

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT FILING OF ) CASE NO.  
JOHNSON COUNTY GAS COMPANY ) 2012-00227

ORDER

On June 4, 2012, Johnson County Gas Company ("Johnson County") filed an application to adjust its Gas Cost Adjustment ("GCA") rate to become effective July 1, 2012. In the Commission's Order dated June 29, 2012, the Commission suspended Johnson County's proposed rates until December 1, 2012 in Order to gather additional information concerning Johnson County's supply sources and the associated gas cost. In response to a Commission Staff request for information, Johnson County provided copies of contracts with its gas suppliers, Bradco Oil Company ("Bradco") and Hall, Stephens, & Hall, and with its gas transportation supplier, Columbia Gas Transmission, LLC ("TCO"), as well as Hall, Stephens, & Hall's Natural Gas Gathering Agreement with EQT Gathering LLC ("EQT"). In response to Commission Staff's request for gas supplier invoices and proof of payment, Johnson County provided Bradco and TCO invoices and proof of payment, but stated that "[w]e are still working on getting everything ready with Hall, Stephens, & Hall. Once everything is completed we will provide everything to you."<sup>1</sup> As of this date, Johnson County has not provided invoices from or proof of payment to Hall, Stephens, & Hall. The Hall, Stephens, & Hall gas supply contract

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<sup>1</sup> Response to Items 1 and 2 of Commission Staff's First Request for Information to Johnson County Gas Company, filed July 25, 2012

provided by Johnson County states that “Retroactive billing will be done on completion of the bankruptcy.” Based on this contract provision and on similar statements made by Bud Rife, president of Johnson County and signatory for both Johnson County and Hall, Stephens, & Hall on the gas supply contract, Johnson County’s gas cost will be based solely on purchases from other supply sources. The gas supply contracts with both Bradco and Hall, Stephens, & Hall reflect a \$6.00 per Mcf price. Johnson County’s application in this proceeding includes an \$8.50 per Mcf rate for Bradco and a \$4.14 per Mcf rate of unknown origin for NiSource.

The Commission is particularly concerned about Johnson County’s gas supply contract situation because the utility has declared bankruptcy. All of its previous gas suppliers are creditors in that proceeding, and Hall, Stephens, & Hall is an affiliate supplier pursuant to 278.010(18). This issue will not only be the subject of Johnson County’s next quarterly GCA filing due December 1, 2012, but is also being explored in Case No. 2012-00140,<sup>2</sup> Johnson County’s Alternative Rate Filing Adjustment Application. The Commission therefore finds that the Expected Gas Cost proposed by Johnson County in this proceeding is in conflict with the existing gas supply contracts and cost information, and should be denied. Johnson County’s Actual Adjustment (“AA”) included in its filing for rates effective January 1, 2013 should include calculations to reconcile gas cost and recoveries for the months January through September 2012, and should include any gas cost invoiced by Hall, Stephens, & Hall since Johnson County’s July 25, 2012 response in this proceeding.

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<sup>2</sup> Case No. 2012-00140, Alternative Rate Filing Adjustment Application of Johnson County Gas Company (filed Aug. 29, 2012).

The Commission is also concerned about excess revenues collected due to Hall, Stephens, & Hall not invoicing for volumes of gas provided to Johnson County. Ordinarily, excess gas cost revenues would be returned to customers through operation of the AA. However, returning these amounts to customers in advance of billings could create a situation in which customers must pay Hall, Stephens, & Hall for current purchases, as well as being back billed for previously consumed volumes. The Commission therefore finds that Johnson County should, immediately upon receipt of this Order, establish a separate interest-bearing account in which to deposit any GCA revenues collected in excess of actual monthly payments for the invoiced cost of gas purchases from Bradco, TCO, and EQT. This interest-bearing account should only be used to pay any back billed invoices received from Hall, Stephens, & Hall. Johnson County's AA mechanism should likewise be used only to reconcile gas cost and recoveries related to suppliers other than Hall, Stephens, & Hall.


IT IS THEREFORE ORDERED that:

1. Johnson County's proposed rates are denied.
2. Johnson County's next GCA filing for rates effective January 1, 2013 should include all supplier invoices and proof of payment for the months April through September 2012.
3. Johnson County shall, immediately upon receipt of this Order, establish an interest-bearing account in which to deposit any GCA revenues collected in excess of actual monthly payments for the invoiced cost of gas purchases from Bradco, TCO, and EQT, those revenues being used only to pay any back billed invoices from Hall, Stephens, & Hall.

By the Commission

ENTERED <sup>PA</sup>  
NOV 29 2012  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
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Executive Director

Case No. 2012-00227

Bud Rife  
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