COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SIGMA GAS CORPORATION FOR APPROVAL OF FINANCING	)))	CASE NO. 99-074

O R D E R

On April 27, 1999, Sigma Gas Corporation (Sigma) filed an application seeking authority to borrow $1,511,759.99 from the Department of Local Government (DLG). The loan will bear an interest rate of 4 percent, with an annual repayment of $87,425 for 30 years. The proceeds of the loan will be used to repay various creditors and to refinance existing debt.

Sigma is a Kentucky corporation doing business in Kentucky selling and distributing natural gas in and around Salyersville in Magoffin County. Sigma s facilities consist of distribution mains and meters serving approximately 725 residential customers. In Case No. 98-244, the Commission approved the rates for service currently in effect for Sigma.[1] The final Order in that proceeding approved a Settlement Agreement between Commission Staff and Sigma. The Settlement Agreement provides for an increase in Sigma s rates in order to produce additional annual operating revenues in the amount of $84,347.

The Settlement Agreement acknowledged that Sigma intended to seek authority to borrow $1,500,000 from DLG to refinance its current debt and accounts payable.

[1] Case No. 98-244, The Petition of Sigma Gas Corporation for Adjustment of Rates, Final Order dated October 27, 1998.

However, the Settlement Agreement did not recognize acceptance by the Commission Staff of the necessity for the proposed financing. Sigma reaffirmed its position in the rate case and states in the instant application that the revenues approved in the final Order in Case No. 98-244 will be sufficient to repay the proposed debt.[2]

Sigma provided a detailed list of outstanding obligations totaling $1,511,760; Sigma proposes to finance these obligations with the new DLG loan.[3] In response to a data request, Sigma indicates that the outstanding balances on a portion of the obligations have changed since the loan was approved by DLG. However, Sigma does not propose to modify the amount of the financing requested.[4] The proposed financing was approved by DLG on February 15, 1999. The DLG approval is contingent upon Sigma s compliance with all applicable requirements of the Commission pursuant to KRS 278.300 and 278.020.[5]

The purpose of the proposed financing is to refinance $811,013 of outstanding obligations to DLG; to pay amounts owed to employees; and to pay outstanding obligations to various vendors and creditors. The outstanding obligations to DLG were

[2] Petition for Approval of Financing, Received March 2, 1999, Page 2.

[3] Petition for Approval of Financing, Received March 2, 1999, Exhibit 1.

[4] Response to Order of June 22, 1999, Volume 2, Item 9.

[5] Application for Approval of Financing, received March 2, 1999, Attached Letter from DLG to Sigma Gas Corporation.

approved by the Commission in several cases beginning in 1995.[6] The proceeds of these financings were used to purchase and construct the assets currently installed in the Sigma natural gas system. Sigma proposes to refinance the obligations to DLG in order to lower the overall interest cost and to extend the loan repayment period to 30 years from the date of issue.

The following is a description of additional obligations Sigma proposes to retire with the proceeds from the financing requested. Such obligations include a note in the amount of $70,000 to the Bank of Josephine. Sigma indicates that the proceeds from this note were used to purchase materials and supplies used for construction approved in Case No. 94-435.[7] One invoice supporting the outstanding note was for a payment to Consolidated Pipe and Supply for $42,000 in satisfaction of a judgment in Floyd Circuit Court against Auxier Road Gas Company (Auxier Road). Another outstanding obligation in the amount of $168,584 to Equitable Resources Energy Company (EREC) represents a judgment against Sigma in Floyd Circuit Court. The judgment was secured after Sigma failed to pay for its purchased gas. Subsequent to the judgment, EREC has agreed to a lump sum settlement of $108,238.56.

Additionally, Sigma proposes to borrow $286,881 to repay KISU Service Company, Inc. (KISU) for costs incurred between January 1, 1994 and October 20, 1998. Sigma states that costs include labor, equipment rental for pipeline construction,

[6]

CN94-435	Order Dated August 22, 1995	$647,198	4 percent	30 years
CN94-435	Order Dated August 22, 1995	$156,821	5 percent	30 years
CN96-252	Order Dated July 16, 1996	$6,994	4.25 percent	30 years

[7] 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, Final Order dated August 22, 1995.

and maintenance costs associated with a pipeline used by Sigma to deliver gas to its distribution system. Sigma states that the costs associated with the pipeline were necessary to maintain gas service during construction of the pipeline to connect Auxier Road that was approved in Case No. 94-435.

