COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF NATURAL GAS OF KENTUCKY TO ESTABLISH A DISTRIBUTION TRANSPORTATION SERVICE	) CASE NO. 95-547

O R D E R

IT IS ORDERED that Natural Gas of Kentucky, Inc. ("Natural Gas") shall file the original and 10 copies of the following information with this Commission with a copy to all parties of record within 10 days from the date of this Order. Natural Gas shall furnish the name of the witness who will respond at the public hearing, if one is held, to questions concerning each item of information.

1. Is Natural Gas responsible for nominating, scheduling, and balancing the gas load of Bluegrass Gas Sales, Inc. ("Bluegrass Gas")? If yes, provide a copy of the contract for these services between Bluegrass Gas and Natural Gas. If no, explain why the costs associated with Bluegrass Gas managing its natural gas load should be recovered by Natural Gas through its transportation tariff.

2. Refer to the Projected Profit and Loss Statement ("P&L") filed with the Response to Conference Data Request. Explain how each of the following expenses is incremental in nature:

a. Officers' salaries

b. Officer expenses

c. Telephone expenses

d. Rent

e. Tap property leases

f. Depreciation expense

3. Natural Gas has proposed to increase Officers' salaries by 20 percent in order to recognize the additional responsibilities and increased size of the company. In light of the fact that Natural Gas has entered into a contract with Sirius to manage any gas supply obligations it may have, what additional responsibilities is the company referring to? Be specific regarding the responsibilities and the time required to perform the additional duties.

4. What economies of scale are being realized as a result of Natural Gas's system being more fully utilized?

5. Refer to the Explanatory Notes for the Projected Profit and Loss Statement filed in response to the Commission's February 13, 1996 Commission Order. Natural Gas states that, "Professional fees will decrease after NKG and BGGS have operated for the first year." What level of professional fees does Natural Gas believe it will incur on an on-going basis? Provide support for this amount.

6. Provide the calculations, assumptions, and a copy of the policy for the liability insurance premiums. Separately identify the factor applied to revenue to arrive at the premium rate and show only amounts related to Natural Gas's operation.

7. Why is telephone expense projected to increase from $1,500 to $2,600?

8. Since Natural Gas and Bluegrass Gas share office space, explain the basis for the proposed annual allocation of $500 in telephone expense to Bluegrass Gas.

9. Why is Natural Gas allocating $1,200 of rental expense to Bluegrass Gas since Natural Gas's total rental cost is $1,200 and Bluegrass Gas also pays rent expense of $1,200 which is one third of the total office rental costs for offices shared by Natural Gas, Bluegrass Gas, and Mammoth Petroleum (third affiliate)?

10. Refer to the list of commercial customers provided in the February 27, 1996 filing. Are Wigwam General Store, Crop Production Service, and the dairies along the pipeline route the same 5 customers expected to be obtained by Bluegrass Gas? Are Charles Houk Greenhouses and Strader Dairies among the 5 commercial customers Bluegrass Gas had originally projected it would be serving? What are the projected annual transportation sales volumes for each of these customers?

11. Identify all costs Natural Gas has already incurred or will incur solely as a result of providing service to Bluegrass Gas.

12. Refer to the projected P&L statement submitted on February 27, 1996.

a. Explain the derivation of the $15,500 in total depreciation/amortization.

b. Explain why 16 percent is the percentage used to allocate depreciation/amortization expense to Bluegrass Gas for 1996.

c. Provide the reason(s) for the increase from "NGK ONLY 1995," as compared to the proposed decrease as represented in Natural Gas's February 13, 1996 response to the Commission's January 23, 1996 Order.

13. Refer to the summary depreciation schedule submitted February 13, 1996.

a. Provide the accumulated depreciation amount for each asset listed.

b. Provide the original value for each asset listed.

c. Explain how the listed value for each asset was derived.

d. Should the asset "Distribution Mains" be transmission pipeline? If not, explain why Natural Gas owns distribution mains.

e. Describe the types of meters (positive displacement or orifice) Natural Gas owns, the year each was installed, and the rated capacity (cubic feet per hour) of each.

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

ATTEST:

Don Mills

Executive Director

PUBLIC SERVICE COMMISSION

Linda K Breathitt

For the Commission