

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A JOINT APPLICATION OF DANNY)
PRESTON AND BETTY PRESTON, DAVIS)
BRANCH ROAD, VAN LEAR, KENTUCKY)
41265 AND JUPITER GAS COMPANY,)
INC., A KENTUCKY CORPORATION WITH)
ITS PRINCIPAL PLACE OF BUSINESS)
AT 865 SPARTA COURT, LEXINGTON,)
KENTUCKY 40504 FOR THE SALE AND)
PURCHASE OF ALL ISSUED AND OUT-)
STANDING SHARES OF JOHNSON COUNTY)
GAS COMPANY, INC., A KENTUCKY)
CORPORATION WITH ITS PRINCIPAL)
PLACE OF BUSINESS LOCATED IN)
VAN LEAR, JOHNSON COUNTY,)
KENTUCKY 41265)

CASE NO. 8966

ORDER ON REHEARING

On June 19, 1984, the Commission denied the application of Jupiter Gas Company, Inc., ("Jupiter") to purchase the stock of Johnson County Gas Company, Inc. ("Johnson County"). Jupiter's motion for rehearing on this Order was granted and the rehearing was held before the Commission on August 22, 1984. Columbia Gas of Kentucky ("Columbia"), the Department of Local Government ("DLG"), Kentucky-West Virginia Gas Company, and the Attorney General of Kentucky, intervenors in this case, appeared and participated in this rehearing.

In its Order of June 19, 1984, the Commission indicated that Jupiter had failed to prove that it had the financial and managerial capability to operate Johnson County in compliance

with PSC regulations and policies. The Commission also expressed its concern that Jupiter had presented no acceptable plan to pay off the large indebtedness to Columbia and the DLG. Thus, the primary purpose of the August 22, 1984, rehearing was to give Jupiter an additional chance to address these crucial issues.

The Commission will begin its analysis of the evidence presented on rehearing with the issue of gas supply. Johnson County's contract with Columbia Gas Transmission ("CGT") for the delivery of gas to Johnson County's system expired on July 3, 1984. Currently there is still enough gas in Johnson County's system to supply its customers until early December, 1984, assuming a normal winter. (T.E. 169.)¹ However, without a new transportation agreement with CGT, Johnson County's 800 customers may well be without gas in the middle of the winter heating season. It is for this reason that the Commission stated at the rehearing that Jupiter's efforts to obtain a reliable gas supply represents the "heart of the matter before the Commission." (T.E. 174.) Nevertheless, Jupiter's president testified that they had no agreement with CGT (or any other transporter) for delivery of gas to the Van Lear area. (T.E. 34, 106.) This lack of an agreement was confirmed by a letter from CGT dated August 21, 1984. (T.E. 112.)

¹ This refers to the official transcript of the rehearing before the Commission on August 22, 1984.

The Commission will next review the evidence concerning Jupiter's repayment to Columbia and DLG. The amount owed to Columbia is \$380,287. (T.E. 93.) Jupiter's president testified that since the last hearing before the PSC he had endeavored to meet with Columbia's management to discuss payment of this arrearage but that conflicting schedules had so far prevented such a meeting. (T.E. 92.) As of the date of the rehearing, Jupiter had no agreement with Columbia regarding the repayment. (T.E. 101.) Jupiter had also made no effort to make even a partial payment to Columbia. (T.E. 33.) As to the DLG loan, the evidence was the same: despite repeated invitations by DLG, Jupiter (as of the date of the rehearing) had failed to submit any plan for paying off the \$1.3 million indebtedness to DLG. (T.E. 48-49, 106.)

When questioned about the status of the Commission-ordered escrow account, Jupiter acknowledged its obligation to maintain this account but stated that it was simply unable to do so. (T.E. 115.) Instead, Jupiter testified that it has used this \$70,000 that may be owed to the customers of Johnson County for day to day operation of the company. (T.E. 45.)²

The Commission is understandably disturbed by Jupiter's inability to obtain a long term gas transportation agreement, its

² The Commission will make a determination as to the final disposition of the escrow funds upon completion of its investigation in Case No. 8235.

failure to present any proposal to Columbia or DLG for liquidating those large arrearages, and its failure to maintain the escrow account in accordance with Commission Orders. Equally disturbing was Jupiter's general lack of understanding of what operating a public utility within the confines of state law really entails. For example, Jupiter's president testified that he was unaware of the various safety and service requirements a gas utility must meet. (T.E. 165.) Jupiter's president also admitted that its cost of gas from Kentucky-West Virginia Gas Company had recently been reduced by \$.82 per Mcf, yet Jupiter's management had made no effort to pass this \$6,350 savings on to Johnson County's customers as the utility's Purchased Gas Adjustment clause requires. (T.E. 134.) Finally, Jupiter's Chairman of the Board, Mr. Jack K. Daniel, Sr., testified that having to obtain PSC approval for the operation of the Johnson County system was an "unnecessary process," and that he would never have bought the utility if he knew he would have to obtain such regulatory approval. (T.E. 219.)

The evidence compiled in this case clearly convinces the Commission that Jupiter lacks the financial and managerial capability of operating Johnson County Gas Company in a way that will insure reliable service to the 800 customers dependent on this utility for their gas supply. The Commission, therefore, finds that Jupiter is not ready, willing and able to operate Johnson County Gas Company and the application for approval of this transfer should, accordingly, be denied.

IT IS THEREFORE ORDERED that the joint application for approval of the sale and transfer of the stock of Johnson County Gas Company, Inc., to Jupiter Gas Company, Inc., be and it hereby is denied.

IT IS FURTHER ORDERED that the lawful operators of Johnson County Gas Company, Inc., remain Danny and Betty Preston or their successors in interest pursuant to any order of the federal bankruptcy court in Case Number 83-00002, In Re Johnson County Gas Company, Eastern District of Kentucky. As president and secretary of Johnson County Gas Company respectively, Danny and Betty Preston (or their successors in interest) are responsible to this Commission for all actions of the Johnson County Gas Company, Inc.

IT IS FURTHER ORDERED that, as of the date of this order, Danny and Betty Preston (or their successors in interest) shall commence operating Johnson County in accordance with the provisions of 807 KAR 5:021, 807 KAR 5:026, 807 KAR 5:027, and all other pertinent regulations of the Commission and laws of the Commonwealth of Kentucky.

IT IS FURTHER ORDERED that Jupiter shall cooperate fully in the transition and shall make no cash disbursements or other disposition of Johnson County assets as of the date of this Order and shall provide Danny and Betty Preston (or their successors in interest) with all accounting, service, and other records in its possession relative to the operations of Johnson County.

IT IS FURTHER ORDERED that upon resumption of management of Johnson County, Danny and Betty Preston shall file weekly reports

to the Commission of all receipts and disbursements of Johnson
County.

Done at Frankfort, Kentucky, this 11th day of September,
1984.

PUBLIC SERVICE COMMISSION

Richard D. Herman
Chairman

R. L. Smith
Vice Chairman

Samuel
Commissioner

ATTEST:

Secretary