

CASE

NUMBER:

99-115

IN THE MATTER OF THE PETITION OF MILLENNIUM ENERGY, INC. FOR
A CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT A
NATURAL GAS LINE, APPROVAL OF FUNDING, AND THE OPERATION OF
A NATURAL GAS LINE IN OHIO COUNTY, KENTUCKY

SEQ NBR	ENTRY DATE	REMARKS
0001	12/30/1999	Application.
0002	01/04/2000	Acknowledgement letter.
0003	01/10/2000	Filing deficiencies letter; response due 1/25/2000.
M0001	02/15/2000	GARY DILLARD MILLENNIUM ENERGY-RESPONSE TO FILING DEFICIENCIES
0004	02/17/2000	Filing deficiencies cured letter
M0002	02/29/2000	JOHN HUGHES TITAN ENERGY-MOTION TO INTERVENE
0005	03/10/2000	Order denying motion of Titan Energy Group to intervene.
0006	03/10/2000	Data Request Order, response due 3/27/2000.
M0003	03/23/2000	GARY DILLARD MILLENNIUM ENERGY-REQUEST FOR EXTENSION OF TIME
0007	04/05/2000	Order granting ext. of time until 4/14 to resp. to 3/10 Order; fin. extended.
M0004	04/06/2000	GARY DILLARD MILLENNIUM ENERGY-REQUEST FOR EXTENSION OF TIME
M0005	04/17/2000	GARY K. DILLARD/MILLENNIUM-TO COMMISSION'S ORDER OF MARCH 10,2000
M0006	04/17/2000	GARY K. DILLARD/MILLENNIUM ENERGY-PETITION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY
M0007	04/18/2000	GARY K. DILLARD/MILLENNIUM ENERGY-FILING DEFICIENCIES RESPONSE AND PROJECT AMENDMENT
0008	05/19/2000	Data Request Order, response due 5/29/2000.
M0008	05/25/2000	GARY DILLARD-LETTER REQUESTING EXTENSION UNTIL 6/9 TO FILE RESPONSE TO 5/19 ORDER
M0009	05/30/2000	GARY DILLARD MILLENNIUM ENERGY-REQUEST FOR EXTENSION OF 11 DAYS OR JUNE 9 TO COMPILE INFORM
0009	05/31/2000	Order granting ext. of time until 6/9/2000 to respond to 5/19/2000 Order.
M0010	06/09/2000	GARY DILLARD/MILLENNIUM ENERGY-PETITION FOR CERTIFICATE OF CONVICENCE
M0011	06/14/2000	GARY DILLARD MILENNIUM ENERGY-RESPONSE TO FILING DEFICIENCIES (FAX) CORRECTION TO FILING ON
M0012	06/16/2000	GARY DILLARD MILLENNIUM ENERGY INC-CORRECTION TO FILING OF MAY 19,00 EXHIBIT IN WRONG PLACE
0010	07/12/2000	Order entered; info due 9/11/2000 or case dismissed without further Order.
M0013	09/12/2000	GARY DILLARD/MILLENNIUM ENERGY-60 DAY EXTENSION FROM SEPTEMBER 10, 2000.
0011	09/26/2000	Order granting ext. of time until 11/9/2000 to respond to Staff's info request.
M0014	11/06/2000	GARY DILLARD MILLENNIUM ENERGY-REQUEST FOR ANOTHER 60 DAY EXTENSION
0012	11/17/2000	Order granting an ext. of time until 1/8/2001 to file additional information.
0013	02/06/2001	Final Order dismissing petition without prejudice.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 1999-115
MILLENNIUM ENERGY, INC.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on February 6, 2001.

Parties of Record:

Mr. Gary K. Dillard
Executive Vice President
Millennium Energy, Inc.
951 Fairview Avenue
P. O. Box 1118
Bowling Green, KY. 42102

Stephanie D. Bell

Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On December 30, 1999, Millennium Energy, Inc. ("Millennium") applied for a Certificate of Public Convenience and Necessity to construct a natural gas pipeline. On February 15, 2000, the Commission accepted Millennium's application for filing after it cured several deficiencies in its original submission. Millennium, on April 17, 2000, revised its application to reflect revisions in certain engineering and financial aspects and the proposed route of pipeline.

Based upon the information set forth in its application and provided in response to the Commission's Order of May 19, 2000, the Commission finds that Millennium has yet to demonstrate either the need for, or the financial viability of, the proposed pipeline. It concedes that until a large commercial or industrial customer with an annual usage of approximately 30,000 to 40,000 BTU has located in the Bluegrass Crossing Business Center, the proposed pipeline is not financially feasible. It further concedes that to supply such a customer, it must secure its natural gas supply from an additional source. As of June 7, 2000, it had not secured such supply. Millennium acknowledges that securing such supply is possible only if Millennium secures a high usage large commercial or industrial customer.

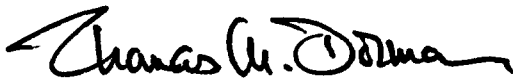
Recognizing that Millennium has exercised a good faith effort to meet its statutory burden of proof, the Commission afforded many extensions of time to demonstrate the need and financial viability of the proposed pipeline. In the latest Commission's Order dated November 17, 2000, Millennium was granted an extension of time until January 8, 2001. Millennium has failed to provide the information necessary to meet the Commission's requirements for granting a Certificate of Public Convenience and Necessity to construct the proposed pipeline.

IT IS THEREFORE ORDERED that the petition of Millennium for a Certificate of Public Convenience and Necessity is dismissed without prejudice, and this case is hereby removed from the Commission's docket.

Done at Frankfort, Kentucky, this 6th day of February, 2001.

