

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE RATES OF  
JOHNSON COUNTY GAS COMPANY, INC.

) CASE NO. 10415

O R D E R

On November 9, 1988, the Commission initiated an investigation of Johnson County Gas Company, Inc. ("Johnson County") to assess its financial condition and determine fair, just, and reasonable rates. Due to federal bankruptcy proceedings initiated in September 1984, Johnson County's rates have remained at the 1984 level without regard for current operating conditions and rendering its purchased gas adjustment clause inoperative. A Staff Report was prepared and issued on November 9, 1988 recommending that Johnson County decrease its rates by \$70,235 annually. Upon request by Johnson County and in the interest of setting rates based upon updated current information, a second Staff Report was prepared and issued on March 2, 1990 recommending Johnson County decrease its rates by \$7,018 annually.

After numerous informal conferences with the respective parties to this proceeding, Johnson County, its manager Estill Branham, and members of the Kentucky Business Trust, current owner of Johnson County, a settlement of all outstanding issues in this case was reached. That settlement was filed with the Commission on August 29, 1990. A copy of the Settlement Agreement is

attached hereto and marked Exhibit A. In summary, the agreement provides that Johnson County's rates shall remain at the level currently authorized in its tariff, except that the purchased gas adjustment clause currently found in its tariff shall be reimplemented within 10 days of Commission approval of the settlement to reflect wholesale gas costs in effect on February 1, 1990. All parties further have agreed that rates shall be redesigned to implement a surcharge specifically designated for the repayment of Johnson County's outstanding debts to the Department of Local Government and Columbia Gas of Kentucky, Inc., both members of the Kentucky Business Trust. All parties agree that Johnson County shall contain its total operating expenses and shall give priority in payment of its operating expenses to its wholesale gas suppliers. Johnson County also agrees not to seek a general rate increase for two years from the date of the Commission's Order approving the settlement except to recover costs arising from extraordinary causes beyond the control of Johnson County's owners or managers. Finally, the parties agree that all provisions of the settlement except the provisions relating to the surcharge and priority of operating expenses shall be void in the event of a transfer of ownership approved by this Commission.

After consideration of the record in this proceeding, the Settlement Agreement, the underlying financial analyses necessary to evaluate the agreement, and being otherwise sufficiently advised, the Commission finds the Settlement Agreement to be reasonable. The agreement is supported by the evidence of record,

is in accordance with the law, and does not violate any regulatory principle. Acceptance of the agreement is in the public interest and will benefit the ratepayers of Johnson County if the cost containment measures are implemented. Reimplementation of the purchased gas adjustment clause will ensure fair rates and adequate recovery of purchased gas cost. Finally, the rates allowed by the settlement are the current rates Johnson County is authorized by its tariff and by this Commission to charge and acceptance of the agreement will result in fair, just, and reasonable rates to Johnson County's customers.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement is hereby adopted and approved as settlement of all outstanding issues in this proceeding.

2. The Settlement Agreement is incorporated into this Order as if fully set forth herein.

3. The Settlement Agreement adopted herein will result in fair, just, and reasonable rates for the customers served by Johnson County.

4. Within 30 days of the date of this Order, Johnson County shall file its revised tariffs setting forth its currently authorized rates with the surcharge provision pursuant to the Appendix attached hereto and incorporated herein.

5. Johnson County shall adhere to and comply with all provisions of the Settlement Agreement.


6. Within 10 days of the date of this Order, Johnson County shall file a purchased gas adjustment as agreed in the settlement, in order to reflect its current cost of gas. The current cost

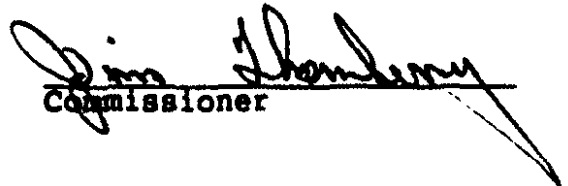
shall be measured against the base cost in effect on February 1, 1990.

Done at Frankfort, Kentucky, this 30th day of October, 1990.

PUBLIC SERVICE COMMISSION

Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director

CONFIDENTIAL  
PROPOSED SETTLEMENT

FILED

AUG 28 1990

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY

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SETTLEMENT AGREEMENT

WHEREAS, the Public Service Commission ("Commission") initiated this proceeding on November 9, 1988 for the purpose of determining whether Johnson County Gas Company, Inc.'s ("Johnson County") rates should be adjusted; and

WHEREAS, on March 2, 1990, the Commission Staff ("Staff") issued its report wherein it recommended a rate reduction of \$7,018; and

WHEREAS, the Kentucky Business Trust, comprised of representatives of the Department of Local Government ("DLG"), Columbia Gas of Kentucky, Inc. ("Columbia"), and the Governor's Office, collectively own the outstanding stock of Johnson County; and

WHEREAS, Johnson County, represented by its owners and manager, and Staff met on August 28, 1990 to discuss their respective proposed rate-making adjustments and the total revenue requirements of Johnson County; and

WHEREAS, Johnson County, its owners, and Staff have met and have reached agreement on all issues.

