

STOLL·KEENON·OGDEN

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June 11, 2007

RECEIVED

JUN 1 2 2007

Elizabeth O'Donnell Executive Director Kentucky Public Service Commission 211 Sower Boulevard Frankfort, Kentucky 40601

PUBLIC SERVICE COMMISSION

Case No. 2007-00231

RE: Application of Johnson County Gas Company for a Certificate of Public Convenience and Necessity to Construct a Two-Inch Pipeline

Dear Ms. O'Donnell:

Enclosed are an original and ten (10) copies of an Application by Johnson County Gas for a Certificate of Public Convenience and Necessity to Construct a Two-Inch Pipeline. Please indicate receipt of this filing by your office by placing a file stamp on the extra copy and returning to me via the enclosed, self-addressed, stamped envelope.

Should you have any questions or need any additional information, please contact me at your convenience.

Very truly yours,

W. Duncan Crosby III

WDC/jms Enclosures

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

JUN 1, 2 2007

PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JOHNSON COUNTY GAS)	
COMPANY FOR A CERTIFICATE)	CASE NO: 2007- <u>002</u> 3
OF PUBLIC CONVENIENCE AND NECESSITY,)	
TO CONSTRUCT A TWO-INCH PIPELINE)	

APPLICATION

Johnson County Gas Company ("JCG"), pursuant to KRS 278.020, et seq. and 807 KAR 5:001, Sections 8 and 9, hereby applies to the Kentucky Public Service Commission ("Commission") for a Certificate of Public Convenience and Necessity ("CPCN") to construct a two-inch gas pipeline to connect the JCG system to an inexpensive local gas supplier, Bradco Oil Company, and to tie together the two separate parts of the currently bifurcated JCG system. In support of this Application, JCG states as follows:

- Address. JCG's full name and business address is: Johnson County Gas Company, 54th and 2nd St., Harold, Kentucky 41635. JCG's mailing address is: P.O. Box 339, Harold, Kentucky 41635.
- 2. <u>Articles of Incorporation.</u> A certified copy of JCG's Articles of Incorporation is attached hereto at Tab 1.
- 3. <u>Statement of Necessity.</u> The JCG system currently consists of two separate distribution lines, each of which is linked to a different transmission line. The two-inch main for which JCG seeks a CPCN would tie together the two distribution lines and make JCG's a unitary system with multiple gas supplies, including a supply from the relatively inexpensive supplier,

Bradco Oil Company. Such an arrangement will result in a more robust JCG system (due to redundancy of gas supplies) and less expensive gas for all of JCG's customers.

- 4. <u>Permits from Public Authorities</u>. JCG has obtained the required encroachment permit from the Kentucky Transportation Cabinet, Department of Highways, a copy of which permit is attached hereto at Tab 2.
- 5. <u>Location of Construction.</u> The line will be located entirely within Johnson County, Kentucky, and particularly between Paradise Valley Road and Patco Pools Road, then beside Route 321 South until it intersects with Route 1107. Three maps of the construction are attached hereto at Tab 3.
- 6. <u>Manner of Construction.</u> JCG will use 2-inch polyethylene pipe and will fuse and test all pipe joints. For under-road bores, JCG will use 250-wall steel casing to protect the pipe. There is no other public utility, corporation, or person with whom the proposed new construction is likely to compete; this pipeline will merely grant JCG access to a new supply of wholesale gas and tie together the two currently disconnected parts of JCG's distribution system.
- 7. <u>Sources of Funds.</u> The owner of JCG, Bud Rife, will personally finance the construction with a zero-percent loan. JCG will repay Bud Rife as funds become available to do so.
- 8. <u>Costs.</u> The expected capital cost for construction of the new JCG line is \$23,732 for "Phase I," which links JCG to Bradco, and \$47,868 for "Phase II," which ties together the two separate parts of the JCG system, for a total of \$71,600.
- 9. <u>Estimated Cost of Operation After Completion.</u> Any cost associated with operating and maintaining the new line will be commensurate with JCG's existing lines, and should be essentially de minimis. The line will provide cost savings in the form of access to a

low-cost source of wholesale gas for which there are no transportation costs, and will build redundancy of supply into the overall JCG system for reliability.

