

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE GAS)	
COSTS OF JOHNSON COUNTY GAS)	CASE NO.
COMPANY, INC. AND HALL, STEPHENS AND)	2020-00122
HALL GAS COMPANY PURSUANT TO KRS)	
278.2207, AND KRS 278.274)	

ORDER

This matter arises upon the Commission’s investigation of the gas costs paid by Johnson County Gas Company, Inc. (Johnson County) for natural gas sold by Johnson County’s affiliate Hall, Stephens and Hall Gas Company (Hall). On March 18, 2021, Johnson County, Hall, and Commission Staff entered into a Stipulation of Facts and Settlement Agreement (Stipulation and Settlement Agreement), agreeing in principle to a settlement conditioned upon certain events. The Stipulation and Settlement Agreement is attached as an Appendix to this Order. In accordance with the Stipulation and Settlement Agreement, Johnson County agrees to refund to its customers \$9,450.00, which represents the difference in price between the \$6.00 per Mcf charged by Hall for 7,000 Mcf of gas purchased by Johnson County in 2019, and the \$4.65 per Mcf rate had Johnson County purchased the gas from Diversified Gas and Oil Corporation (Diversified).

The Commission, on its own motion, finds that the Stipulation and Settlement Agreement should be adopted conditioned upon the occurrence of the events set forth in paragraphs 5, 6, and 7. First, the Commission’s adoption of the Stipulation and

Settlement Agreement is conditioned upon the closing of the asset sale and transfer of Johnson County to Navitas KY NG, LLC (Navitas) no later than June 30, 2021.¹ Second, provided that the asset sale and transfer of Johnson County to Navitas closes no later than June 30, 2021, the Stipulation and Settlement Agreement will satisfy and resolve any and all claims against Johnson County and Hall for any violation of KRS Chapter 278 raised in this proceeding. Third, this proceeding should be held in abeyance through June 30, 2021. If the asset sale and transfer of Johnson County to Navitas fails to close on or before June 30, 2021, this proceeding will be returned to the Commission's active docket.

The Commission further finds that the mechanism to refund the \$9,450.00 to Johnson County customers should be determined in Case No. 2020-00396 because the refund mechanism for returning a similar refund to customers of a sister entity, B & H Gas Company, will be determined in Case No. 2020-00396.

Finally, the Commission finds that this proceeding should be held in abeyance until June 30, 2021. If the asset sale and transfer of Johnson County to Navitas does not close by June 30, 2021, an Order should be entered terminating the abeyance and returning this matter to the Commission's active docket.

IT IS THEREFORE ORDERED that:

1. The Stipulation and Settlement Agreement attached as an Appendix to this Order is adopted conditioned upon the occurrence of the events set forth in paragraphs 5, 6, and 7 of the Stipulation and Settlement Agreement.

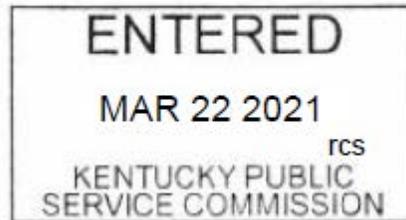
¹ Case No. 2020-00396, *Electronic Application of Navitas KY NG, Johnson County Gas Company, and B & H Gas Company for Approval of Acquisition, Transfer of Ownership, and Control of Natural Gas Utility Systems* (filed Dec. 28, 2020).

2. Provided that the asset sale and transfer of Johnson County to Navitas closes no later than June 30, 2021, the Stipulation and Settlement Agreement will satisfy and resolve any and all claims against Johnson County and Hall for any violation of KRS Chapter 278 raised in this proceeding.

3. This proceeding is held in abeyance through June 30, 2021. If the asset sale and transfer of Johnson County to Navitas fails to close on or before June 30, 2021, this proceeding will be returned to the Commission's active docket.

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By the Commission



ATTEST:


Executive Director

APPENDIX

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00122 DATED MAR 22 2021

FOUR PAGES TO FOLLOW

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE GAS)	CASE NO.
COSTS OF JOHNSON COUNTY GAS COMPANY,)	2020-00122
INC. AND HALL, STEPHENS AND HALL GAS)	
COMPANY PURSUANT TO KRS 278.2207, AND)	
KRS 278.274)	

STIPULATION OF FACTS AND SETTLEMENT AGREEMENT

By Order entered April 14, 2020, the Commission initiated this proceeding to determine whether Johnson County Gas Company (Johnson County) and Hall Stephens Hall (Hall) violated KRS 278.2207(1)(b) and KRS 278.274 as follows: (1) whether Hall sold gas to its affiliate Johnson County between April 1, 2013, and September 3, 2019, at cost of gas that was greater than market, which is prohibited by KRS 278.2207(1)(b); (2) whether the Gas Cost Recovery (GCR) component of Johnson County's rates and the rates charged by Hall between April 1, 2013, and September 3, 2019, are fair, just, and reasonable as required by KRS 278.274 for natural gas purchased by a utility from an intrastate affiliate; and (3) whether the GCR component of Johnson County's rates should not be reduced to market along with a corresponding reduction to the cost of gas sold by Hall to Johnson County between April 1, 2013, and September 3, 2019, under KRS 278.274.

