

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BARREN COUNTY GAS COMPANY AND)	
BARRY ROGERS, INDIVIDUALLY)	
_____)	
)	CASE NO. 96-386
ALLEGED VIOLATION OF KRS CHAPTER 278)	

O R D E R

On August 21, 1996 the Commission established this proceeding to require Barren County Gas Company ("Barren County Gas"), and Barry Rogers, in his individual capacity as owner of the utility, to show cause why a civil penalty should not be assessed pursuant to KRS 278.990(1) for failure to provide adequate service to Barren County Gas's customers and to show cause why Barren County Gas should not cease to operate as a gas supplier. Mr. Rogers' notice to the Commission on August 1, 1996 that he has been unable to secure an adequate gas supply for the Barren County Gas system precipitated opening this docket.

Subsequently, on September 17, 1996, Mr. Rogers filed a letter with the Commission proposing to abandon the Barren County Gas system, and to relinquish all rights, facilities, responsibilities and duties to Bluegrass Gas Sales, Inc. ("Bluegrass Gas"), a gas distribution utility subject to Commission jurisdiction. Mr. Rogers also requested that the September 24, 1996 hearing scheduled in this proceeding be canceled and the instant docket closed.

Mr. Rogers' request to cancel the hearing was denied by Order dated September 18, 1996. However, Barren County Gas was given the opportunity to present evidence related to the proposed transfer to Bluegrass Gas.

Barren County Gas and Mr. Rogers appeared at a hearing on September 24, 1996 represented by counsel. Evidence produced at the hearing demonstrates that Bluegrass Gas is willing to provide service to the Barren County Gas customers, but has no interest in acquiring the Barren County Gas system through a transfer pursuant to KRS 278.020(4).

After consideration of the record and being otherwise sufficiently advised, the Commission finds that:

1. On September 9, 1996, Mr. Rogers filed with the Commission a list of the Barren County Gas customers who received a copy of the notice appended to and required by the Commission's August 21, 1996 Order. According to Mr. Rogers, this notice was mailed to the customers September 4, 1996.

2. Mr. Rogers indicated that the existing gas supply to the Barren County Gas system consists of one local gas well, the Woodcock well, which is insufficient to supply the customers during the 1996-1997 winter heating season.

3. While additional gas supplies are available elsewhere, Mr. Rogers stated that the overall poor financial condition of Barren County Gas eliminates other gas sources as viable options.

a. Gas supplies are available and can be delivered via either of two interstate gas pipelines, but the costs to interconnect the Barren County Gas system to an interstate pipeline are prohibitive and the financial resources unavailable.

b. Tenalta Energy ("Tenalta"), a Canadian production company, has gas wells in the immediate area of the Barren County Gas system. However, Mr. Rogers stated he owes Tenalta about \$5,000 for purchases during the 1995-1996 winter heating season.

c. The interstate gas pipelines to which Barren County Gas sold its gas production in the past no longer exist, and Barren County Gas's two most recent Annual Reports filed with the Commission indicate that the company's expenses have exceeded its revenues.

4. Mr. Rogers has been unsuccessful in attempting to sell Barren County Gas.

5. According to Mr. Rogers, Bluegrass Gas will soon complete an extension of its existing system which will place it in close proximity to Barren County Gas. Bluegrass Gas has stated it is willing to connect its system to Barren County Gas and provide service to any Barren County Gas customer who requests it. However, Bluegrass Gas also stated it does not want to acquire Barren County Gas as a transfer and will not file a transfer application pursuant to KRS 278.020(4).

6. Since Mr. Rogers is unable to secure a gas supply to provide adequate service to the customers of Barren County Gas, as defined in KRS 278.010(12) and required by KRS 278.030(2), his request to abandon the system should be approved.

The abandonment should take place in a safe manner and Mr. Rogers should provide prior notice to the customers of his action.

7. If Bluegrass Gas, or any other party, wishes to connect its pipeline to the abandoned facilities of Barren County Gas, or otherwise provide service to customers previously served by Barren County Gas, notice should be provided to the Commission prior to such action. The notice should be in letter form and state when and in what manner the connection will be made and service provided, and list the customers who will be provided service.

8. Neither Barren County Gas nor Mr. Rogers demonstrated a willful violation of KRS 278.990(1) and a fine should not be assessed.

IT IS THEREFORE ORDERED that:

1. Barren County Gas's request to abandon its natural gas distribution system is granted.

2. Within 7 days of the date of this Order, Mr. Rogers shall provide a copy of this Order by registered mail, return receipt requested, to each Barren County Gas customer and provide a statement to the Commission that notice has been given in conformance with this Order.

3. The abandonment of the Barren County Gas system shall be completed within 21 days of the date of this Order. Mr. Rogers shall certify to the Commission that the abandonment has been completed by performing the following:

a. First, service to each Barren County Gas customer shall be terminated individually at each customer's meter; and,

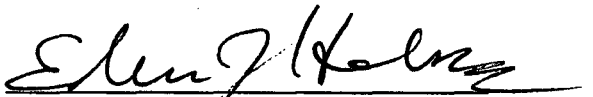
b. Second, the connector valve located between the source of Barren County Gas's existing gas supply and Barren County Gas's pipeline shall be closed and locked. Any valves located on Barren County Gas's system at locations where previous gas supplies entered the system shall also be closed and locked.

3. Any party who intends to connect its pipeline facilities to the abandoned facilities of Barren County Gas, or intends to provide service to any Barren County Gas customer, shall provide prior notice to the Commission indicating when and in what manner the connection or service will be provided. Any such party is advised that construction of gas facilities, including installation of meter sets, for such purposes shall not occur until notification is given to the Commission.

Done at Frankfort, Kentucky, this 4th day of October, 1996.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:


Executive Director