By the Commission

ATTEST:



Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

November 17, 2000

Mr. Gary K. Dillard
Executive Vice President
Millennium Energy, Inc.
951 Fairview Avenue
P. O. Box 1118
Bowling Green, KY. 42102

RE: Case No. 1999-115

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in black ink that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/lh
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A PETITION OF MILLENNIUM ENERGY,)
INC. FOR A CERTIFICATE OF PUBLIC)
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

This matter is before the Commission upon written request by Millennium Energy, Inc. ("Millennium") for an additional extension of time of 60 days from November 9, 2000 to January 8, 2001 to file additional information necessary to complete its application for a certificate to fund, construct, and operate a natural gas distribution system. The basis for this request is the economic development progress of an industrial park in Ohio County, Kentucky. It appears that the development of the economic package and industries will be concluded in the near future.

The Commission, finding good cause and being otherwise sufficiently advised, HEREBY ORDERS that Millennium is granted an extension of time until January 8, 2001.

Done at Frankfort, Kentucky, this 17th day of November, 2000.

By the Commission

ATTEST:



Executive Director



Millennium Energy, Inc.

P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Fax: (270)781-3299

November 3, 2000

RECEIVED
NOV 06 2000
PUBLIC SERVICE
COMMISSION

Mr. Thomas Dorman
Executive Director
Public Service Commission
PO Box 615
211 Sower Blvd.
Frankfort, KY 42602

RE: Case # 1999-115

Dear Mr. Dorman:

As ordered by the Commission on September 26, 2000, Millennium Energy was given an extension to November 9, 2000 days to provide additional information for the case.

Due to progress of the Green River Regional Industrial Authority in Ohio County, we would like to request a 60 day extension from November 9, 2000. We are awaiting further environmental studies and land acquisition documentation of the proposed Bluegrass Crossings Business Centre Industrial Park.

Your consideration is greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary K. Dillard", is written over a horizontal line.

Gary K. Dillard
Executive Vice President



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

September 26, 2000

Mr. Gary K. Dillard
Executive Vice President
Millennium Energy, Inc.
951 Fairview Avenue
P. O. Box 1118
Bowling Green, KY. 42102

RE: Case No. 1999-115

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A PETITION OF MILLENNIUM ENERGY,)
INC. FOR A CERTIFICATE OF PUBLIC)
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

A letter dated September 7, 2000 was transmitted by facsimile to the Executive Director of the Commission on September 8, 2000. The letter was written by Gary K. Dillard, Executive Vice President of Millennium Energy, Inc. ("Millennium"), requesting a 60-day extension of time within which to file certain information and documentation relating to Millennium's pending application. Millennium states that its delay is due to the fact that the Green River Regional Industrial Authority in Ohio County, Kentucky has not yet provided design and final land acquisition documentation of the proposed Bluegrass Crossing Business Center Industrial Park. Therefore, the Commission finds that good cause exists to grant the requested extension of time.

IT IS HEREBY ORDERED that Millennium's motion for an extension of time from September 10, 2000 to November 9, 2000 to respond to Commission Staff's information request is granted.

Done at Frankfort, Kentucky, this 26th day of September, 2000.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Charles H. Dyer", written over a horizontal line.

Executive Director



P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Emergency: 1-888-291-9133
Fax: (270)781-3299

September 7, 2000

RECEIVED

SEP 12 2000

Mr. Thomas Dorman
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 42602

PUBLIC SERVICE
COMMISSION

RE: Case # 1999-115

Dear Mr. Dorman:

As ordered by the Commission on July 12, 2000, Millennium Energy has 60 days to provide additional information for the case.

Due to progress of the Green River Regional Industrial Authority in Ohio County, we would like to request a 60 day extension from September 10. We are awaiting design and final land acquisition documentation of the proposed Bluegrass Crossings Business Centre Industrial Park.

Your consideration is greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary K. Dillard".

Gary K. Dillard
Executive Vice President



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 12, 2000

Ex. Gary K. Dillard
Millennium Energy, Inc.
951 Fairview Ave.
P. O. Box 1118
emergency # 1-888-291-9133
Bowling Green, KY. 42102

RE: Case No. 1999-115

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On December 30, 1999, Millennium Energy, Inc. ("Millennium") applied for a Certificate of Public Convenience and Necessity to construct a natural gas pipeline. On February 15, 2000, the Commission accepted Millennium's application for filing after it cured several deficiencies in its original submission. Millennium, on April 17, 2000, revised its application to reflect revisions in certain engineering and financial aspects and the proposed route of pipeline.

Based upon the information set forth in its application and provided in response to the Commission's Order of May 19, 2000, the Commission finds that Millennium has yet to demonstrate either the need for, or the financial viability of, the proposed pipeline. It concedes that until a large commercial or industrial customer with an annual usage of approximately 30,000 to 40,000 BTU has located in the Bluegrass Crossing Business Centre, the proposed pipeline is not financially feasible. It further concedes that to supply such a customer, it must secure its natural gas supply from an additional source. As of June 7, 2000, it had not secured such supply. Millennium acknowledges that securing such supply is possible only if Millennium secures a high usage large commercial or industrial customer.

Recognizing that Millennium is exercising a good faith effort to meet its statutory burden of proof, the Commission finds that Millennium should be afforded an additional 60 days in which to demonstrate the need for, and financial viability of, its proposed pipeline. If, at the conclusion of that time period, it has failed to meet its burden, then its application will be denied. To facilitate Millennium's efforts, the information necessary to meet this burden is listed in Appendix A to this Order.

IT IS THEREFORE ORDERED that:

1. This case shall remain upon the Commission's docket for 60 days from the date of this Order.

2. If, after 60 days from the date of this Order, Millennium has not produced any additional evidence regarding the need for, and financial viability of, the proposed pipeline, Millennium's application shall be denied and this case shall be removed from the Commission's docket without further Order.

3. If, after 60 days from the date of this Order, Millennium has submitted additional evidence demonstrating the need for, and financial viability of, the proposed pipeline, its application shall stand submitted for decision.

Done at Frankfort, Kentucky, this 12th day of July, 2000.

