the Order issued May 22, 1987. The Commission concluded that Ken-Gas had begun construction on or about

¹ In the Matter of: Failure of Ken-Gas of Kentucky, Inc., to Comply with a Commission Order

July 14, 1987, yet had failed to provide the information required prior to construction, and that Ken-Gas would incur construction costs substantially in excess of the costs approved by the Commission. Due to Ken-Gas' failure to comply, the Commission could not determine whether the design and construction of the system complied with the Commission's gas safety regulations, or if the gas system was economically viable. Economic viability could not be determined because of changes in projected construction and purchased gas costs.

On December 23, 1987, an Order was issued in Case No. 9987 in which it was ordered that financing be approved for the amounts, interest rates, and amortization periods determined therein; that costs of \$564,695 be approved for construction, start-up, and other necessary capital outlays as referenced therein; and that the rates approved should provide for Ken-Gas' operating expenses and a sufficient return for its investors. The Commission also found that Ken-Gas had submitted sufficient information to conclude that the gas system had been designed and constructed in compliance with Commission regulations, and that Ken-Gas should be allowed to interconnect with the 25-mile transmission line referenced therein.

On January 22, 1988, Ken-Gas filed certain information to comply with the December 23, 1987, Order and submitted payment of the fines assessed. Ken-Gas indicated it would file a motion requesting an additional 30 days to file the remaining information, including a signed contract to the Commission for review which represents a long term, reliable, and reasonably priced supply of gas.

