

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE)	
GAS COSTS OF JOHNSON COUNTY GAS)	
COMPANY, INC. AND HALL, STEPHENS)	CASE NO. 2020-00122
AND HALL GAS COMPANY PURSUANT)	
TO KRS 278.2207 AND KRS 278.274)	

RESPONSE TO ORDER

Comes Johnson County Gas Company, Inc. (“JCG”), and Hall, Stephens and Hall Gas Company (“Hall”), and together “Respondents”), by counsel, and for their response to the Order issued by the Public Service Commission on April 14, 2020, state as follows:

In its Order dated April 14, 2020 (the “Order”), the Kentucky Public Service Commission (“Commission”) has directed the Respondents to:

- (1) demonstrate that the cost of gas sold to Johnson County by its affiliate Hall between April 1, 2013, and September 3, 2019¹, is no greater than market as required by KRS 278.2207(1)(b); (2) demonstrate that the Gas Cost Recovery (GCR) component of Johnson County’s rates and the rates charged by Hall between April 1, 2013, and September 3, 2019, are fair, just, and reasonable as required by KRS 278.274 for natural gas purchased by a utility from an intrastate affiliate; and (3) provide any reason why the GCR component of Johnson County’s rates should not be reduced to market along with a corresponding reduction to the cost of gas sold by Hall to Johnson County between April 1, 2013, and September 3, 2019, under KRS 278.274.

In the Order, the Commission rightly states that the cost of gas sold by JCG to its customers during the relevant time period, previously approved by the Commission, is \$6.00 per mcf. This

¹ This period shall be referred to as the “relevant time period.”

\$6.00 per mcf in approved gas cost was paid to suppliers, including affiliated supplier Hall. However, this gas cost includes a transportation cost for the gas, which must pass through the lines of Columbia Gas and EQT Transmission, in the amount of \$1.81 per mcf, which is paid by Hall to the relevant transportation company. Thus, the actual gas cost to the JCG customer is \$4.19 per mcf. This gas cost is in line with other gas companies, as pointed out by the Commission in the Order. For example, Columbia Gas's cost was \$4.2552; Duke's gas cost was \$4.188; Sentra's cost was \$4.0229.²

Attached as **EXHIBIT A** is a spreadsheet showing the cost of gas charged by JCG to its customers for each month in the relevant time period, along with the cost if the gas costs were in line with those reflected on NYMEX. As demonstrated, the cost of gas charged to customers of JCG was actually \$15,084.53 **LESS** than if the cost had been the gas costs reflected on NYMEX.

Not only are the gas costs charged by JCG during the relevant time period in line with gas costs charged by other utilities in Kentucky, they are less than if the NYMEX gas cost rates had been used. JCG has therefore demonstrated that its gas costs for the relevant time period were a) no greater than market rates; b) were fair, just and reasonable; and c) therefore there should be no reduction in the gas cost charged by JCG to its customers during the relevant time period.

Dated this 4th day of May, 2019.

² See Order, p. 4, fn. 11.

Respectfully submitted,



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CERTIFICATE OF SERVICE

This is to certify that the foregoing copy of the Response to Order is a true and accurate copy of the document being filed in paper medium; the electronic filing was transmitted to the Commission on May 4, 2020; there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and the filing in paper medium is being delivered to the Commission via U.S. mail.



JOE F. CHILDERS