

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE IMPACT OF)	ADMINISTRATIVE
FEDERAL POLICY ON NATURAL GAS)	CASE NO. 297
TO KENTUCKY CONSUMERS AND SUPPLIERS)	

O R D E R

On January 17, 1986, the Commission opened this case by requesting comments on various aspects of the natural gas industry in the Commonwealth, including the appropriate levels of regulation and competition. Comments have been received by most regulated intra-state gas companies, affected interstate gas companies, private industry groups and several public interest consumer groups.

The Draft Order, set out in attached Appendix A, reflects proposed positions and policy guidelines based on the evidence of record. The Commission is requesting comments on the Draft Order from all parties of record and others who may now wish to intervene. Following the comments, another public hearing will be held and then the Commission will enter its final order in this matter.

IT IS THEREFORE ORDERED that:

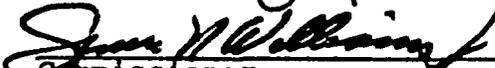
1. The attached Draft Order shall be made part of the evidence of record.
2. All parties desiring to file written comments or testimony on the Draft Order shall do so within 30 days of the date of this Order. Parties should file 11 copies with the Commission and serve a copy on each party listed on the Service List.
3. A public hearing shall be held in the Commission's offices in Frankfort, Kentucky, beginning at 9:00 a.m., Eastern Standard Time, on December 17, 1986, for the purpose of cross-examination of filed comments. Each party that files comments shall have a witness available at the hearing to answer questions or further clarify the comments.
4. The Commission shall give public notice of this hearing pursuant to 807 KAR 5:011, Section 8(5). No other parties are required to give public notice but may do so if deemed appropriate.

Done at Frankfort, Kentucky, this 30th day of September, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

EXECUTIVE DIRECTOR

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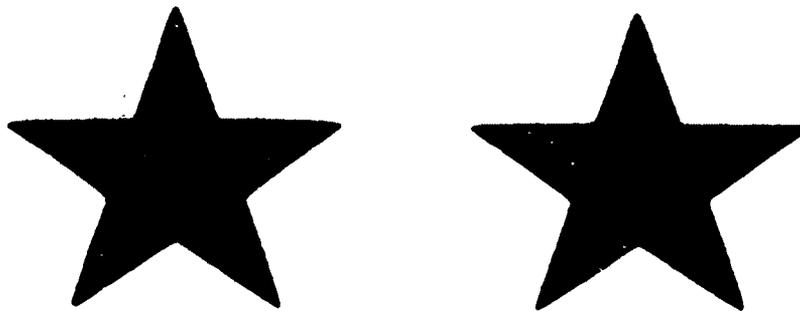
D R A F T O R D E R

PROCEDURAL BACKGROUND

The natural gas industry is undergoing fundamental change accelerated by the phased removal of wellhead price controls under the Congressionally-mandated schedule set out in the Natural Gas Policy Act of 1978 ("NGPA"). Intent on addressing the issues of regulation and competition, the Commission issued an Order on January 17, 1986, instituting an investigation of the natural gas markets in the Commonwealth of Kentucky. The Commission's intent is to develop a consistent and clear policy that will balance the interests of consumers and local distribution companies.

The Commission's Order of January 17, 1986, requested descriptive information on market share and technical aspects of the distribution network. The Order asked for comments from all interested parties to questions on regulation, natural gas transportation, bypass, federal policy changes, acquisition practices, competition and unbundling of rates. All natural gas utilities under the Commission's jurisdiction were made parties to the proceeding. A public hearing was conducted at the Commission's

CORRECTION



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TO ASSURE LEGIBILITY OR TO
CORRECT A POSSIBLE ERROR***