

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF COLUMBIA GAS OF)	
KENTUCKY, INC. FOR AUTHORITY TO)	
ACQUIRE CERTAIN FACILITIES OF THE)	CASE NO. 92-274
INLAND GAS COMPANY, INC. AND FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY TO SERVE CUSTOMERS LOCATED)	
IN CARTER AND BOYD COUNTIES, KENTUCKY)	

O R D E R

This matter arises upon the June 25, 1992 filing of Columbia Gas of Kentucky, Inc. ("Columbia Gas") requesting the Commission grant its approval to Columbia Gas to acquire certain facilities of the Inland Gas Company ("Inland"). Columbia Gas further requests a Certificate of Public Convenience and Necessity to serve Inland customers located in Carter and Boyd counties, Kentucky. Kentucky-Ohio Gas Company ("KOG") moved to intervene in this proceeding on July 16, 1992. KOG was granted full intervention. A public hearing was held in this matter on September 2, 1992 and both parties appeared and were represented by counsel.

Columbia Gas is a local distribution company regulated by this Commission engaged in the business of furnishing natural gas service to the public for compensation. Inland, a Kentucky corporation, is a wholly owned subsidiary of the Columbia Gas System, Inc. and has been authorized by the Federal Energy Regulatory Commission ("FERC") to do business in Kentucky, Ohio, and West Virginia. Inland primarily receives, produces and

purchases natural gas in Kentucky for transportation or sale in interstate commerce. Inland applied to and received permission from FERC to abandon the facilities located in Kentucky which are the subject of this proceeding.

The facilities to be acquired by Columbia Gas include related production properties, specifically, gathering lines and rights-of-way in Boyd and Carter counties, transmission properties consisting of transmission lines and related rights-of-way, certain measuring station structures, miscellaneous farm taps and meters, 172 acres of land, and miscellaneous equipment. As a result of the acquisition, Columbia Gas will acquire gas gathering pipelines which are currently used to provide service pursuant to KRS 278.485 to residential consumers. Thus, the character of service currently provided by Inland to those residential consumers shall change from rural farm tap service to regulated residential service. Columbia Gas has filed an adoption notice with the Commission certifying its intention to adopt, ratify and make its own the current tariff for natural gas sales service pursuant to KRS 278.485 previously filed with the Commission by Inland. Columbia has represented that if approval is granted to acquire the facilities, it will provide service to 72 additional residential and 27 additional active commercial and industrial customers.

Columbia Gas currently performs certain customer service functions for Inland pursuant to a service contract executed in 1985. Since that time Columbia Gas has performed services which include meter reading, billing, and customer service calls.

Therefore, if the transfer is approved, those services in addition to other traditional LDC services will be provided by Columbia Gas to this group of customers. Since the character of service provided to these customers will change from KRS 278.485 service to traditional distribution service, it can reasonably be expected that the customers will see a benefit if the proposed transfer is approved. The impact of this acquisition on Columbia Gas's existing customers should be beneficial. Columbia Gas estimates that sales and transportation services after the acquisition will increase Columbia Gas's throughput by approximately 2.3 bcf per year, a 2.1 bcf if adjusted for expected volume losses. Columbia Gas's net revenue is expected to increase by approximately \$708,000, although it is projecting a slight negative impact on its rate base return due to the aforementioned expected volume loss.

Columbia Gas has operated as a public utility in Kentucky since its incorporation in 1958 and thus has significant financial, managerial and technical expertise to provide reasonable service to these customers. Columbia Gas represents that, if the acquisition is approved, the subject facilities will become an integrated part of Columbia Gas's existing distribution system and shall be managed and operated by the same personnel who currently operate the Columbia Gas system. Columbia Gas further represents that the physical plant to be acquired will be inspected and maintained in accordance with 49 CFR Parts 191 and 192 and all Commission regulations related to distribution company operations.

The transfer of the Inland facilities to Columbia Gas will be made at book value and the purchase will be financed out of existing cash reserves. Columbia states that no acquisition adjustment will be necessary and the current net asset value of the facilities is \$2.024 million. The estimated cost to operate and maintain the acquired facilities assuming the aforementioned volume loss is \$375,000 per year.

KRS 278.020(4) provides that "no person under the jurisdiction of the commission shall acquire or transfer ownership of or control, or the right to control, any utility, by sale of assets, transfer of stock or otherwise, or abandon the same, without prior approval by the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service." After consideration of the representations which have been made by Columbia Gas, the evidence of record, and being otherwise sufficiently advised, the Commission finds that Columbia Gas has met the statutory standard and has adequately demonstrated that it has the financial, technical, and managerial abilities to provide reasonable service. Further, Columbia Gas has adequately demonstrated that the granting of a Certificate of Public Convenience and Necessity to acquire and provide service to the existing customers of Inland is in the public interest and will actually result in a higher level of service than that previously experienced by those customers. The Commission will therefore grant its approval to the proposed acquisition.

IT IS THEREFORE ORDERED that:


1. The transfer of the Inland assets detailed in the Columbia Gas application and pursuant to the contract executed between Inland and Columbia Gas be and it hereby is approved.

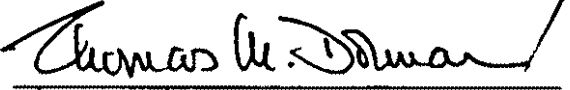
2. Columbia Gas be and it hereby is granted a Certificate of Public Convenience and Necessity to operate those facilities acquired from Inland and to serve Inland's former customers.

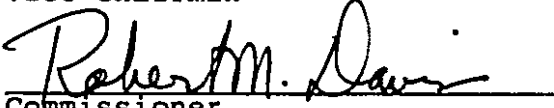
3. Columbia Gas shall file its adoption notice with this Commission within 10 days after closing and shall refile its tariffs, as necessary, in conformity with 807 KAR 5:011, Section 11(5).

Done at Frankfort, Kentucky, this 23rd day of September, 1992.

PUBLIC SERVICE COMMISSION-


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director