An account payable to Auxier Road in the amount of $63,778.50 will be retired with the proceeds of the proposed loan. Based on information supplied by Sigma, the payable to Auxier Road is for accumulated gas transportation charges in the amount of $12,806, materials purchased in the amount of $8,972.50, and settlement of a judgment in the amount of $42,000 for amounts owed to Consolidated Pipe and Supply Co.[8]

The remainder of the outstanding obligations is for various accounts payable to vendors, as well as payables to employees of Sigma. These obligations include payables for legal fees, consulting fees, delinquent property taxes, engineering fees, accounting fees, and gas supplier charges. Appendix A, attached hereto, contains a detailed list of the obligations Sigma proposes to pay with the proceeds of the proposed financing.

The Commission is concerned with the accumulation of these outstanding obligations by Sigma. In less than six years, Sigma has increased its outstanding long-term debt and current and accrued liabilities by nearly $1.4 million. Neither principal nor interest has been paid to DLG by Sigma since the issuance of the loans. Sigma has also been in arrears to its gas suppliers. The proposed request for financing must be reviewed to ensure that it is necessary or appropriate for the proper performance by the utility and that such indebtedness will not impair the utility s ability to perform its service.

[8] Response to Order of May 17, 1999, Item 1.

Appropriate financing is only part of the solution to Sigma s financial problems. Major improvements in the management and operations of the company are essential if the company is to remain operational.

KRS 278.300 provides:

> (1) No utility shall issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until it has been authorized so to do by order of the commission.
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> (2) Application for authority to issue or assume securities or evidences of indebtedness shall be made in such form as the commission prescribes. Every such application shall be made under oath, and shall be signed and filed on behalf of the utility by its president, or by a vice president, auditor, comptroller, or other executive officer having knowledge of the matters set forth and duly designated by the utility. Every such application shall be placed at the head of the docket of the commission and disposed of promptly within sixty (60) days after it is filed with the commission, unless it is necessary for good cause to continue the application for longer time than sixty (60) days, in which case the order making the continuance shall state fully the facts that make it necessary.
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> (3) The commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and the proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.
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> (4) The commission may grant or deny the application in whole or in part, or may grant it with such modifications and upon such terms and conditions as the commission deems necessary or appropriate.

FINDINGS

This case presents an unusual request for construction financing authorization by the Commission. Ordinarily, such a request for financing authorization is submitted prior to construction as required by Commission statutes and regulations. However, because this was not followed in the instant case, the costs for which the financing proceeds will be used have already been incurred by Sigma. Therefore, the Commission must consider the legitimacy of the costs, the accuracy of the amounts, and the necessity for the purchases that created the payables.

Based on the outstanding obligations Sigma proposes to finance, a portion of those obligations are capital in nature while others are operating in nature. Sigma contends that those of a capital nature are obligations incurred for the construction of additional facilities to serve new customers. According to information supplied by Sigma in its response to a data request, the capital construction costs consist of approximately 18 miles of new gas distribution mains and services to provide natural gas to approximately 200 new customers.[9]

CONSTRUCTION OF ADDITIONAL GAS DISTRIBUTION MAINS AND SERVICES

Based on the evidence herein, a prima facie case exists that Sigma is in violation of KRS 278.020, by constructing major additions to plant without a Certificate of Public Convenience and Necessity. In August 1995, the Commission granted Sigma a Certificate of Public Convenience and Necessity to construct natural gas distribution facilities at an estimated cost of $632,671.[10] The Commission shall designate this

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[9] Response to Order of June 22, 1999, Item 1.

[10] Case No. 94-435, Final Order dated August 22, 1995.

approved construction as Phase I for the purpose of identification only. In the same proceeding, the Commission granted approval of $804,019 in financing from DLG. The financing was for the approved construction of Phase I and to retire an obligation to the Bank of Josephine, which was outstanding at a higher interest rate.

Based upon various data responses, the Commission has determined that Sigma has constructed approximately 13.5 miles of additional distribution lines without Commission approval. The Commission shall designate this unapproved construction as Phase II for the purpose of identification only. The cost of the Phase II construction, based on the Commission Staff estimates contained herein, is $447,406. This level of construction represents an increase in Sigma s plant investment of approximately 40 percent, based on the level of plant in service at the end of calendar year 1996. An increase in plant investment of 40 percent is clearly not in the ordinary course of business.

Although Sigma argues that the additional construction was conducted at the directive of the Commission in Case No. 94-435,[11] there was no authorization in that case for the Phase II construction to serve new customers.

