

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PETITION OF ALLEN COUNTY GAS, INC.)
FOR APPROVAL OF A CERTIFICATE OF CONVENIENCE) CASE NO.
AND NECESSITY TO CONSTRUCT FACILITIES AND) 95-414
APPROVAL OF FINANCING)

O R D E R

On September 19, 1995, Allen County Gas, Inc. ("Allen Gas") filed with the Commission its application for a certificate of convenience and necessity to construct and finance a natural gas pipeline for transportation service to an industrial facility in Scottsville, Kentucky.

Natural Gas of Kentucky, Inc. requested and was granted intervention in this proceeding. Neither party has requested a hearing in this matter.

Allen Gas proposes to tap into a Tennessee Gas Pipeline Company transmission pipeline in Allen County, Kentucky. A 23,850 foot, 6-inch, polyethylene (SDR-11, PE 2306) pipeline will run from the receiving station to the plant. Allen Gas filed its purchase agreement with Scotty's Contracting and Stone Company dated June 28, 1995.

The estimated cost of construction of the pipeline and related facilities is approximately \$160,000 plus the unit rates for extra work such as rock excavation and creek crossings. Hull Brothers Construction will provide the materials and construct the pipeline within 45 days. The maximum operating pressure in the pipeline

will be 76 pounds per square inch gauge ("psig") and will be tested up to 120 psig.

Allen Gas proposes to finance the construction with a loan from Victory Bank of Germantown, Tennessee. Victory Bank has agreed to lend Allen Gas up to \$320,000 over a term not to exceed 48 months with interest accruing at a rate of prime plus 1 percent, adjusted daily. The loan will be secured by an assignment of the transportation contract between Allen Gas and the customer and is to be repaid by payment of at least \$105,000 annually, including principal and interest. Any funds paid in excess of the accrued interest due will be applied to the outstanding principal.

The purchase agreement between the customer and Allen Gas includes a minimum purchase of no less than 35 million cubic feet of gas per year for the first four years of the 10-year contract term. The purchase price is to be based on the monthly gas acquisition cost plus the additional transportation rate of \$3.00 per Mcf transported. The transportation rate alone ensures the repayment of the loan in accordance with the terms of the loan agreement with Victory Bank.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. Allen Gas should be granted a certificate to construct the proposed pipeline and related facilities to provide natural gas transportation service to the customer as described in its application.

2. The natural gas transportation agreement between Allen Gas and Scotty's Contracting and Stone Company should be approved.

3. Allen Gas should file a copy of the construction schedule for the proposed pipeline and related facilities with the Commission at least one week prior to commencement of construction.

4. Allen Gas should file with the Commission "as-built" drawings and the final costs of the project within 90 days of the completion of the construction.

5. The proposed loan from Victory Bank is for lawful objects within the corporate purposes of Allen Gas, is necessary and appropriate for and consistent with the proper performance by Allen Gas of its service as an intrastate natural gas transporter.

6. The proceeds from the proposed loan should be used only for the purpose of constructing the line as proposed in the application.

IT IS THEREFORE ORDERED that:

1. Allen Gas is granted a certificate of public convenience and necessity to construct the pipeline and the related facilities to provide service as an intrastate natural transporter as described in its application.

2. The proposed transportation contract between Allen Gas and Scotty's Contracting and Stone Company is approved.

3. Allen Gas shall comply with findings 3 and 4 above as if the same were individually ordered.


4. Allen Gas is authorized to borrow an amount not to exceed \$320,000 from Victory Bank for a period of no more than 4 years at


an interest rate of prime plus 1 percent to perform the construction authorized herein. Any other use of the funds other than to complete the construction authorized herein is expressly prohibited unless prior authorization of the Commission is obtained.

5. Within 30 days of the date of this Order, Allen Gas shall file a tariff offering transportation service pursuant to special contracts. Allen Gas shall attach the transportation contract approved herein to the tariff.

Done at Frankfort, Kentucky, this 26th day of January, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director