**NOW, THEREFORE, be it resolved that:**

**1. The signatories agree that Johnson County's rates shall remain at the level currently authorized in its tariff, except as provided in Johnson County's Purchase Gas Adjustment Clause.**

**2. The signatories mutually agree that all outstanding revenue requirement issues in this proceeding have been resolved by this settlement.**

**3. The signatories agree that the purchase gas adjustment clause currently found in Johnson County's tariff shall be reimple-  
mented effective within 10 days of Commission approval of this agreement, based upon wholesale gas costs in effect on February 1, 1990, as used in the March 2, 1990 Staff Report.**

**4. The signatories agree that rates shall be redesigned to implement a surcharge specifically designated for the repayment of Johnson County's debts to DLG and Columbia. Proceeds from surcharge collections shall be used for no reason other than repayment of debts to DLG and Columbia. The surcharge will be designed on an Mcf basis. Johnson County shall establish an escrow account with a financial institution into which it will separately account for repayment of its debts to DLG and Columbia. Amounts to be deposited into this account shall be equal to the combined repayment obligation of \$97,962 annually. This surcharge will immediately cease upon extinguishment of the entire debt or if any of the proceeds therefrom are used for any reason other than for repayment of the debts to DLG and to Columbia. This surcharge will not be added as a separate line item on Johnson County gas bills. This surcharge provision and the conditions thereto shall be added to**

Johnson County's tariff within 10 days of the Commission approval of this agreement.

5. Johnson County agrees to contain total operating expenses at a level consistent with the recommendation of the March 2, 1990 Staff Report.

6. Johnson County agrees to give priority in payment of its operating expenses to its wholesale purchased gas suppliers.

7. Johnson County agrees that if revenues exceed the ordinary escrow amounts, purchased gas expenses, and the level of other operating expenses consistent with the requirement in Item 5, the excess revenues will go to the repayment of debts to DLG and Columbia.

8. This agreement is submitted for the purposes of this case only and is not deemed binding upon the signatories hereto in any other proceeding nor is it to be offered or relied upon in any other proceeding involving the signatories.

9. The signatories agree that Johnson County will not seek a general increase in rates for a period of 2 years on and after the date the Commission adopts this proposal. This rate moratorium shall not prevent Johnson County from seeking Commission approval in an expedited proceeding for recovery of costs arising from extraordinary causes that are beyond the control of Johnson County's owner and management which may include the proposed relocation of Highway 23 and other similar costs of this nature in excess of \$10,000.

10. For the purpose of monitoring Johnson County, Johnson County will file with the Commission, a copy of its monthly general ledger within 30 days from the end of each month.

11. It is understood by the signatories that this agreement is not binding upon the Commission.

12. If Commission does anything less than adopt the agreement in its entirety, Johnson County reserves the right to withdraw from the agreement and have this investigation proceed as if this agreement were never proposed.

13. If this agreement is not adopted by the Commission in its entirety, or if any signatory withdraws it, the investigation should go forward and the terms of this agreement shall not be binding upon the signatories, nor shall any matters raised during the settlement negotiations be binding on any signatory.

14. If the Commission adopts this proposal in its entirety, the signatories hereto agree that they shall not file an application for rehearing nor an appeal to the Franklin Circuit Court from such order.

15. The foregoing agreement is reasonable, in the best interest of all concerned, and will result in fair, just, and reasonable rates and should be adopted by the Commission in its entirety.

16. All provisions of this agreement, except for provision 4 and provision 6, shall become void in the event of transfer of ownership approved by the Commission.



AGREED TO:

5-04 B. J. [Signature]  
JOHNSON COUNTY GAS COMPANY

8/29/90  
DATE

[Signature]  
COLUMBIA GAS OF KENTUCKY

8-29-90  
DATE

[Signature]  
DEPARTMENT FOR LOCAL GOVERNMENT

8-29-90  
DATE

[Signature]  
COMMISSIONER

8/29/90  
DATE

[Signature]  
GOVERNOR'S OFFICE REPRESENTATIVE

8-29-90  
DATE

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 10415 DATED 10/30/90

The following rates and charges are prescribed for the customers served by Johnson County Gas Company, Inc. 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 date of this Order.

RATES:

Customer Charge	\$3.00
All MCF	
Base Rate	\$6.6474
Surcharge	<u>2.5159</u>
Total Rate Per MCF	\$9.1633