By the Commission

ATTEST:

W. H. Bowler

Executive Director

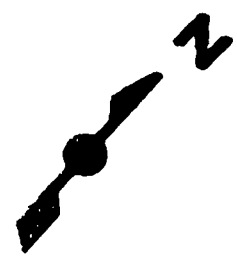
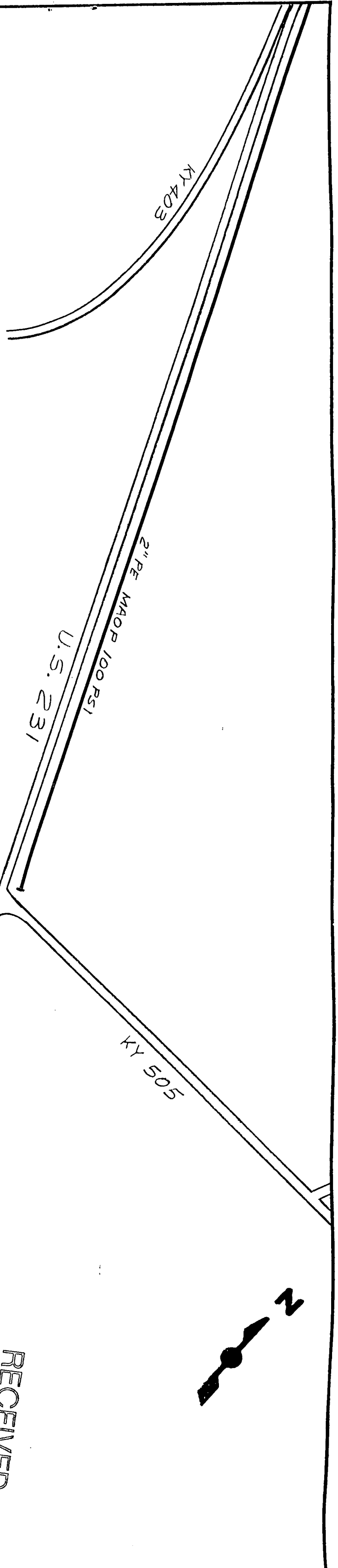
Deputy

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-115 DATED JULY 12, 2000

EVIDENCE THAT MAY DEMONSTRATE THE NEED FOR AND
FINANCIAL VIABILITY OF THE PROPOSED NATURAL GAS PIPELINE

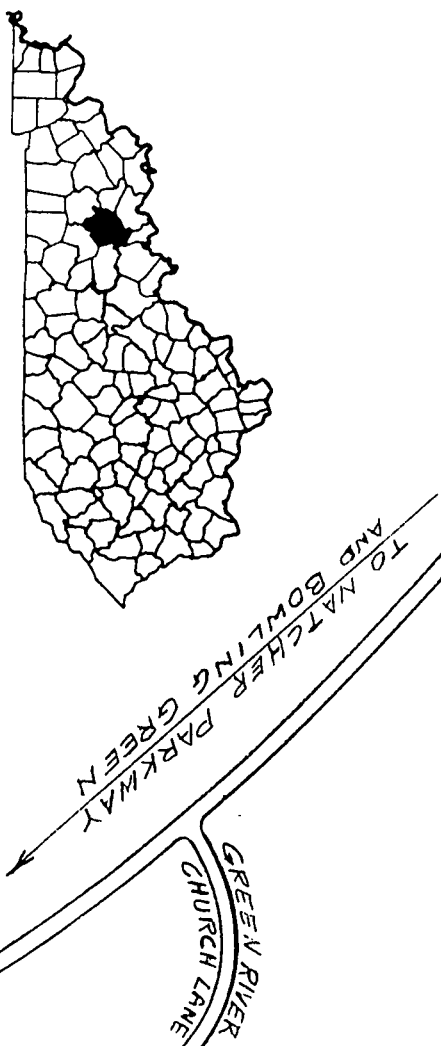
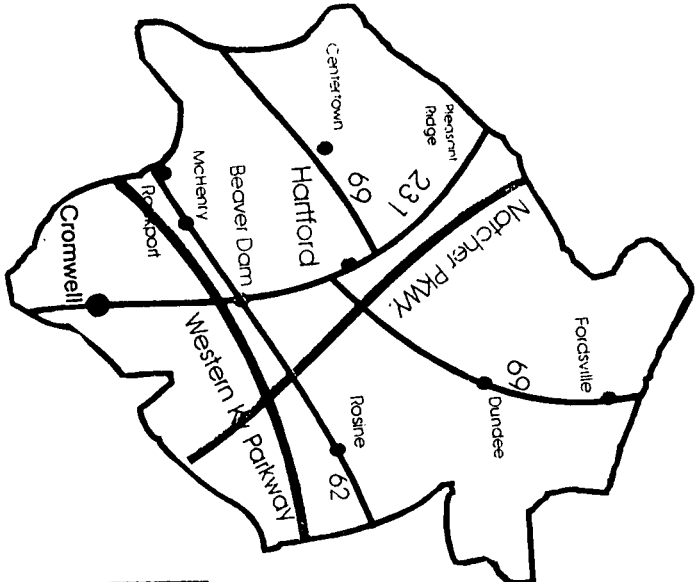
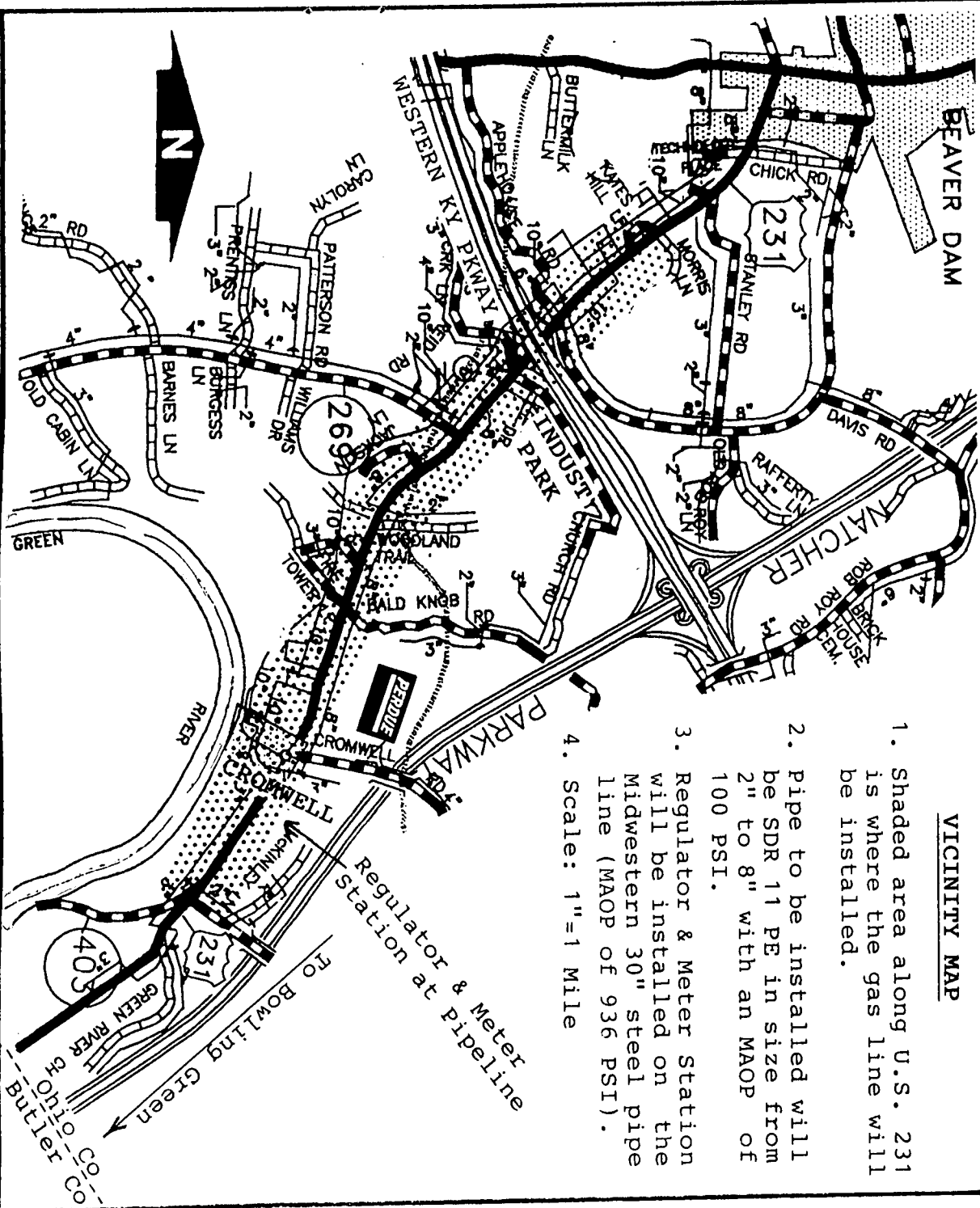
1. A list of all potential commercial and industrial customers and their expected annual natural gas usage.
2. All contracts or agreements between Millennium and large volume customers.
3. All contracts or agreements between Millennium and natural gas suppliers that provide for a firm supply of natural gas to Millennium.
4. A current map of pipeline routes from the source of supply to the end-user.
5. All revisions to the pipeline construction costs, bid documents, and pipeline construction schedule.
6. All revisions to Millennium's volume usage estimates, billing analysis, and any cost or revenue requirement component since Millennium's last filing with the Commission.