WHEREFORE, JCG hereby requests that the Commission issue an Order granting JCG a Certificate of Public Convenience and Necessity to construct a two-inch gas pipeline to connect the JCG system to an inexpensive local gas supplier, Bradco Oil Company, and to tie together the two separate parts of the currently bifurcated JCG system.

Dated: June 11, 2007

Respectfully submitted,

C. Kent Hatfield

W. Duncan Crosby III

Stoll Keenon Ogden PLLC

2000 PNC Plaza

500 West Jefferson Street

Louisville, Kentucky 40202

Telephone: (502) 333-6000

Counsel for Johnson County Gas Company

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Application was served on the following persons on the 11th day of June 2007, U.S. mail, postage prepaid:

Greg Stumbo Kentucky Attorney General Office of the Attorney General 700 Capital Avenue, Suite 118 Frankfort, Kentucky 40601

Counsel for Johnson County Gas Company

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JOHN Y. BROWN III SECRETARY OF STATE

CERTIFICATE

I, JOHN Y. BROWN III, Secretary of State for the Commonwealth of Kentucky, do certify that the foregoing writing has been carefully compared by me with the original record thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of ARTICLES OF INCORPORATION OF JOHNSON COUNTY GAS COMPANY, INC. FILED MARCH 15, 1968.

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Office of Secretary of State

FI MER BEGLEY, SECRETARY

ARTICLES OF INCORPORATION

I, ELMER BEGLEY, Secretary of State of the Commonwealth of Kentucky, do hereby certify that Articles of Incorporation of

Paintsville, Wentunks it

duly signed and acknowledged according to law, have this day been filed in my office. I further certify that all taxes, fees and charges payable upon the filing of said Articles of Incorporation have been paid

SECRETARY OF STATE

Witness my official signature this 15th day

of . 19^{-63}

Ima / Segles Secretary, ht. State

Assistant Secretary of State

ARTICLES OF INCORPORATION OF THE JOHNSON COUNTY GAS COMPANY, INC.

Know All Men by These Presents:

That we, the undersigned, have associated and do hereby associate, for the purpose of forming a corporation under the laws of the State of Kentucky.

ARTICLE I

The corporation hereby proposed to be organized shall be named and known as the Johnson County Gas Company. Inc., by which name it may contract and be contracted with, sue and be sued, adopt a corporate seal, and do all things necessary to the conduct of its business in the furtherance of its expressed purpose.

ARTICLE IL

The purpose and nature of the business which is to be transacted, promoted and carried on by this corporation shall be the ownership, operation, expansion, and extension, of the cas system now serving the resident homes and businesses in the communities of Van Lear, Meally, and Buffalo, Johnson County; Kentucky and any other communities adjacent thereto, and to buy, sell convey, lease, predge, mortgage, exchange, assign or otherwise acquire, hold and dispose of handle and otherwise deal in and with real and personal property or any interest therein of What ever name, nature and description, and wherever the same may be situated, either within or without the State of Kentucky, and to exercise unlimitedly all rights and powers incident to the acquir sition, notding or disposition of such interest; to lend money; credit or property to, guarantee or assume interests in or contracts or obligations of; and otherwise and/or assist in any other manner corporations, associations and persons, to do all throgs necessary or desirable to protect or enhance directly and indirect ly the value of any interest owned by the corporation or in which

it may have any beneficial interest or rights; to borrow money, credit, or property, to make contracts, to incur obligations and to secure the same by mortgage or pledge of all or part of its assets or franchises; to act for others in any capacity or manner, to participate with others and to merge or consolidate with other concerns in any business, enterprise, or transaction which the company is authorized to engage in, in any manner and on any terms; and to do any and all further acts consistent with the pruposes hereinbefore set forth, as now or hereafter authroized by law for a corporation, it being the intent on that the enumeration of specific powers shall not operate to limit in any manner the general powers conferred upon corporations by the laws of the State of Kentucky.

ARTICLE III

The duration of this corporation shall be perpetual

ARTICLE IV

The address, including street and number, of the registered office of this corporation is: Chandler Building, Paints-ville, Johnson County, Kentucky. The name and address of its resident agent is Charles Thomas Meade, Van Lear, Johnson County, Kentucky.

