

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE RELIABILITY)
OF THE NATURAL GAS SUPPLY FOR) CASE NO. 2000-346
STEPP BRANCH GAS COMPANY AND)
ALLEGED VIOLATIONS OF KRS 278.300)

O R D E R

Pursuant to an Order of the Commission, a hearing was conducted on August 25, 2000. Michael Davis, shareholder and operator of Stepp Branch Gas Company ("Stepp Branch"), testified at the hearing that he had recently contacted a representative of Columbia Natural Resources to discuss a possible source of natural gas supply for Stepp Branch for the upcoming winter heating season. The Commission's Order of July 14, 2000 directed Stepp Branch to present evidence at the hearing concerning its ability to provide adequate utility service during the 2000-2001 winter heating season. The Commission wishes to extend to Stepp Branch sufficient opportunity to present evidence that it has an adequate gas supply or that it has obtained contracts with others to enable Stepp Branch to supply natural gas to its customers. The Commission, upon its own motion, finds that the hearing should be continued to allow Stepp Branch sufficient time to secure contracts or written agreements for its supplemental supply of natural gas.

IT IS THEREFORE ORDERED that:

1. The formal hearing in this case shall be reconvened on September 19, 2000, at 10:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, at which time Stepp Branch shall present written evidence as to its ability to provide an adequate supply of natural gas to its customers.

2. On or before September 15, 2000, Stepp Branch shall file with the Commission a copy of any signed memorandum or agreement for a supply of natural gas for the 2000-2001 winter heating season.

3. On or before September 8, 2000, Stepp Branch shall provide notice to each customer, by first class mail, of the formal hearing scheduled for September 19, 2000. The notice shall conform to the format set forth in Appendix A.

4. On or before September 15, 2000, Stepp Branch shall file an affidavit that it has mailed the notice as set out herein to each customer.

Done at Frankfort, Kentucky, this 29th day of August, 2000.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2000-346 DATED AUGUST 29, 2000

**NOTICE TO THE CUSTOMERS OF
STEPP BRANCH GAS COMPANY**

The Public Service Commission of Kentucky ("PSC") has initiated an investigation into the current operations of the Stepp Branch Gas Company. The PSC has ordered Stepp Branch Gas Company to demonstrate that it has an adequate supply of natural gas to provide adequate, efficient, and reasonable utility service during the 2000-2001 winter heating season and to show cause why, if it lacks adequate supplies of natural gas, it should not be required to cease providing natural gas service to the public.

One possible outcome of this proceeding is that the PSC may find that Stepp Branch Gas Company lacks the ability to provide adequate utility service and may order it to cease providing natural gas service to its customers. In that circumstance, the customers of Stepp Branch Gas Company must secure a replacement source of natural gas or an alternative method of heating.

The PSC will reconvene the public hearing in this matter on September 19, 2000 beginning at 10:00 a.m., Eastern Daylight Time, in the PSC's offices at 211 Sower Boulevard, Frankfort, Kentucky. Members of the public will be permitted to make comments on the quality of Stepp Branch Gas Company's current service, the actions that Stepp Branch should take to ensure adequate and reliable service, and the possible termination of Stepp Branch's service.