RECEIVED
 DEC 3 0 1999
 PUBLIC SERVICE
 COMMISSION

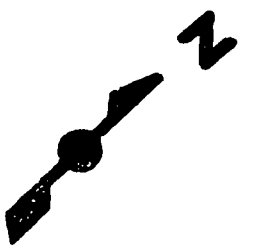
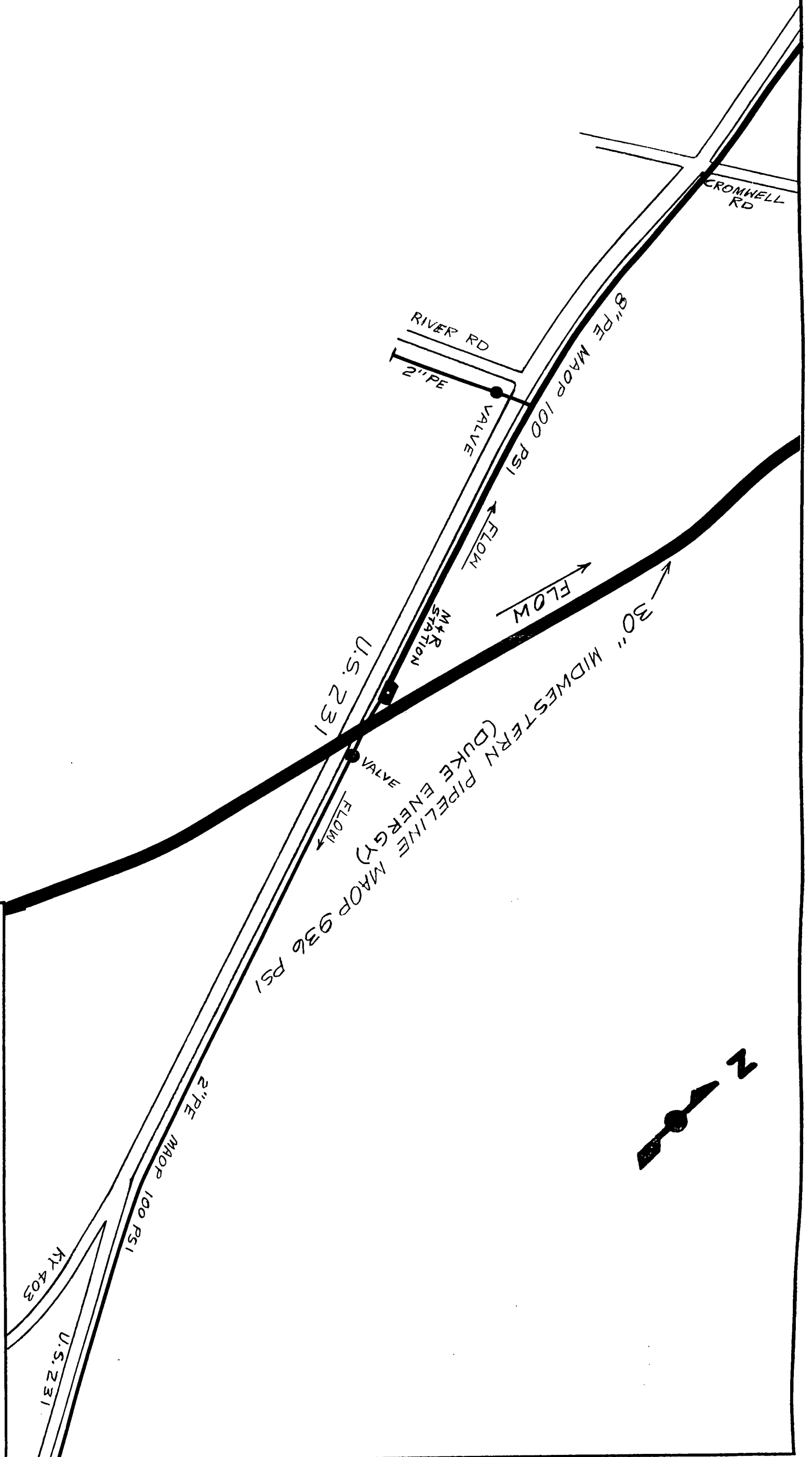
VICINITY MAP