ARTICLE V

The total number of shares of stock authorized to be issued and the authorized class thereof shall be one thousand shares of par value common stock valued at \$30.00 per share. The voting power of such stock shall be one vote per share.

ARTICLE VI

The original frame of shares as authorized under these articles shall be without classification, restriction, limitation, or distinction as to the rights of the owners. In the event the corporation acts to authorize additional issue, beyond the original subscriptions, of unissued stock authorized by Article V, the original subscribers and incorporators shall have the right to

exercise their pre-emptive right to a proportionate share before the stock is offered to another subscriber or an outsider.

ARTICLE VII

The amount of capital with which the corporation will begin business shal be thirty thousand dollars (\$30,000).

ARTICLE VII

The names and addresses of the incorporators and the number of shares subscribed by each are:

Charles Thomas Meade, Van Lear, Kentucky: 250 shares 250 shares

ARTICLE IX

Three directors of the corporation are to be elected at the first meeting of the shareholders, to be held as soon as practicable after the issuance of the certificate of incorporation.

ARTICLE X

The general officers of this corporation shall be a president, a vice president and a secretary and treasurer.

ARTICLE XI

The principal duties of such general officers shall be as follows:

- 1. The principal duties of the president shall be to preside at all meetings of the board of directors and have the general supervision of the affairs of the corporation.
- 2. The principal duties of the vice president shall be to discharge the duties of the president in the event of absence or disability for any cause.
- 3. The principal duties of the secretary-treasurer shall be to countersign all leases, deeds and conveyances executed by the corporation, affix the corporate seal thereto and to such other papers as shall be required of directed to be sealed, to keep a record of the proceedings of the board of directors, and

to safely and systematically keep all books, records, papers and documents belonging to the corporation or in any wise peritaining thereto, except such as are properly to be kept by other officers of the corporation.

It shall be the further duty of the secretary-treasurer to keep and account for all monies, credits and property of any and every nature of the corporation, which shall come into his hands, and keep an accurate account of all monies received and disbursed, and to render such accounts, statements and inventories of monies received and disbursed and money and property on hand, and generally of all matters pertaining to his office, as shall be required by the board of directors.

The board of directors may provide for the appointment of additional officers and agents.

ARTICLE XII

The board of directors may from time to time by wote of a majority of its members make, alter, amend or rescind any of the by-laws of this corporation.

ARTICLÉ XIII

The board of directors shall decide on the design for a corporate seal and duly adopt the same by resolution.

ARTICLE XIV

The corporation shall begin the transaction of business upon the election of the first board of directors by the share-holders, the designated amount of capital having been paid in, and the certificate of incorporation theretofore issued and duly fired

In Witness Whereof, We, the incorporators, have hereunto

Charles Thomas Meade

Joyce Ann Meade

Eugene C. Rice

STATE OF KENTUCKY

COUNTY OF JOHNSON

rersonally came before me this _____ day of march, 1968, the above name Charles Thomas Meads, Joyce Ann Meade, Eugene C.
Rice, and Mary E. Rice, to me known to be the persons who executed the foregoing instrument, and acknowledged the same to be their free act and deed.

. Witness my signature and seal of office this \mathbb{Z} day of March, 1968.

Mildred O Hales

My Commission Expires:

ORIGINAL CORY FILED AND RECORDED

MAR 1 5 1968

SECRETARY OF STATE OF RENTUCKY

PRANEFORE, RENTUCKY

TO THE TO THE PROPERTY OF THE PROPERTY OF

JOHNSON COUNTY GAS COMPANY, INC.

Written Consent by Sole Shareholder in Lieu of Annual Meeting

May 25 1999

The undersigned, the sole shareholder of Johnson County Gas Company, Inc. (the "Corporation"), pursuant to KRS 271 B.7-040, hereby takes, and consents to the taking of the following actions:

- 1. He sets the number of members of the Corporation's Board of Directors at one.
- 2. He elects Bud Rife to the Corporation's Board of Directors.
- 3. He adopts the following resolution:

RESOLVED, that the acts and deeds of the directors of the Corporation in the management and direction of the business and affairs of the Corporation, since the last election of directors, are hereby ratified and approved.

