

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JOHNSON COUNTY GAS)	
COMPANY, INC. FOR A RATE ADJUSTMENT)	CASE NO. 99-155
PURSUANT TO THE ALTERNATIVE RATE)	
FILING PROCEDURE FOR SMALL UTILITIES)	

O R D E R

On May 6, 1999, Johnson County Gas Company, Inc. (Johnson County) applied for Commission approval of proposed gas rates. The proposed rates would generate additional revenues of \$78,639.

On May 20 and 21, 1999, Commission Staff conducted a field review of Johnson County s test-period financial records and issued a Staff Report on August 6, 1999. The Staff Report recommended that the level of increase, and the proposed rates for commercial customers requested by Johnson County, be approved but it recommended a different rate design for residential customers than that proposed by Johnson County.

By Order dated August 6, 1999, Johnson County was advised to file comments on the Staff Report or to request a hearing or informal conference within 10 days of the date of the Order or the case would stand submitted to the Commission for decision. No comments or requests for a conference or hearing have been filed.

As noted in the Staff Report, Johnson County is required to pay a surcharge to Kentucky West Virginia Gas Company (Kentucky West) in the amount of 61.4 cents per Dth. The surcharge was intended to discharge a debt of \$136,913.01 over a ten-year amortization period and was approved by the Federal Energy Regulatory

Commission as part of a settlement in Docket Nos. TQ89-1-46-000, et. al., between Kentucky West and this Commission. Johnson County collects a surcharge from its customers in the amount of 41.55 cents per Mcf for the payment of the Kentucky West debt.

The rate at which Johnson County is collecting the surcharge exceeds the amounts billed by Kentucky West. This imbalance has existed for several years. The amounts collected in excess of the amounts remitted were not escrowed to pay future billings from Kentucky West but were used to help fund current operations.

The Commission, after consideration of the record and being sufficiently advised, finds that:

1. The surcharge approved by the Commission to be collected from Johnson County's customers is to be used solely for the payment of the debt to Kentucky West. Johnson County should deposit all surcharge revenues into a separate interest-bearing bank account and pay all Kentucky West billings from the account. Johnson County should use any excess revenues not required to pay current billings to pay past due amounts billed by Kentucky West. After the past due amounts have been paid, any excess amounts collected by Johnson County should be accumulated in the bank account and paid to Kentucky West at the end of the ten-year amortization period.

2. Johnson County requested a smaller increase than it determined necessary to satisfy its revenue requirements due to the likelihood of losing customers if the entire requirement was recovered. Citing Johnson County's concern regarding the possible loss of customers, the Staff Report recommended approval of the amount of increase requested by Johnson County even though the increase does not cover the

entire revenue deficit as determined by Staff. It is noted that many of the amounts included in the adjusted test year expenses are projections since the company was previously operated under a management contract; however, ownership has subsequently changed and services will no longer be provided pursuant to a management contract. Johnson County is urged to operate as efficiently and economically as possible while maintaining service and safety standards. Johnson County is also directed to closely monitor its financial situation and notify the Commission if its cash flow is not sufficient to meet its obligations. The Commission will also be monitoring the financial status of the company through the quarterly reports Johnson County is required to submit pursuant to the final order in Case No. 98-523.¹

3. The recommendations and findings contained in the Staff Report are supported by the record, are reasonable, are adopted as the findings of the Commission in this proceeding, and are incorporated by this reference.

4. The rates in the Appendix, which is attached, are the fair, just, and reasonable rates for Johnson County and will produce total annual revenues of \$267,280 from gas operations.

IT IS THEREFORE ORDERED that:

1. Johnson County shall deposit all surcharge revenues into a separate interest-bearing bank account and make all payments to Kentucky West from that account. Any excess surcharge revenues not required to pay current billings from

¹ Case No. 98-523, Application of Mr. Bud Rife and the Kentucky Municipal Gas Utility Investment Trust for the Approval of the Acquisition of the Stock of Johnson County Gas Company, Inc. of Paintsville, Johnson County, Kentucky, by Mr. Bud Rife and the Issuance of Two Promissory Notes Evidencing Certain Indebtedness of the JCGC.

Kentucky West are to be used to pay past due amounts billed by Kentucky West. After payment of all past due amounts, any excess surcharge revenues collected by Johnson County are to accumulate in the bank account and be paid to Kentucky West at the end of the ten-year amortization period.

2. The rates contained in the Appendix are approved for service rendered by Johnson County on and after the date of this Order.

3. Within 30 days of the date of this Order, Johnson County shall file with the Commission its revised tariff setting out the rates approved herein.

Done at Frankfort, Kentucky, this 1st day of September, 1999.

By the Commission

ATTEST:

Executive Director

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-155 DATED SEPTEMBER 1, 1999

The following rates and charges are prescribed for the customers in the area 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 the authority of this Commission prior to the effective date of this Order. The rates included herein reflect all gas cost adjustments through Case No. 10415-JJ.

Residential

Minimum Bill:	0 1 Mcf	\$10.50
All Additional Mcf		\$ 9.50

Commercial

All Mcf		\$9.85
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