As a result of an agreement in principle, Johnson County, Hall, and Commission Staff submit the following Stipulation of Facts and Settlement Agreement ("Stipulation") for the Commission's consideration in rendering its decision in this proceeding.

1. Johnson County is a Kentucky corporation, solely owned by Bud Rife, and provides retail natural gas service to approximately 274 customers in Johnson County, Kentucky, and is a utility subject to Commission jurisdiction.

2. Hall is a joint venture that transports and sells natural gas within Kentucky, whose sole customer is Johnson County, and Mr. Rife is a minority owner and manager of Hall.

3. For six years, between April 1, 2013, and September 3, 2019, Johnson County failed to file quarterly GCR rate report filings with the Commission. The GCR rate applied to customer bills between April 1, 2013, and September 3, 2019, was based on a \$6.0000 per Mcf contract price between Hall and Johnson County.

4. Johnson County agrees to refund to its customers \$9,450.00, which represents the difference between \$6.00 per Mcf charged by Hall for gas purchased in 2019, and \$4.65 per Mcf had Johnson County purchased the gas from Diversified Gas and Oil Corporation (Diversified). The \$4.65 per Mcf rate is the average price that Johnson County paid to Diversified between November 2020 and January 2021.

5. The Commission's acceptance of this Stipulation is conditioned upon the closing of the asset sale and transfer of Johnson County to Navitas KY NG, LLC (Navitas) no later than June 30, 2021.¹

¹ Case No. 2020-00396, *Electronic Application of Navitas KY NG, Johnson County Gas Company, and B & H Gas Company for Approval of Acquisition, Transfer of Ownership, and Control of Natural Gas Utility Systems* (filed Dec. 28, 2020).

6. Provided that the asset sale and transfer of Johnson County to Navitas closes no later than June 30, 2021, this Stipulation and Settlement will satisfy and resolve any and all claims against Johnson County and Hall for any violation of KRS Chapter 278 raised in this proceeding.

7. This proceeding will be held in abeyance provided that the asset sale and transfer of Johnson County to Navitas closes no later than June 30, 2021. If the asset sale and transfer of Johnson County to Navitas fails to close no later than June 30, 2021, this proceeding will be returned to the Commission's active docket.

8. This Stipulation is not an admission by Johnson County and Hall that it willfully violated KRS 278.2207(1)(b) and KRS 278.274, or any other provision of KRS Chapter 278. The Commission's acceptance of this Stipulation shall not be construed as a finding that Johnson County and Hall willfully violated any statute.

9. In the event the Commission does not accept this Stipulation in its entirety, Johnson County and Hall reserves the right to withdraw therefrom and require that a hearing be held on any and all issues herein, and that none of the provisions contained herein shall be used as an admission by Johnson County and Hall of any liability in any legal proceeding or lawsuit arising out of the facts set forth in this Stipulation.

10. This Stipulation is for use in Case No. 2020-00122 only. None of its provisions establishes any precedent for any other case. Neither Johnson County, Hall, nor Commission Staff shall be bound by any part of this Stipulation in any other proceeding, except that it may be used in any proceeding by the Commission to investigate or enforce the terms of this Stipulation. Johnson County and Hall shall not be

precluded or estopped from raising any issue, claim, or defense, therein by reason of the execution of this Stipulation.

11. If the Commission accepts and adopts this Stipulation, Johnson County's or Hall's failure to comply with Paragraph 4 of this Stipulation will constitute failure to comply with a Commission Order and may be subject to civil penalties under KRS 278.990(1) for its failure.

12. Johnson County, Hall, and Commission Staff agree that the foregoing Stipulation is reasonable, is in the public interest, and should be adopted in its entirety by the Commission. If adopted by the Commission, Johnson County and Hall waive their right to a hearing in this matter and will not petition for rehearing or bring an action for review in Franklin Circuit Court.

JOHNSON COUNTY GAS COMPANY

By Bud [Signature]

Title President

Date 3/18/21

HALL, STEPHENS AND HALL

By Bud [Signature]

Title Manager

Date 3/18/21

STAFF OF THE PUBLIC SERVICE COMMISSION

By A.S.T. [Signature]

Title Acting General Counsel

Date 3/18/21

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