COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PETITION OF JEFFERSON GAS TRANSMISSION CO., INC. FOR ADJUSTMENT OF RATES	)))	CASE NO. 98-499

O R D E R

Jefferson Gas Transmission Co., Inc. ("Jefferson Gas"), a Kentucky corporation of Lexington, Kentucky, is a gas company which operates a natural gas gathering system in Breathitt County and surrounding counties in Kentucky. Jefferson Gas is not a utility as defined in KRS 278.010(3)(b), since the service provided to the 148 customers herein is required by KRS 278.485 and is commonly referred to as a "farm tap system."

On September 15, 1998, Jefferson Gas filed an application with the Commission, pursuant to 807 KAR 5:026, seeking authorization for an adjustment of its rates, effective January 1, 1999, to $6.00 as a minimum base rate bill and $5.35 for each Mcf used thereafter.

The Commission, pursuant to 807 KAR 5:026, Section 9(1)(c), determined that sufficient information had not been filed with the proposed tariff and suspended the rates until May 31, 1999. On December 18, 1998, the Commission issued an Order requesting additional data and information about the petition. Jefferson Gas filed its response on January 8, 1999. In the interim, letters of protest were received and several persons requested and were granted intervention rights in the case. However,

on December 30, 1998, all intervenors, at their specific request, were dismissed from the case.

The Commission finds that Jefferson Gas has filed a petition for an adjustment of rates, which would produce annual revenues of approximately $147,700, an increase of $49,370, or approximately 50 percent over its 1997 normalized revenue.

The Commission finds that Jefferson Gas and Staff have entered into an agreement that $6.00 for the first Mcf and minimum bill and $4.37 for all over the first Mcf is reasonable and should become effective for service rendered on and after the date of any Commission Order approving the settlement. The Commission further finds that, in approving the settlement, the petition of Jefferson Gas for an adjustment in rates is amended to reflect the settlement rates and revenues. The Commission finds that sufficient information has now been filed with the proposed tariff and that it can proceed to approve or deny the adjustment as amended pursuant to 807 KAR 5:026, Section 9(1)(c). The Commission finds that the Settlement Agreement filed as Appendix A hereto is fair and reasonable and should be approved.

The Commission finds that the rates of $6.00 and $4.37 will produce revenues in the amount of approximately $122,947, an increase of 25 percent over the normalized revenues of $98,329, which is reasonable and in the public interest.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement, attached as Appendix A, be and hereby is incorporated into this Order as if fully set forth herein.

2. The terms and conditions set forth in the Settlement Agreement are hereby adopted and approved.

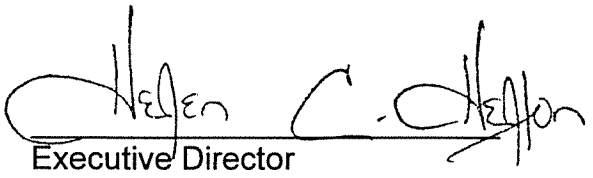
3. The rates in Appendix B hereto are approved for service rendered by Jefferson Gas on and after the date of this Order.

4. Within 30 days of the date of this Order, Jefferson Gas shall file with the Commission its revised tariff setting out the rates approved in Appendix B.

Done at Frankfort, Kentucky, this 16th day of February, 1999.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER
OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 98-499 DATED 2/16/99

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PETITION OF JEFFERSON GAS TRANSMISSION CO., INC. FOR ADJUSTMENT OF RATES	)))	CASE NO. 98-499

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Jefferson Gas Transmission Co., Inc. ("Jefferson Gas"), a Kentucky Corporation of Lexington, Kentucky, and the Staff of the Public Service Commission of Kentucky.

WHEREAS, Jefferson Gas filed an application with the Public Service Commission on September 15, 1998 seeking authorization for an adjustment of its rates to $6.00 as a minimum bill and $5.35 per Mcf effective January 1, 1999; and

WHEREAS, the PSC issued an Order suspending those rates until April 5, 1999; and

WHEREAS, on December 18, 1998 the PSC issued orders requesting additional data and information about the petition and Jefferson Gas having filed its response on January 8, 1999; and

WHEREAS, on December 30, 1998 all interventors were dismissed from the case upon their request; and

WHEREAS, Jefferson Gas and PSC Staff have conferred on January 25, 1999 to discuss their respective recommendations on revenue requirements and to review and

clarify the information filed by Jefferson Gas in response to the above previous Orders, and a settlement of this case;

NOW, THEREFORE, be it resolved that:

1. Jefferson Gas operates a natural gas gathering system in Breathitt and surrounding counties in Kentucky. Since Jefferson Gas is not a utility as defined in KRS 278.010(3)(b), the service provided to the 148 customers herein is required by KRS 278.485 and is commonly referred to as a "farm tap system";

2. Jefferson Gas filed a petition for an adjustment of rates on September 15, 1998 seeking rates which would produce annual revenues of approximately $147,700, an increase of $49,370 or approximately 50 percent over its 1997 normalized revenue;

3. Jefferson Gas and Staff agree that $6.00 for the first Mcf and minimum bill and $4.37 for all over the first Mcf is reasonable and should become effective for the service rendered on and after the date of the PSC Order approving the settlement;

4. The rates of $6.00 and $4.37 will produce revenues in the amount of approximately $122,947, an increase of 25 percent over the normalized revenues of $98,329, which is reasonable and in the public interest;

5. Nothing in this Agreement constitutes an acceptance of any particular adjustment or assumption by either Jefferson Gas or the Staff;

6. This settlement agreement is subject to the approval of the Public Service Commission;

7. If the PSC fails to adopt this agreement in its entirety, Jefferson Gas reserves the right to withdraw from it and to proceed with its rate case. In such event, none of the matters contained in this settlement shall be binding on any of them parties;

8. If the settlement is adopted in its entirety by the PSC this settlement shall constitute a final adjudication of the rate proceeding without the need for any additional hearing;

9. If the settlement agreement is accepted by the PSC, the parties agree not to request rehearing or to appeal the order to the Franklin Circuit Court.

AGREED TO BY:

JEFFERSON GAS TRANSMISSION CO., INC.

BY Mark G Ell Date: 1-29-99
TREASURER

PUBLIC SERVICE COMMISSION OF KENTUCKY

BY: James R. Roff Date: 2-1-99
Staff Attorney

APPENDIX B

APPENDIX TO AN ORDER
OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 98-499 DATED 2/16/99

The following rates and charges are prescribed for the customers in the area served by Jefferson Gas Transmission Company. 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.

The base rate and minimum bill for gas service is $6.00 for the first Mcf, and $4.37 for each Mcf used thereafter.