

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE ADEQUACY OF)
THE GAS COST ADJUSTMENT TARIFF OF) CASE NO. 96-392
JOHNSON COUNTY GAS COMPANY, INC.)

O R D E R

The Commission has been provided with copies of correspondence to Johnson County Gas Company ("Johnson County") from its supplier, Alliance Energy Services ("Alliance"), which indicate that Johnson County has experienced difficulty in paying for its gas supply over the past heating season.

To the extent that Johnson County's purchased gas cost arrearages are attributable to the time lag involved in reconciling under-recoveries through its Gas Cost Adjustment ("GCA") tariff, the Commission finds that the adequacy of Johnson County's GCA tariff should be investigated. Through this investigation the Commission will seek to determine if Johnson County's failure to pay its gas supplier is due to delays in recovery inherent in the quarterly GCA mechanism, or to some other cause that cannot be corrected through the GCA process.

The Commission, on its own motion, HEREBY ORDERS that:

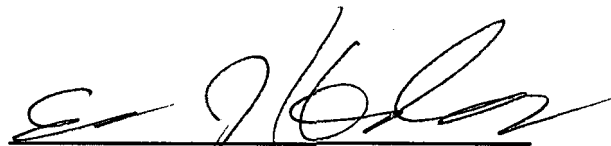
1. This docket is opened to investigate the reasonableness, adequacy, and sufficiency of Johnson County's GCA tariff.


2. Johnson County shall, within 30 days of the date of this Order, file with the Commission 10 copies of the information requested in the Appendix to this Order. Careful attention shall be given to copied material to ensure its legibility.

Done at Frankfort, Kentucky, this 26TH DAY OF AUGUST, 1996.

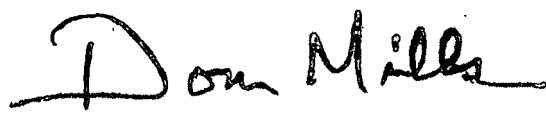
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 96-392 DATED August 26, 1996.

1. For each month beginning December 31, 1995 to the present, state the dollar amount owed to Alliance and the date and amount of payment. Indicate amounts owed but not paid. Include with this response copies of all bills and correspondence from Alliance to Johnson County.

2. For any month in which no payment was made to Alliance, explain why Johnson County did not make a partial payment using its gas cost recovery revenues for that month.

3. Describe any instances in which the lag in collecting under-recoveries of gas cost through its GCA caused Johnson County problems in the past. Is the time lag a significant problem now? If so, can Johnson County suggest an alternate mechanism to its current quarterly GCA?

4. What is the current status of Johnson County's supply arrangements through Alliance? To the extent that arrearages still exist, is Johnson County making arrangements with Alliance to make payment? Is Johnson County's gas supply through Alliance in jeopardy?