The Commission finds that the construction of the additional miles of distribution pipeline and the service to new customers were not authorized in advance as required by Commission statutes and regulations. Such construction of utility assets requires a Certificate of Public Convenience and Necessity. Therefore, nothing in this Order shall in any way be construed as the Commission granting approval for the Phase II

[11] Response to Order of June 22, 1999, Item 1.

construction project pursuant to KRS 278.020(1), and nothing herein shall preclude the Commission from investigating this matter pursuant to KRS 278.990 and KRS 278.992.

COSTS TO BE FUNDED WITH LONG-TERM FINANCING

Operating Costs

Sigma proposes that a portion of the proceeds of the financing be used for financing of prior operating expenses. The expenses related to property taxes, legal fees, accounting expenses, payroll, and purchased gas are clearly operating costs in nature. In Case No. 96-252,[12] the Commission denied Sigma s request for approval of $114,306 of additional financing because it was for operating costs. The Commission reaffirms its opinion that it is not financially prudent for utilities to incur long-term financing for current operating costs.

Capital Construction

Upon review of the documentation submitted, Sigma failed to provide detailed information that traces verifiable costs to the capital asset constructed. The invoices submitted by Sigma were not linked to specific plant items. The Commission found that the documentation did not constitute adequate accounting records upon which to base the cost of plant additions to be financed with the proposed loans. Consequently, the Commission cannot fully evaluate all of the costs associated with the outstanding obligations to determine whether they were capital or operating.

In lieu of adequate accounting records upon which to base the cost of plant additions to be financed with the proposed loans, the Commission established a

[12] Case No. 96-252, The Petition of Sigma Gas Corporation for Approval of Financing, Final Order dated July 16, 1996.

reasonable level of investment based on Commission Staff cost estimates of the construction of facilities. These facilities are documented in the maps supplied by Sigma in response to a data request.[13] The cost estimates were prepared by Commission Staff, as described below.

<u>Commission Staff Estimate of Construction Costs</u>

The construction work authorized by the Commission in Case No. 94-435, and referred to herein as Phase I, was completed by a construction contractor and supervised by a professional engineer on December 31, 1995. After completion of the approved construction, Sigma continued to extend its mains and distribution system without Commission approval. Sigma hired neither a professional engineer nor a construction contractor for the Phase II extension of its mains and distribution system; therefore, neither bid documents nor records of actual construction are available for Commission review.

Sigma provided drawings for the route of the pipelines installed in Phase II of the construction. Commission Staff relied upon these drawings to estimate the costs of construction from January 1, 1996 until the present time by measuring the length of the pipelines installed for each size, as indicated by the drawings in the record, and estimating the costs of installation based upon the construction costs incurred in Phase I. Additional costs, including hook-ups, meters, regulators, and service lines, were estimated by Staff from information provided by Sigma. In addition, the estimated costs of construction were adjusted to reflect the percentage increase in the Consumer Price Index. The cost of Phase II is estimated to be $447,406.

[13] Response to Order of July 28, 1999, Item 8.

AMOUNT OF FINANCING AUTHORIZED

In keeping with the Commission s policy of allowing long-term financing for only capital extensions and improvements, the Commission will allow additional financing in the amount of $447,406. Based upon the best information available, the Commission adopts the construction estimate developed by Commission Staff for Phase II. The Commission will allow a portion of the financing to cover outstanding operating expenses that were deferred when internally generated funds were used to cover construction costs, rather than ongoing operating expenses. This additional financing of $447,406, combined with the $811,013 outstanding to DLG, results in a total financing authority of $1,258,419. Accordingly, Sigma shall adjust its financing request to DLG to reflect the $1,258,419 authorized by the Commission.

In consideration of how much additional financing should be approved, the Commission has considered Sigma s financial ability to repay the debt. In response to data requests concerning Sigma s ability to repay additional financing, Sigma has provided a projected cash flow statement, which indicates that there will be sufficient funds available to repay the additional debt.[14] While the statement reflects positive cash flow, the fact that Sigma has not made principal or interest payments on its current DLG loans raises concerns about the ability to repay the loans. In addition, Sigma has reflected net losses from operations in the last five calendar years.