1. Shaded area along U.S. 231 is where the gas line will be installed.
2. Pipe to be installed will be SDR 11 PE in size from 2" to 8" with an MAOP of 100 PSI.
3. Regulator & Meter Station will be installed on the Midwestern 30" steel pipe line (MAOP of 936 PSI).
4. Scale: 1"=1 Mile



PROPOSED NATURAL GAS SUPPLY LINE

SCALE: 1" = 400'	APPROVED BY:	DRAWN BY WITH
DATE: 12/20/99		REVISED
From Midwestern Pipeline near Cromwell in Ohio County along U.S. 231 to Morris Lane		
Millennium Energy, Inc. 951 Fairview Ave - Bowling Green, KY		
DRAWING NUMBER		1 of 7

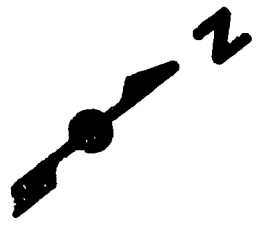
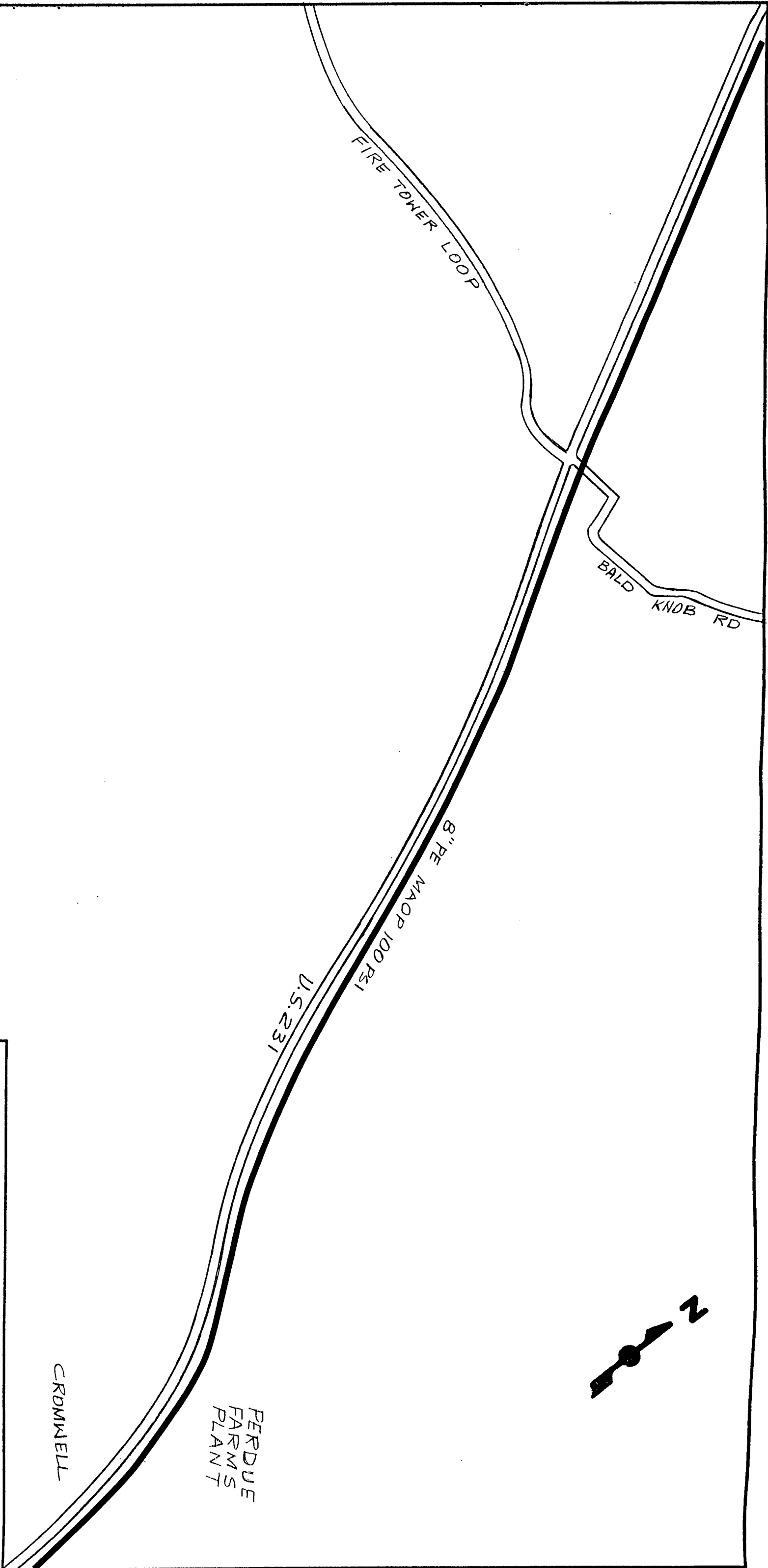


