

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|----------|
| THE APPLICATION OF RUSSELL CO. GAS |) | |
| UTILITY, INC. FOR PERMISSION TO MAKE |) | |
| AN EXTENSION OF ITS GAS SYSTEM TO |) | CASE NO. |
| INCLUDE NEW CONSTRUCTION OF A FOUR-INCH |) | 91-276 |
| PE GAS SUPPLY LINE TO SERVE AN INDUSTRIAL |) | |
| USER AND GAMALIEL, KENTUCKY |) | |

O R D E R

On July 31, 1991, Russell County Gas Utility, Inc. ("Russell County") filed an application with the Commission seeking authorization to construct and operate a natural gas transmission line and distribution system in Gamaliel, Kentucky.

On June 11, 1991, Russell County was authorized by the Commission to bid on a natural gas franchise offered by the city of Gamaliel, Monroe County, Kentucky ("Gamaliel").¹

On June 25, 1991, Russell County entered into a 20-year natural gas franchise agreement with Gamaliel² to operate and maintain a natural gas system in Gamaliel. Russell County proposes to provide service to Kentucky Apparel by the winter season of 1991 and extend its service to the commercial and residential customers in the following years. Russell County

¹ Case No. 91-154, The Application of Russell County Utility, Inc. for a Certificate of Convenience and Necessity to Bid on a Franchise Offered by the City of Gamaliel, Kentucky.

² Ordinance 6-91, Gamaliel Natural Gas Franchise Ordinance dated June 4, 1991 issued by the City of Gamaliel.

proposes to construct a 4-inch SDR 11 PE transmission pipeline which will tie into the trunk line of Texas Eastern Transmission Corporation ("Texas Eastern") pipeline located in Monroe County, Kentucky approximately three miles north of Gamaliel, Kentucky.

A pressure reducing station, its design approved by Texas Eastern, will be built at the delivery point. The construction cost of this project will be compatible to the unit prices for the items in the bid contract of Russell County's current contract with Garrison Construction Company, Inc.³ The total cost of this proposed construction is estimated to be \$373,000 in 3 years based on a total of 3 industrial, 25 commercial, and 75 residential customers.

The financing for this project will be accomplished by the owners from private capital, and no borrowed funds will be considered. The rates are based on the rates approved by the Commission for the current project at Russell County⁴ which are \$5.75 per Mcf for industrial users and \$6.75 per Mcf for commercial and residential users.

Russell County proposes to operate the transmission line and the distribution system at Gamaliel with Russell County employees

³ Garrison Construction Company, Inc. is the contractor for the construction of the transmission and distribution systems in Russell Springs and Jamestown. The unit prices are in the record of Case No. 89-125.

⁴ Case No. 89-125, The Application of Russell County Gas Utility, Inc. for a Certificate of Convenience and Necessity to Construct and Finance a Gas Distribution System in Jamestown and Russell Springs, Kentucky, and for Approval of Gas Rates.

from its Russell Springs office, and no additional employees will be hired.

Russell County estimates the additional gas volume sales and revenues from this project will be as follows:

| | <u>Gas Volume</u> <u>Mcf/Year</u> | <u>Revenue</u> <u>\$</u> |
|-------------|--------------------------------------|-----------------------------|
| First Year | 12,000 | 72,460 |
| Second Year | 22,000 | 142,500 |
| Third Year | 24,500 | 160,319 |

FINDINGS

After considering the evidence of record and being sufficiently advised, the Commission finds that:

1. On June 25, 1991, Gamaliel awarded Russell County a franchise to construct and operate a natural gas distribution system within its corporate limits for a term of 20 years.

2. The estimated construction cost of the transmission pipeline and the distribution system is \$373,000. The owners will finance the construction, and no borrowed funds will be used.

3. Public convenience and necessity require that the construction proposed in the application and record be performed and that a Certificate of Public Convenience and Necessity should be granted.

4. Russell County should submit to the Commission no later than 7 days prior to the start of the proposed construction a copy of its construction schedule.

5. Russell County should submit to the Commission no later than the date of mechanical completion of the proposed

construction a copy of the contract between it and Texas Eastern for the purchase of gas.

6. Russell County should file with the Commission duly verified documentation of the total cost of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 30 days of the date that mechanical construction is completed. These construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Gas Utilities prescribed by the Commission.

7. Within 90 days of the date of mechanical completion of the construction, Russell County should furnish a copy of the "as-built" drawings and a signed statement from the project engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

IT IS THEREFORE ORDERED that:

1. Russell County is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction as set forth in the drawings and specifications of record.

2. Russell County shall submit to the Commission no later than 7 days prior to the start of the proposed construction a copy of its construction schedule.

3. Russell County shall submit to the Commission no later than the date of mechanical completion of the proposed construction a copy of the gas supply contract between it and its gas supplier.

4. No deviations from the construction herein that could adversely affect service to any customer shall be done without the prior approval of the Commission.

5. Russell County shall file with the Commission duly verified documentation of the total cost of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 30 days of the date that mechanical construction is completed. These construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Gas Utilities prescribed by the Commission.


6. Within 90 days of the date of mechanical completion of the construction, Russell County shall furnish a copy of the "as-built" drawings and a signed statement from the project engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

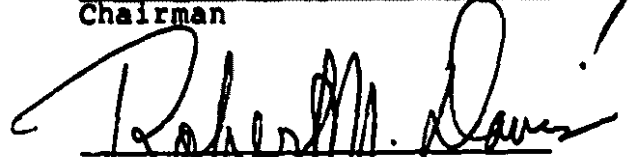
7. Russell County shall comply with Commission Regulation 807 KAR 5:022 regarding the design, specifications, and construction of the gas system.

8. Russell County will finance the construction from private capital, and no borrowed funds will be used.

Done at Frankfort, Kentucky, this 30th day of October, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:


Executive Director