

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF AUXIER ROAD)	
GAS COMPANY FOR APPROVAL)	
OF A CERTIFICATE OF PUBLIC)	CASE NO. 2001-069
CONVENIENCE AND NECESSITY)	
TO CONSTRUCT FACILITIES)	
AND SPECIAL CONTRACT)	

FIRST DATA REQUEST OF COMMISSION STAFF TO
AUXIER ROAD GAS COMPANY
AND
COMMISSION STAFF'S NOTICE OF INFORMAL CONFERENCE

Auxier Road Gas Company ("Auxier") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein should be filed on or before May 18, 2001. Each copy of the data should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

Pursuant to 807 KAR 5:001, Section 4(4), Commission Staff requests that Auxier appear for an informal conference on May 22, 2001 at 1:30 p.m., Eastern Daylight Time,

in Conference Room 2 of the Commission's offices at 211 Sower Boulevard, Frankfort Kentucky.

1. Refer to the Kenvirons, Inc. engineering report, under the heading "Opinion of Portable Cost, March 2001," second page, which states: "The supply line will operate as 50 psi and metering station at the prison entrance will reduce the pressure to 15 psi in order to serve 25,000 CFH." The contract between United States Penitentiary ("USP") and Auxier states that a maximum demand will be 44,862 CFH. Please reconcile the volume of gas supply and the estimated usage.

2. Refer to Exhibit A, page 15, of the agreement between Columbia Natural Resources, Inc. ("CNR") and Auxier. The maximum daily quantity is 500 Dth. Why is the contracted quantity less than the maximum demand of the prison? Explain in detail.

3. Refer to Article VII, (7.1), page 4, of the agreement between CNR and Auxier. The gas is raw, unprocessed gas. The contract between USP and Auxier specifies transmission pipeline quality standards. Provide the following:

a. A gas sample analysis from a certified laboratory for the gas delivered by CNR to Auxier to serve the USP's prison, to include water content, hydrogen sulfide, total sulfur, carbon dioxide, nitrogen, oxygen, liquid hydrocarbons, and heating value.

b. Refer to the agreement between CNR and Auxier at page 18 under the heading "Other Equipment." Will Auxier add equipment for correcting gas quality? If yes, provide the cost estimate for installing these facilities.

c. Is Auxier requesting a deviation from 807 KAR 5:022, Section 15, Purity of Gas? If so, how does Auxier intend to conform to the terms of the contract with USP?

4. Refer to the agreement between CNR and Auxier, Article VIII, (8.11), Measuring Equipment, at page 7 of Exhibit 6. Which type of meters will be installed?

5. What is the gas pressure at the 8-inch CNR pipeline at the point of the proposed tap to provide gas to USP?

6. Refer to the letter of November 7, 2000 from Auxier to the Federal Bureau of Prisons attached to the contract between USP and Auxier as response to Clarification and Deficiency Notice No. 1. Auxier states: "With the proposed pipeline extension, Auxier will have the capability of providing the Prison from two sources." Explain what other source Auxier can use to provide gas service to USP.

7. Refer to the contract between USP and Auxier. The price of gas tabulated is for firm service for the maximum demand. In the clarification and deficiency notice no. 1, page 2, the price allocated for firm supply of 18,000 Mcf is \$8.2562 per Mcf and for interruptible supply of 32,000 Mcf is \$7.7628 per Mcf. Please revise the income statement provided in Exhibit 7 of the application to match the gas prices indicated in the price agreement between USP and Auxier for each service.

8. The firm and interruptible services mentioned in the agreement between USP and Auxier are for annual usage. Provide a breakdown for each gas supply service on a daily and monthly basis.

9. In the contract between the USP and Auxier, Auxier agreed to provide transportation service to USP at a rate of \$0.7628 per Mcf. Answer the following:

a. Is Auxier considering providing transportation service to the prison in addition to firm sales?

b. Is Auxier seeking the Commission's approval for a transportation rate? Explain in detail the terms and conditions for providing gas to USP pursuant to this service agreement.

10. How would Auxier provide a long-term firm gas supply from the gathering system? Explain.

11. Refer to Auxier's letter to the Commission dated April 6, 2001. The letter states that the cost of operation in the first year after completion of the facilities is estimated to be \$587,189, including gas purchases. Auxier's revenues from this project, as projected in its contract with USP, are estimated to be \$397,022 from volumetric rates, including gas costs, and \$38,140 from transportation charges. Given this information, Auxier will experience a loss of \$152,027 in the first year. Explain how Auxier will fund the operating cost for the prison project.

12. Refer to the income statement filed with the petition and the Annual Report of Auxier for the period ended December 31, 2000. The income statement shows a column for "Current Period" and for "Year to Date." The figures for the current period are not the same as those listed on the Annual Report. Reconcile the income statement for the period ended December 31, 2000 with the Annual Report for the period ended December 31, 2000.

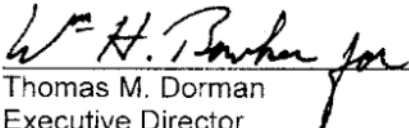
13. Provide a projected cash flow statement for the remainder of 2001 and one for 2002 to document the internally generated funds that will be available for funding the construction project.

14. As of December 31, 2000, list all cash and cash equivalents that are available for Auxier to use in this project. Explain the loan restrictions, if any, on any of these funds.

15. Demonstrate how the current cash available and the projected cash flows will be sufficient to fund the total construction cost of \$285,100 mentioned in paragraph 7 of the application. If the current cash available and the projected cash flows are not adequate, provide each alternative source of funding and their related interest costs, terms, and conditions.

16. Based on the projected USP sales and associated operating costs, over what period of time will Auxier recover all of the funds invested in the project? Provide all supporting documents used in determining the recovery of investment. Will any of the costs be recovered from the existing customer base?

17. Refer to the April 6, 2001 correspondence from John N. Hughes, attorney for Auxier, to Stephanie Bell, secretary for the Commission. Provide a detailed list of expenses comprising the \$587,189 estimated cost of operation for the first year after completion.


Thomas M. Dorman
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DATED: May 8, 2001

cc: Parties of Record