PROPOSED NATURAL GAS SUPPLY LINE

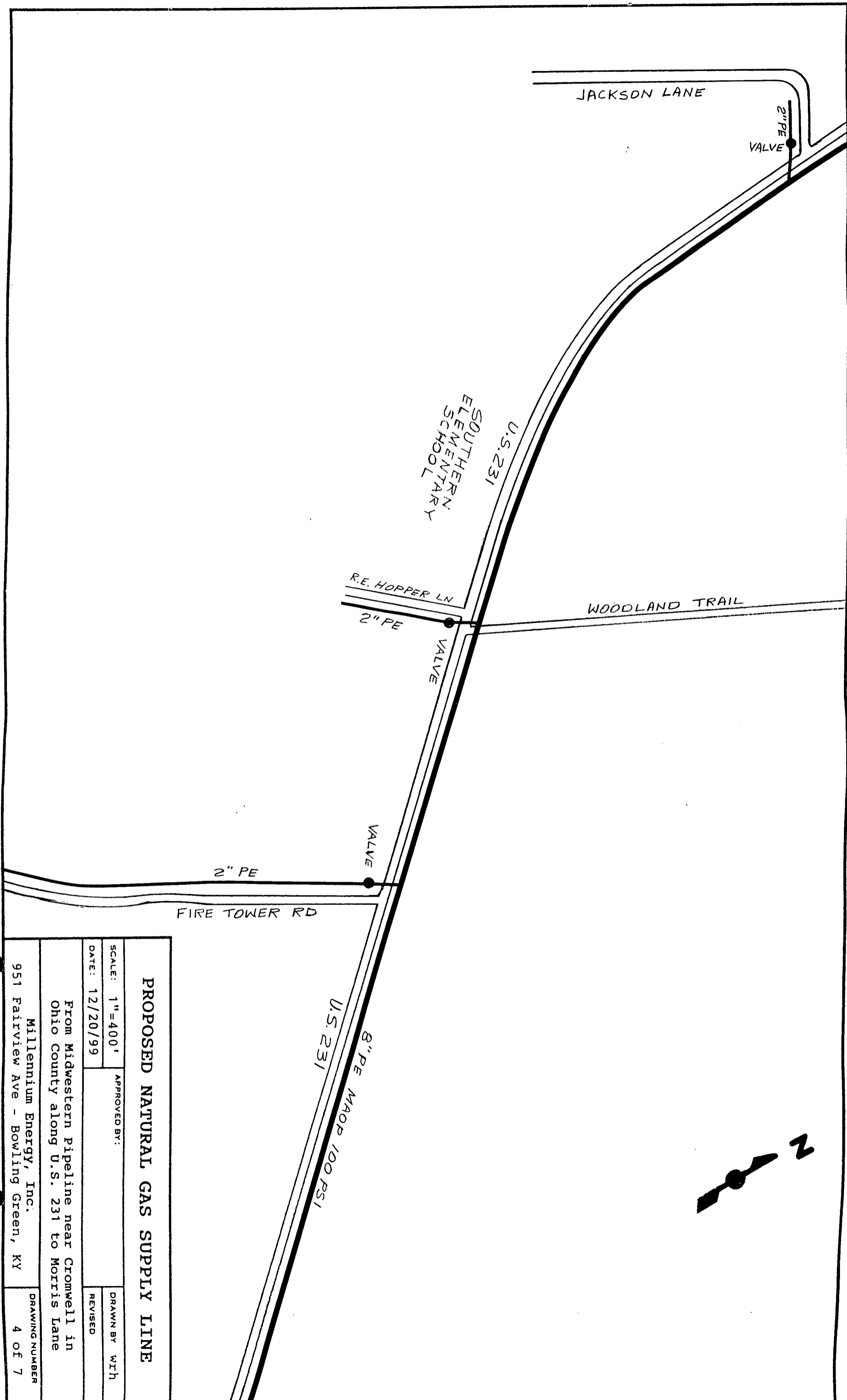
SCALE: 1" = 400'
 DATE: 12/20/99

APPROVED BY:
 DRAWN BY WITH
 REVISED

From Midwestern Pipeline near Cromwell in Ohio County along U.S. 231 to Morris Lane
 Millennium Energy, Inc.
 951 Fairview Ave - Bowling Green, KY
 DRAWING NUMBER 2 OF 7



<p>PROPOSED NATURAL GAS SUPPLY LINE</p>		SCALE: 1"=400'	APPROVED BY:
		DATE: 12/20/99	DRAWN BY WITH REVISED
<p>From Midwestern Pipeline near Cromwell in Ohio County along U.S. 231 to Morris Lane</p>		<p>Millennium Energy, Inc.</p>	
<p>951 Fairview Ave - Bowling Green, KY</p>		<p>DRAWING NUMBER 3 of 7</p>	