COMMISSION CONCERNS

The Commission is granting a portion of the proposed financing to help Sigma achieve financial stability. However, the approval of financing alone will not alleviate the

[14] Response to Order of May 17, 1999, Item 23.

financial problems of Sigma. It is incumbent upon the owners and management of Sigma to address each of the following Commission concerns in a way that will improve the financial condition and operations of the company and bring it into compliance with Commission standards. The Commission concerns are in the areas regarding Sigma s failure to (1) pay current obligations to vendors; (2) repay long-term debt obligations; (3) maintain appropriate accounting and financial records; and (4) properly support related party transactions. The following is a discussion of these concerns:

1. Payment of Current Obligations to Vendors

Sigma indicates in several of the data responses that certain costs were billed to Auxier Road due to the fact that Sigma could not obtain credit from the vendors for the purchases. The record reflects also that Sigma is in arrears in payments of property taxes to the county government. These obligations must be paid in order to continue to operate the company unencumbered. Sigma must implement procedures whereby payments can be made on a timely basis to all vendors and creditors.

Of further concern to the Commission is Sigma s failure to pay its natural gas suppliers. Sigma indicates that it does not currently have a written contract with its gas supplier,[15] and that Auxier Road is purchasing and reselling gas to Sigma[16] for distribution to its customers. One of the items Sigma is proposing to finance is an outstanding balance to Alliance Energy Services for past due gas purchases. The Commission does not find any compelling reason for the payment for purchased gas costs to have been deferred. Sigma has a Gas Cost Adjustment Clause that provides

[15] Response to June 22, 1999 Order, Volume 2, Item 16.

[16] Response to Order of May 17, 1999, Item 9.

for the timely pass through of the cost of gas, as well as increases and decreases in gas costs to the customers. Consequently, funds to pay for wholesale gas costs are recovered directly from the customers. These costs should not be recovered a second time through rate increases or long-term financing. It is incumbent upon Sigma to pay its gas costs currently to ensure a continued gas supply for its customers.

2. Repayment of Long-Term Debt Obligations

The record in this case reflects that Sigma has not made any principal or interest payments on the outstanding debts to DLG since the initial financing was approved in 1995 in Case No. 94-435.[17] The financing arrangement with DLG was favorable to Sigma and provided an opportunity for Sigma to improve its financial condition and credit rating. The failure of Sigma to comply with the terms of the DLG financing threatens its ability to continue to provide gas service to its customers. Under the terms of the promissory note, Sigma is in default and is subject to foreclosure by its creditors.

Sigma states that it has not recorded any accrued interest on the DLG loans due to an oversight in accounting procedures. Sigma states further that DLG is willing to waive all of the past due interest payable on the existing loans in lieu of the new financing.[18] If Sigma were required to pay the interest on the loans of $647,198 and $156,821, currently outstanding to DLG, it would amount to approximately $121,388.08 without consideration of any compounding on the unpaid interest.[19] Sigma s annual

[17] Response to Order of May 17, 1999, Item 17.

[18] Response to Order of May 17, 1999, Item 24.

[19] Id.

losses and its overall financial condition would obviously have been worse if it had accrued these obligations.

As a condition of approval of this additional financing, Sigma shall be required to report quarterly to the Commission on its compliance with the escrow provisions of the new loans. Reporting requirements are set out more specifically in a later section of this Order.

3. Maintenance of Appropriate Accounting and Financial Records

In 1994, the Commission conducted a financial audit of Sigma. In the management letter attached to the audit report,[20] the Commission advised Sigma that it should maintain accurate plant records. There is no evidence in this case that Sigma has complied with that recommendation. As demonstrated by the problems created by lack of appropriate plant records, it is essential that Sigma begin keeping appropriate subsidiary records of its assets. Sigma shall, within 180 days of the date of this Order, institute a plan to maintain plant records that will meet Commission standards. Sigma s plan shall identify services, meters, mains and other equipment and shall record the original cost of those assets in the subsidiary ledger, as stated in the management letter. The Commission will provide Staff assistance in the development of this plan. The Commission will require a progress report within 60 days of the date of this Order and each 60 days thereafter until the situation is corrected.

[20] The management letter of January 30, 1996 to the Kentucky Public Service Commission from the Division of Financial Analysis is attached to the Report of Audit for the year ended December 31, 1994.

4. Support for Related Party Transactions

In the Order approving the transfer of Salyersville Gas Company, Inc. to Sigma, the Commission expressed concerns about the arrangement whereby the party managing the company, Estill Branham, could authorize payments to related parties without proper oversight or review.[21] At that time, the Commission required the terms of the management contract between Mr. Branham and Sigma be modified to require the Board of Directors to review and approve transactions involving Mr. Branham or his family members that were not covered by the management agreement.[22]

Invoices provided by Sigma in this proceeding reflect that there are numerous transactions that have been conducted between Sigma and Mr. Branham and other companies that are owned by Mr. Branham or his family members. Many of the invoices for materials and supplies are made out to Auxier Road, a private company, the principal officers of which are Mr. Branham and his wife. Some invoices are directly from Mr. Branham personally to Sigma for materials and supplies. There are also outstanding debts totaling $286,881 to KISU, which is also owned by related parties.