Bud Rife

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JOHNSON GAS COMPANY, INC.

Written Action by Director

May 25, 1999

The undersigned, the sole member of the Board of Directors of Johnson Gas Company, Inc. (the "Corporation"), pursuant to KRS 271B.8-210, takes, and consents to the taking of the following actions:

- 1. He elects Bud Rife to the offices of President and Secretary to serve during the pleasure of the Board of Directors.
 - 2. He adopts the following resolution:

RESOLVED, that the acts and deeds of the officers of the Corporation taken in the management of the affairs of the Corporation since the last election of officers are hereby ratified and approved.

Bud Rife

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LOST SECURITY AFFIDAVIT AND INDEMNITY AGREEMENT

Commonwealth of Kentucky					
County of Franklin		•	·		
BEFORE ME, appeared Tom Graham	the	undersigned , who being duly sworr	personally 1, did depose ar	came nd state:	and
1. I am of legal age a Department for Local Government Trust, which is the legal owner Johnson County Gas Company, In	ent, a r of tl	he following instrumer	Municipal Gas	Utility Inve	stment

Class of Security

No. of Shares

Common

96

- 2. The Original Certificate was not endorsed.
- 3. The Original Certificate, or any interest therein or right thereto has not been sold, pledged, hypothecated or otherwise transferred.
- 4. The Original Certificate has been lost, misplaced, destroyed or stolen and cannot be located or produced.
- 5. This Lost Security Affidavit and Indemnity Agreement is made for the purpose of inducing the Corporation and any transfer agent, depository, trustee, fiscal or paying agent, redemption agent and registrar (hereinafter called the "Obligees") to deliver to the undersigned, a new instrument or instruments or to make the payment, transfer, delivery or exchange which accrues to the holder of the lost, destroyed or stolen Original Certificate.
- 6. In consideration of such-delivery or such payment, transfer, delivery or exchange, the undersigned agrees for itself, heirs, legal representatives, successors and assigns, to release, defend, indemnify and hold the Corporation and the other Obligees, free and harmless of and from any and all actions and suits, whether groundless or otherwise, and any and all losses, damages, costs, charges, counsel fees, payments, expenses and liabilities whatsoever, which any of them may sustain or incur (1) by reason of the issuance and delivery, or the payment, transfer, delivery or exchange, (2) by reason of any claim which may be made in respect of the Original Certificate, (3) by reason of any payment, transfer, delivery or exchange or other act which any of them may make or do in respect of the Original Certificate, whether made or done through accident, oversight or neglect or whether made or done upon presentation thereof without

contesting the propriety of such transfer, payment, delivery, exchange or other act, or (4) by reason of any other matter or thing arising out of the recognition of this request.

The undersigned agrees that if the Original Certificate shall come into the undersigned's possession, the undersigned will immediately deliver the Original Certificate to the Corporation for cancellation.

> COMMONWEALTH KENTUCKY OF DEPARTMENT FOR LOCAL GOVERNMENT, Trustee of Kentucky Municipal Gas Utility Investment Trust

Commonwealth of Kentucky County of Franklin

The foregoing instrument was sworn to and acknowledged before me by the Deputy Commissioner of Commonwealth of Kentucky Department for Local Government, the Trustee of Kentucky Municipal Gas Utility Investment Trust, on May 26, 1999.

Notary Public

My Commission Expires: 2/16/2002

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FOR VALUE RECEIVED, the receipt and sufficiency of which is hereby acknowledged, Commonwealth of Kentucky Department for Local Government, a Trustee of Kentucky Municipal Gas Utility Investment Trust hereby sells, assigns and transfers unto Bud Rife, Ninety-six (96) shares of the Common Capital Stock of Johnson County Gas Company, Inc. standing in its name on the books of Johnson County Gas Company, Inc. represented by Share Certificate No. N-1 and does hereby irrevocably constitute and appoint the Secretary of Johnson County Gas Company, Inc. to transfer the shares on the books of Johnson County Gas Company, Inc.

