

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MAGNUM DRILLING OF	)	
OHIO, INC. TO CHARGE ITS CUSTOMERS A	)	
RECONNECTION FEE AND A DEPOSIT	)	CASE NO.
DIFFERENT THAN THAT PREVIOUSLY	)	2003-00101
APPROVED BY THE COMMISSION	)	

ORDER

On March 12, 2003, Magnum Drilling of Ohio, Inc. ( Magnum ) filed a letter with the Commission requesting that the Commission amend its Order of January 10, 2003 to permit Magnum to charge its customers a reconnection fee of \$50.00 and to require its customers to pay deposits in the amount of \$150.00. After reviewing the request, the Commission grants the request in part and denies it in part.

BACKGROUND

On July 9, 2002, Magnum filed a proposed tariff containing rates, rules, and regulations to operate as a farm tap system. Its tariff contained a proposed reconnection fee of \$50.00 and a proposed customer deposit of \$150.00.

The Commission entered an Order on January 10, 2003 denying Magnum s proposed reconnection fee and proposed deposit. The Commission found that 807 KAR 5:026, Section 7, limited Magnum s reconnection fee to \$25.00 and that Magnum s deposit amount should be limited to two-twelfths of an average customer s bill.

Magnum states that it did not receive the Commission s Order of January 10, 2003, until March 5, 2003, as the post office that contained Magnum s prior address had

closed. It now requests that the Commission amend its Order of January 10, 2003 to allow it to charge its previously proposed reconnection fee and deposit.

Magnum states that its requested reconnection fee is reasonable because Magnum would be required to make two round trips totaling 500 miles to disconnect and reconnect gas service in the event a customer defaults. It further states that its proposed deposit of \$150.00 is reasonable because 70 to 75 days expire before any type of disconnect notice is given to its customers. It states that after a 12-month payment history, with payments being made regularly, the deposit will be credited to the customer's account.

On May 13, 2003, at the request of Commission Staff, Magnum supplied the Commission with information concerning the number of customers it serves and the amount each customer was billed for the months of April 2002 through March 2003.

#### DISCUSSION

After reviewing Magnum's request and the information submitted, the Commission finds that Magnum's request should be denied in part and granted in part. The Commission finds that it has the authority, pursuant to 807 KAR 5:026, Section 10, to permit deviations from the farm tap regulations if it finds that good cause has been shown. The Commission finds that Magnum has shown good cause to deviate from the \$25.00 reconnection fee set forth in 807 KAR 5:026, Section 7, and finds that the reconnection fee proposed by Magnum is reasonable.

The Commission finds that the deposit proposed by Magnum is unreasonable and should be denied and further finds that the deposit approved in its Order of January 10, 2003 is reasonable and should not be amended. As stated previously,

Magnum asserts that its proposed deposit is reasonable because 70 to 75 days elapse before a disconnect notice is given. The Commission is not persuaded by this argument as 807 KAR 5:026, Section 7, does not require this large lapse before a disconnection notice may be given. The regulation requires the company to provide a customer with 48 hours written notice of termination and provides that service shall not be terminated until the company has first made an effort to obtain payment and until at least 15 days after the original bill was mailed. Based on the time frame provided by this regulation for service termination, the Commission finds that a deposit equal to approximately 2 months charges should adequately protect the company in the event of default. Therefore, the Commission finds that two-twelfths of the customer's actual or estimated annual bill should be used to calculate the customer's deposit.

IT IS THEREFORE ORDERED that:

1. Magnum's proposed reconnection fee of \$50.00 is approved as of the date of this Order.
2. Magnum's proposed deposit is denied.
3. Magnum may assess its customers a deposit in an amount that shall not exceed two-twelfths of the customer's actual or estimated annual bill.

Done at Frankfort, Kentucky, this 13<sup>th</sup> day of June, 2003.

By the Commission

ATTEST:

  
Executive Director