There is no evidence in this proceeding that would indicate that any of the costs referenced above were specifically approved by the Board of Directors as required in Case No. 93-349.[23] Rather, the response to one data request indicates that Mr.

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[21] Case No. 93-349, The Joint Application of Sigma Gas Corporation and Salyersville Gas Company, Inc. for Approval of the Acquisition of Assets of Salyersville Gas Company, Inc., Final Order dated December 15, 1993, at page 3.

[22] Id., page 8.

[23] Id.

Branham officially approves both the charges billed by KISU to Sigma, and the payments of the invoices paid by Sigma to KISU.[24]

Sigma shall establish operating and accounting procedures that will ensure that costs are properly charged and prices for goods and services used in the utility operations are reasonable. The Commission will provide Staff assistance in the development of these procedures. Within 180 days from the date of this Order, Sigma shall establish an operating and accounting system that will meet the affiliate transaction standards required by the Commission. Work shall begin immediately on the system and immediate steps shall be taken to correct the situations discussed herein. The Commission shall require a progress report to be submitted by Sigma within 60 days of the date of this Order and each 60 days thereafter until this situation is corrected.

MEASURES FOR COMPLIANCE WITH THE PROVISIONS OF THIS ORDER

In order to establish some measure of compliance with the provisions of this Order, the Commission establishes the following safeguards: (1) priority disbursement of authorized financing proceeds, (2) priority payment of expenses, (3) reporting requirements, and (4) initiation of Commission Staff audit.

Sigma shall be required to comply with these requirements until further Order of the Commission.

1. Priority Disbursement of Authorized Financing Proceeds

The Commission has expressed its concerns with regard to the financial condition of Sigma. Based on the severity of the financial problems, the Commission

[24] Response to Order of June 22, 1999, Volume 2, Item 22.

believes it is necessary to institute specific requirements for priority of the disbursement of the proceeds from the financing approved herein. The proceeds of the financing should be disbursed as follows:

1.	Retirement of all outstanding obligations to DLG	$ 811,013.00
2.	Retirement of the debt to the Bank of Josephine	70,000.00
3.	Retirement of the settlement to Equitable Resources	108,238.56
4.	Alliance Energy Services	24,311.53
5.	Sheriff Wireman, property taxes	19,385.45
6.	American Meter Co.	8,795.21
7.	Fisher Controls International Inc.	2,786.74
8.	Payable to Auxier Road for transportation services	12,806.00
9.	Other items enumerated in Appendix A	201,082.51
	TOTAL	$1,258,419.00

However, in consideration of the fact that some of the outstanding obligations have increased and others have decreased, the Commission will require Sigma to submit a proposed disbursement schedule before any funds are disbursed. The schedule shall contain the outstanding balance of the various obligations Sigma proposes to retire and shall be prioritized as follows:

> Items 1 through 8 from above shall be disbursed first. The remainder of the proceeds, approximately $201,082.51, shall be used to retire the remaining obligations included in Appendix A. In determining which of the remaining obligations to pay first, Sigma shall consider, among other factors, the level of risk of legal action by the creditor. Based on the Commission s concerns regarding related party transactions, and the lack of documentation supporting the outstanding obligation to KISU, the Commission will require that obligations to related parties be ranked last in priority of payment.

The proposed disbursement schedule shall be submitted within 15 days from the date of this Order. No funds shall be disbursed prior to Commission approval of Sigma s proposed disbursement schedule.

2. Priority Payment of Expenses

Because of the concerns expressed above, the Commission believes it is essential for Sigma to establish and follow a payment priority for certain expenses in lieu of their deferral. The first priority of payments shall be Sigma s gas supplier. As discussed above, Sigma is currently in arrears in its payments to its natural gas supplier. Debt service payments to the escrow account shall be the second priority. The DLG financing also requires payments into an operating fund for contingencies. Sigma shall use all proceeds from revenues after payment of current operating expenses to fund this reserve account as required. The third priority for payment shall be vendors that have liens against the assets of the company. Companies charging late payment penalties shall be the fourth item paid from the monthly operating revenues. One exception to the above priorities is that Sigma shall defer payments for any related party transactions until all other obligations have been paid.