Date: 5-26-99

COMMONWEALTH KENTUCKY OF DEPARTMENT FOR LOCAL GOVERNMENT, Trustee of Kentucky Municipal Gas Utility Investment Trust

By Jone Staham
Title: Frustee

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KENTUCKY TRANSPORTATION CABINET Department of Highways Permits Branch

TC: 99-1E Rev. 10/01

Released Date	ENCROÁCHÍ	MENT PERMIT	PERMIT NO.
APPLICANT IDENTIFICATION: NAME: JOHNSON COUNTY GAS CONTACT PERSON: BUD RIFE ADDRESS: P.O. BOX 339 CITY: HAROLD STATE: KY ZIP CODE: PHONE: area code () _606-789-5481 TYPE OF ENCROACHMENT: COMMERCIAL ENTRANCE - BUSINESS PRIVATE ENTRANCE: Single Family UTILITY: Coverhead GRADE: Fill AIRSPACE: Agreement OTHER: (Specify)	41635 Farm Underground Landscape on RW Lease Cash	ROAD/STREET NAME: ATTACHMENTS: Standard Drawings (Applicant's Plans Highway Plan and Pl TC 99-3 (Ponding Er TC 99-4 (Rest Area I TC 99-5 (Tree Cuttin TC 99-6 (Chemical L TC 99-10 (Typical Hi TC 99-12 (Overhead I TC 99-13 (Surface R TC 99-21 (Encroach I TC 99-22 (Agreemer	Figure 1 Partial Full PRIORITY ROUTE NO: 321 Figure 1 Right Figure X-ing Figure 1 Acting Figure 1 Acting Figure 1 Acting Figure 2 Acting Figu
IDEMNITY: The applicant, in order to secure this with the Department's Encroachment Permit request as determined by the Department. It shall be the ties in full force until construction or reconstruction Cabinet, Department of Highways.	uirements, an indemi responsibility of the	nity in the amount of \$ applicant or permitee, his	as determined by the heirs and assignees to keep all indemni-
BRIEF DESCRIPTION OF WORK TO BE DONE BORE FOR 2" GAS LINE AND INSTALL 5000 THEN SOUTH TO RT. 1107.		PIPE AT INTERSECTIÓI	V 321 AND CHERRY HILL LANE.
IMPORTANT (PLEASE READ): Applicant	□ does 🔽	does not intend	io apply for excess R/W.

When the work is completed in accordance with the terms of this encroachment permit, your indemnity will be released. However, the permit is effective until revoked by the Transportation Cabinet and the terms on the permit accompanying permit documents and drawings remain in effect as long as the encroachment exists. <u>FUTURE MAINTENANCE OF THE ENCROACHMENT IS THE RESPONSIBILITY OF THE PERMITEE.</u> It is important that you understand the requirements of this encroachment permit application and accompanying documents. If you have not done so, it is suggested that you review these documents and place the permit package in a safe place for future reference.

A copy of this permit and all documents shall be given to your contractor and shall be readily available at the work site for the encroachment permit inspector to review at all times. Failure to meet this requirement may result in cancellation of this permit.

IN THE EVENT THIS APPLICATION IS APPROVED, THIS DOCUMENT SHALL CONSTITUTE A PERMIT FOR THE APPLICANT TO USE THE RIGHT-OF-WAY, BUT ONLY IN THE MANNER AUTHORIZED BY THIS DOCUMENT AND REGULATIONS OF THE DEPARTMENT AND THE DRAWINGS, PLANS, ATTACHMENTS, AND OTHER PERTINENT DATA ATTACHED HERETO AND MADE A PART HEREOF.

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JOHNSON É FLOYD CO. F 133 Ll. 5/0. 257 100 T. 5/0. 289/25 Comst. 275 Lin. Ft. Guard Rost PAINTSVILLE -AUXIER -PREST PAGE 2 1. 3h. 258175 To 310. 222150 cf. sto. 665 150 To .: 10. 273 126 ast 775 Lun Ft. Grand Russ JOHNSON COUNTY STA. 263+40 BEGIN M. 600 La, 11. 640 (DIVERSED) (BY