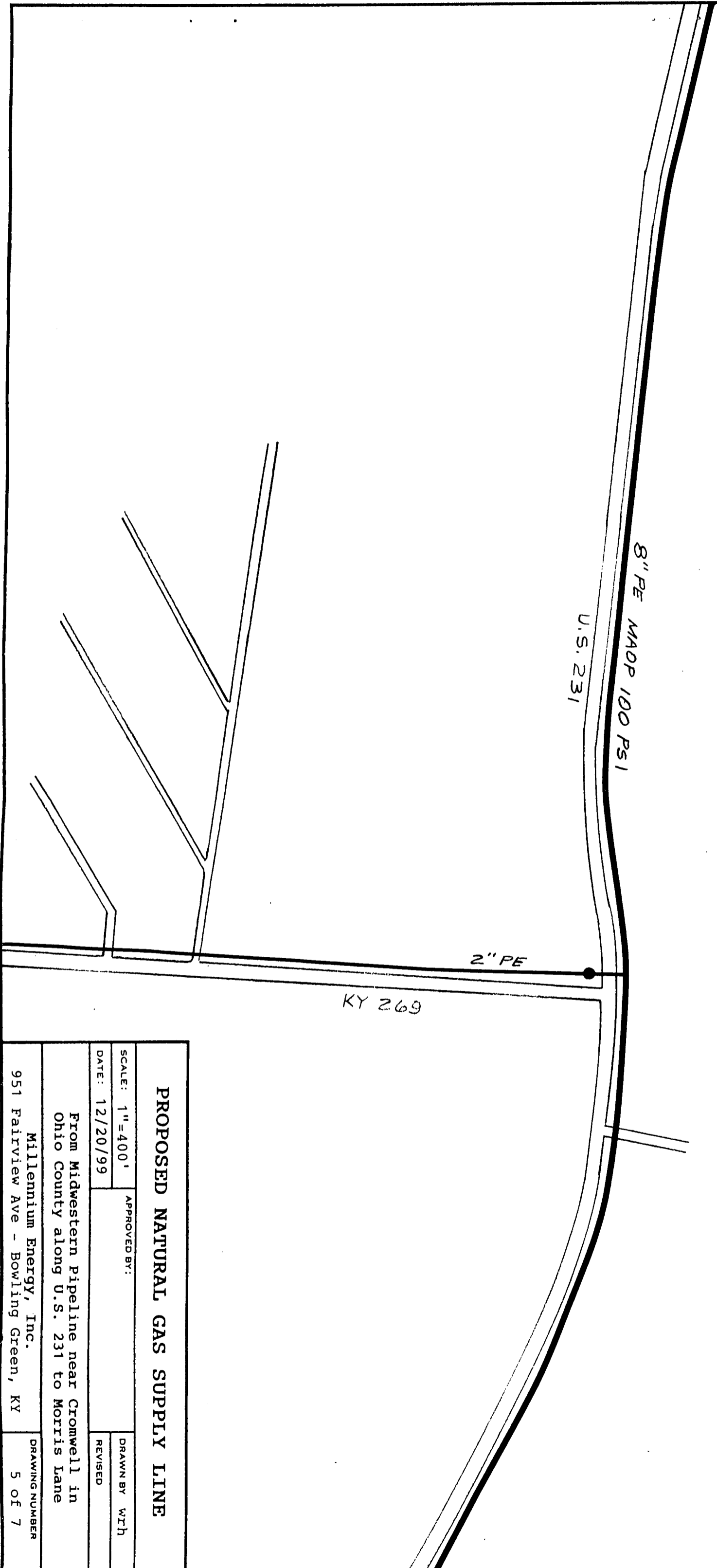
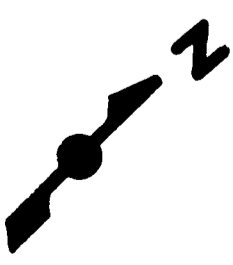
PROPOSED NATURAL GAS SUPPLY LINE

SCALE: 1" = 400' APPROVED BY: DRAWN BY: wjh

DATE: 12/20/99 REVISED

From Midwestern Pipeline near Cromwell in Ohio County along U.S. 231 to Morris Lane

Millennium Energy, Inc.
951 Fairview Ave - Bowling Green, KY DRAWING NUMBER 4 Of 7