3. Reporting Requirements

In order to monitor the progress of Sigma in meeting the objectives of this Order, the Commission establishes the following reporting requirements:

a. Quarterly financial statements including Comparative Balance Sheet, Income Statement, and monthly cash flow statement.

b. Quarterly reports of payments to the escrow account.

c. Every 60 days from the date of this Order, progress reports on actions to bring the operating and accounting systems into compliance with the affiliated transaction requirements and other Commission standards regarding plant records discussed in this Order.

d. An affidavit, with each filing, stating that Sigma has complied with all of the provisions of this Order.

4. Initiation of Commission Staff Audit

Due to the substantial problems revealed during the review of Sigma s records, the Commission believes it is essential to conduct a financial audit at this time. The audit will cover the operations of Sigma for the calendar year 1998, but will also include examination of prior years records to the extent determined necessary to properly evaluate beginning balances. The scope of the audit will cover the accounting system of Sigma, as well as the transactions between Sigma and its related companies, Auxier Road and KISU. Compliance with prior Commission Orders will also be evaluated. The Commission expects Sigma to cooperate with Commission Staff auditors and to provide access to the books and records of KISU, Auxier Road, and any other corporations affiliated with the management of Sigma.

IT IS THEREFORE ORDERED that:

1. Sigma is authorized to borrow $1,258,419 from DLG for a 30-year period bearing interest at 4.0 percent per annum for the purposes set out above.

2. The remainder of the proposed financing is hereby denied.

3. Sigma shall adjust its financing request to DLG in accordance with this Order.

4. Sigma shall distribute the proceeds of the financing in the order of priority established in the section above entitled Priority Disbursement of Authorized Financing Proceeds, and shall file its proposed disbursement schedule within 15 days of the date

of this Order. Sigma shall not disburse any funds prior to Commission approval of the proposed disbursement schedule.

5. Sigma shall establish a payment priority list of ongoing operating expenses from the proceeds of its operating revenues, in consideration of the priorities established in the section above entitled Priority Payment of Expenses and shall follow said priorities until further Order of the Commission.

6. Within 180 days of the date of this Order, Sigma shall institute a plan to maintain plant records and establish an operating and accounting system that will meet the affiliate transaction standards required by the Commission.

7. Sigma shall comply with each of the reporting requirements contained in the section entitled Reporting Requirements as if each were individually so ordered. The quarterly reports shall commence with the Fourth Quarter of 1999. Each quarterly report shall be filed 30 days after the close of the quarter. The first report of the progress on compliance with the operating and accounting system and other Commission standards regarding plant records shall be filed within 60 days of the date of this Order and every 60 days thereafter until corrected.

8. Nothing in this Order shall be construed as granting a Certificate of Public Convenience and Necessity to Sigma for the construction of utility assets referred to herein as Phase II.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 1st day of October, 1999.

By the Commission

Chairman B. J. Helton took no part in the review and consideration of this application.

ATTEST:

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Executive Director

APPENDIX A

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 99-074 DATED OCTOBER 1, 1999

Creditor Name	Amount per Application Exhibit 1	Amount per Response to May 17, 1999 Order	Payment Authorized by Final Order
Department of Local Government	$647,198.00	$647,198.00	$647,198.00
Department of Local Government	156,821.00	156,821.00	156,821.00
Department of Local Government	6,994.00	6,994.00	6,994.00
Equitable Resources Energy	168,584.00	108,238.56	108,238.56
The Bank of Josephine	70,000.00	70,000.00	70,000.00
John N. Hughes, Atty. at Law	17,193.41	27,275.36	
Auxier Road Gas Company, Inc.	63,778.50	71,848.50	12,806.00
Alliance Energy Services	29,511.53	24,311.53	24,311.53
KISU Service Company, Inc.	286,881.00	292,821.00	
Al Humphries Consulting	19,348.44	16,446.17	
Sheriff Wireman, Property Taxes	6,362.61	19,385.45	19,385.45
Wells & Company, PSC	1,237.50	3,314.02	
Susan A. Crum, Accounting	2,200.00	2,200.00	
Estill Branham	13,000.00	13,000.00	
Accrued Wages	22,650.00	39,500.00	
Estill Branham Rental		2,400.00	
American Meter Co.		8,795.21	8,795.21
Fisher Controls International, Inc.		2,786.74	2,786.74
Amount Available for Other Items			201,082.51
Totals	$1,511,759.99	$1,513,335.54	$1,258,419.00

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