COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PETITION OF GASCO DISTRIBUTION SYSTEMS, INC. FOR APPROVAL OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT FACILITIES	))))	CASE NO. 99-501

O R D E R

IT IS ORDERED that Gasco Distribution Systems, Inc. ("Gasco") shall file the original and 10 copies of the following information with the Commission with a copy to all parties of record. 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. The information requested herein shall be filed no later than 15 days from the date of this Order.

1. Provide the gas supply agreement to reflect the additional volume of gas Gasco estimates for the potential customers.

2. Provide the agreement between Gasco and the construction contractor. Provide the bid documents and the construction schedule.

3. Provide the technical and financial feasibility studies for the proposed changes of pipelines and facilities. Provide the name of the engineering company that executed the studies.

4. Provide the construction specifications of the proposed pipeline and facilities, and the name of the engineer who prepared them.

5. Explain the 20 percent gas loss stated in Gasco's 1998 annual report.

6. Provide Gasco's Operating and Maintenance Plan.

7. If the proposed changes were implemented, will there be changes in Gasco's gas costs? Explain.

8. Provide itemized depreciation rates for each depreciable category of the proposed facilities.

9. Provide maps showing the present pipelines and the proposed pipelines including the proposed extension.

10. Are there any changes in the distribution mains and facilities in the proposed project? Explain and provide the additional estimated costs if any.

11. Gasco's application states that the company will finance its proposed pipeline replacement with internal cash flows generated by extinguishing a $1 per Mcf transportation charge associated with the current pipeline.

a. Provide a full explanation of the charge and to whom it is paid.

b. Explain how the $1 per Mcf is currently collected from Gasco's customers. For example, is it recovered through rate base or through the company's Gas Cost Adjustment found in its tariff?

12. Gasco's application states that it will finance the project initially through a $1 per Mcf savings of a transportation fee. This transportation fee is represented as a current cost of operations, which will be eliminated after the proposed construction is completed. Letters to the Commission referenced in and made part of Gasco's petition contend that an approximate total annual savings of $20,000 will provide cash flow to pay for the proposed construction.

a. Gasco's operating losses reported to the Commission on the annual reports for 1994 through 1998 were $<143,982>, $<171,141>, $<177,917>, $<131,330>, and $<187,625>, respectively. Explain how $20,000 of annual cash flow savings will provide funds to pay for the proposed construction, given Gasco's historical trend of operating losses.

b. Explain how a proposed 11-year payback of construction costs eliminates the need for financing in the interim periods.

c. Explain how the 11-year period required to repay the construction costs according to Gasco's petition precludes the necessity for Gasco to request approval of financing by the Commission. Specifically address the requirements of both KRS 278.300 and 807 KAR 5:001, Section 11.

d. Which expense account on Gasco's annual reports to the Commission includes the $1 per Mcf transportation fees that the company expects to save through the proposed construction? Explain the reasoning for including the third-party transportation costs in this expense account.

Done at Frankfort, Kentucky, this 24th day of January 2000.

By the Commission

ATTEST:

Executive Director