

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A PETITION OF MILLENNIUM ENERGY,	)	
INC. FOR A CERTIFICATE OF	)	
CONVENIENCE AND NECESSITY TO	)	
CONSTRUCT A NATURAL GAS LINE,	)	CASE NO. 99-115
APPROVAL OF FUNDING, AND THE	)	
OPERATION OF A NATURAL GAS LINE IN	)	
OHIO COUNTY, KENTUCKY	)	

O R D E R

IT IS ORDERED that Millennium Energy, Inc. ("Millennium") shall file an original and six copies of the following information with the Commission with a copy to all parties of record within 15 days. Each copy of the information should be placed in a bound volume with each item tabbed. When a response requires multiple pages, each page should be appropriately indexed, for example, Item 1(a), page 2 of 4. With each response, include the name of the person who will be responsible for responding to questions related thereto. Careful attention should be given to copied material to ensure that it is legible.

1. Has Millennium secured the right-of way for the pipelines? If yes, provide copies of the correspondence or the agreements.
2. Provide a detailed map for the crossing of Western Kentucky Parkway.
3. Provide a copy of bid documents and construction schedule for the project.
4. Provide a copy of the agreement with the natural gas supplier.

5. Refer to Exhibit 1, Natural Gas Survey/Study and Exhibit 5, Rate Design Considerations. Exhibit 1 indicates that Millennium expects to extend service to an additional 100 residential customers, an additional six commercial customers and an additional two industrial customers in Ohio County. The number of customers and usage volumes in Exhibit 5, used to project the revenue from the expansion, do not reconcile with Exhibit 1.

a. Explain why Exhibit 5 does not use the estimated number of customers and usage found in Exhibit 1 to project revenues.

b. If Exhibit 5 should reflect the figures found in Exhibit 1, provide a revised Exhibit 5.

c. If Exhibit 1 should reflect the figures found in Exhibit 5, provide a revised Exhibit 1.

6. Refer to Exhibits 3.8 and Exhibit 5. These exhibits present the industrial customers as if they were a separate class. However, Exhibit 3.8 contains a footnote that indicates that the industrial charges are negotiated. Explain whether or not Millennium is requesting to add the industrial customers as a separate customer class as implied by the customer and distribution charges set out in the exhibits.

7. Provide the cost support for the \$100 Customer Charge and the \$2.00 Distribution rate charged to industrial customers.

8. At Tab 2, Financial Exhibit 2.3 of Millennium's petition, the "Initial Loan Amount" of \$761,335, does not agree with the \$761,375 beginning balance on the amortization schedule at Financial Exhibit 2.4.

a. Explain which amount is correct for the financing requested.

b. The amount included in “Other Project Costs” in Financial Exhibit 2.2A of \$66,180 is described as “Contingency Allowance (10%)”. Financial Exhibit 2.3, “Use of Loan Proceeds” shows the same dollar amount as “Working Capital and Debt Reserve Fund.” Are these two descriptions being used interchangeably? Explain.

9. Provide copies of all executed notes payable and line of credit agreements from Millennium’s lender(s).

a. Provide copies of any lender’s security interest in assets of Millennium.

b. Provide copies of Warren Rural Electric Cooperative Corporation’s (“Warren RECC”) agreements as guarantor of Millennium’s notes payable and line of credit agreements.

10. Resubmit the Financial Exhibit 3.7 – Cash Flow Summary. Include “Existing System” after tax net income and depreciation expense according to the Commission’s December 2, 1999 final Order in Case No. 99-312.<sup>1</sup> Project Millennium’s cash flow for all years to maturity of all indebtedness (2010).

a. If capital requirements for 2001 are not \$761,375, including the contingency allowance, explain why.

b. Does Warren RECC (as Millennium’s parent company) intend to provide invested capital to Millennium so the National Cooperative Service Corporation loans are paid currently, if cash flow is insufficient? Explain.

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<sup>1</sup> A Petition of Millennium Energy, Inc. for Approval of an Initial Rate Schedule to Charge Customers that will be Served from an Existing Gas Supply Line in Simpson County, Kentucky.

c. For its “existing system” Millennium’s customer base was not expected to change for the first three years of operations.<sup>2</sup> Does Millennium expect a constant customer base in the operation of the “Ohio County Expansion” after the initial year projected service installations? Explain. If Millennium has performed any studies on projected customer growth for the Ohio County project, provide them.

11. Provide supporting calculations and workpapers for all projected expenses of the “Ohio County Expansion” on Exhibit 6 of the petition.

a. Include detailed explanations of cost types included in estimated operating expenses by individual account according to the Uniform System of Accounts (“USoA”).

b. For each USoA operating expense account provide a detailed explanation of why economies of scale do not apply to Millennium’s establishing the Ohio County Expansion, when it already has one gas distribution system functioning. Also, state why an incremental or marginal cost does or does not apply, particularly in regard to Customer Accounts Expenses and Administrative Expenses.

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<sup>2</sup> Millennium’s Supplemental Response to the Commission’s August 10, 1999 Order on Filing Deficiencies, Case No. 99-312.

Done at Frankfort, Kentucky, this 10<sup>th</sup> day of March, 2000.

By the Commission

ATTEST:

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Executive Director