

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PETITION OF SIGMA GAS)
CORPORATION FOR APPROVAL OF) CASE NO. 96-252
FINANCING)

O R D E R

On July 16, 1996, the Commission issued its Order in this case, granting in part, and denying in part, the petition of Sigma Gas Company ("Sigma") for approval to incur additional financing. The Commission granted Sigma approval to incur additional financing from the Department of Local Government to cover construction cost overruns in the amount of \$6,994. The Commission denied Sigma approval to incur additional financing from the same source to pay \$114,306 in gas costs owed to Equitable Resources Energy Company incurred for the period October 1994 through December 1995.

On July 26, 1996, Sigma filed its petition requesting rehearing. KRS 278.400 provides that a party may offer additional evidence that could not with reasonable diligence have been offered formerly. Sigma's petition makes no such reference to additional evidence justifying rehearing and the petition should be denied on that basis. Sigma does, however, argue in support of its petition that the Commission based its denial on the fact that Sigma's financial condition may, in fact, be impaired if the additional debt is approved, while KRS 278.300 requires the Commission to make a finding that it will be impaired.

Sigma's annual report for calendar year 1995 clearly shows that the utility is already financially impaired. Sigma recorded a net loss for 1995 of \$75,434; this loss

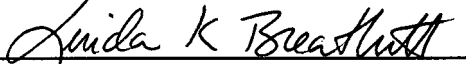
does not reflect costs associated with construction and financing approved by the Commission in a prior case.¹ These costs that have already been approved by the Commission increased the present losses included on Sigma's books. In spite of its losses, Sigma paid \$42,000 in excess of the management fee approved by the Commission in Case No. 94-435 during the same period in which its payments for gas supplies were delinquent.


Thus, having found: 1) that Sigma's financial condition is already impaired; 2) that the costs associated with repayment of previously authorized financing and construction have yet to be reflected on Sigma's financial statements; 3) that Sigma's shareholders and management elected to forego payment of a portion of its gas bill in favor of paying a management fee in excess of that specifically found reasonable by the Commission; and, 4) that Sigma failed to demonstrate that it could meet the debt service requirement on the proposed financing with its existing revenues, no further findings were needed.

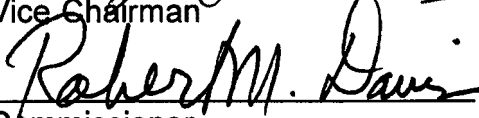
IT IS THEREFORE ORDERED that Sigma's petition for rehearing is denied.

Done at Frankfort, Kentucky, this 13th day of August, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

¹ Case No. 94-435, The Petition of Sigma Gas Corporation for Approval of a Certificate of Convenience and Necessity to Construct Facilities and Approval of Financing, dated August 22, 1995.