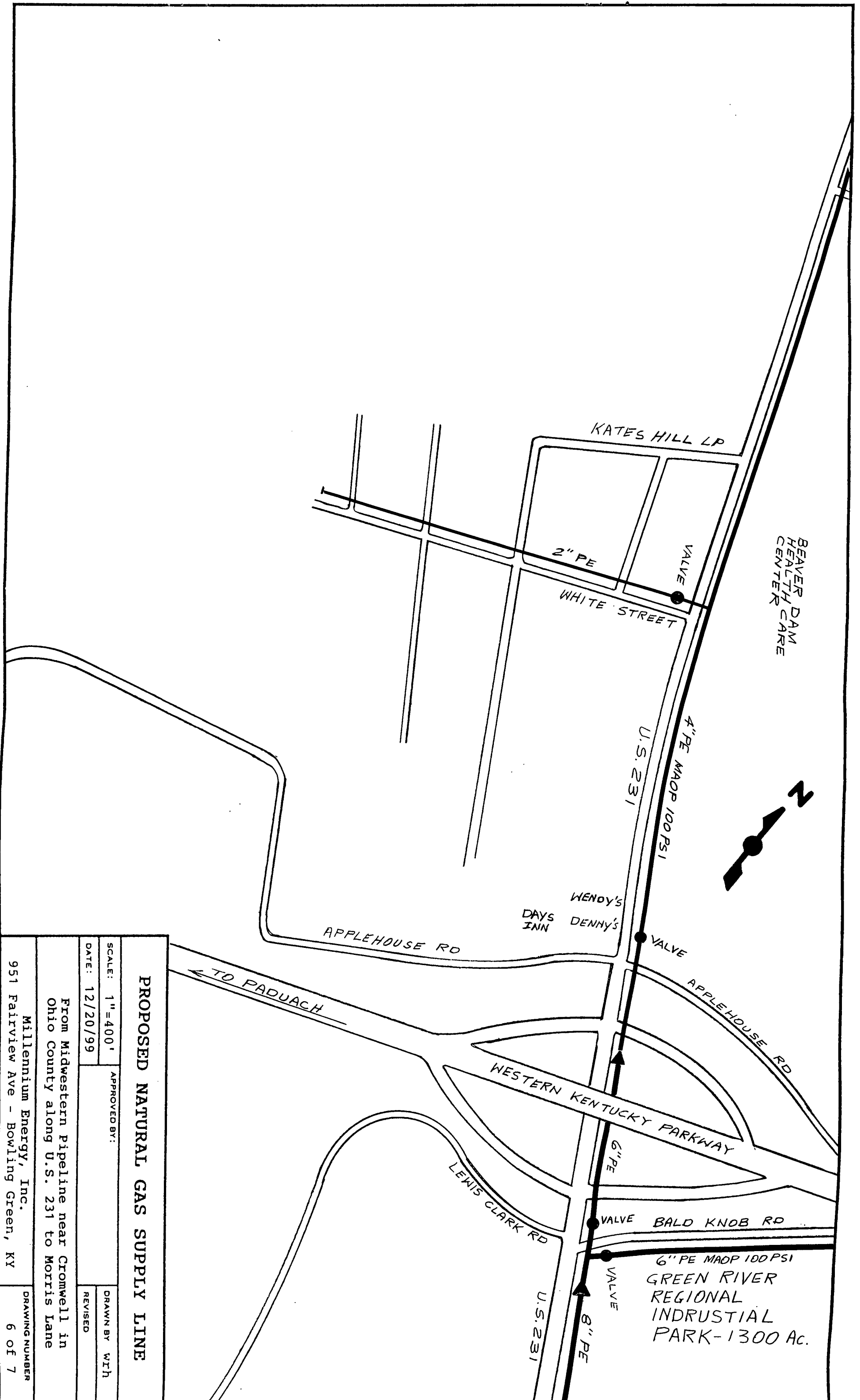
PROPOSED NATURAL GAS SUPPLY LINE

SCALE: 1"=400'	APPROVED BY:	DRAWN BY WITH
DATE: 12/20/99		REVISED

From Midwestern Pipeline near Cromwell in Ohio County along U.S. 231 to Morris Lane

Millennium Energy, Inc.
951 Fairview Ave - Bowling Green, KY

DRAWING NUMBER
5 of 7

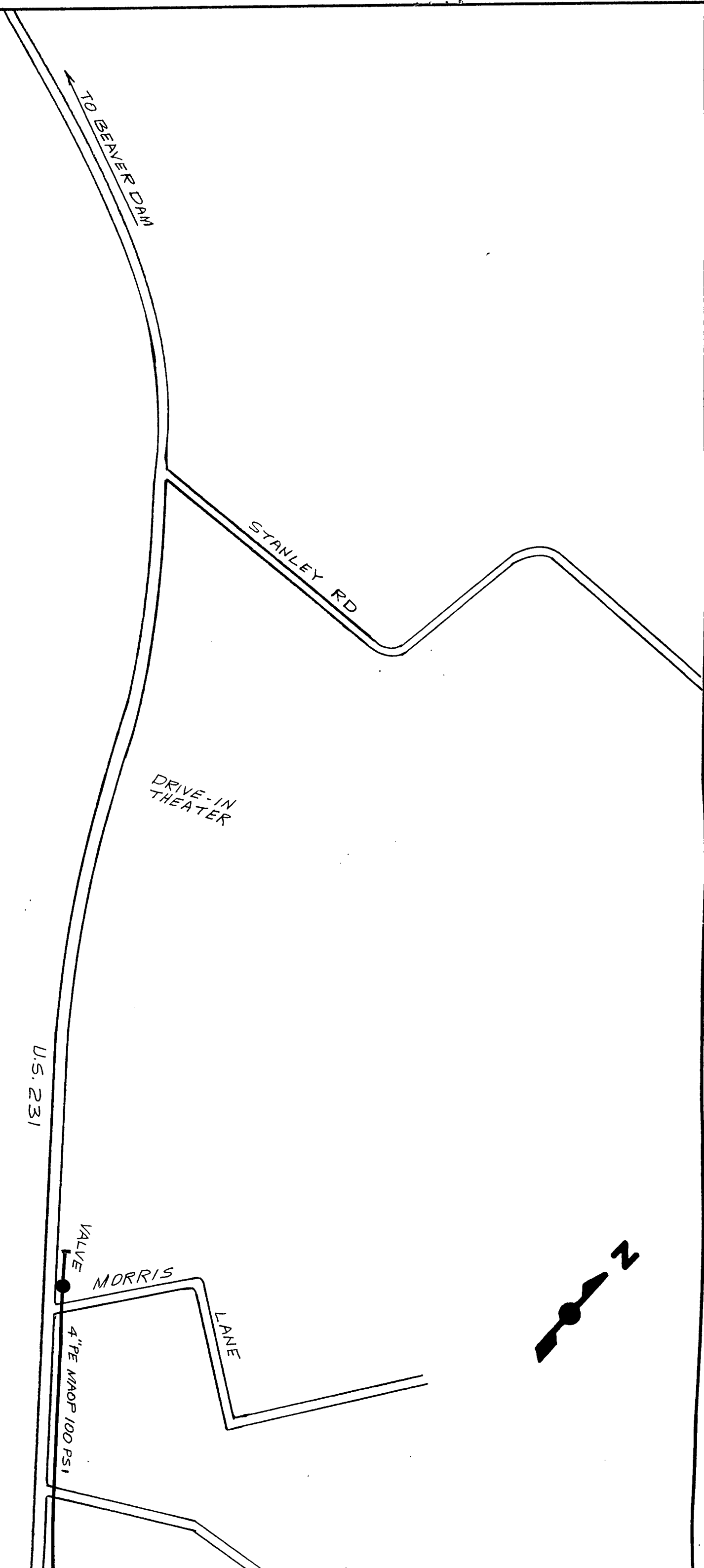


PROPOSED NATURAL GAS SUPPLY LINE

SCALE: 1" = 400'
 DATE: 12/20/99
 APPROVED BY:
 DRAWN BY WITH
 REVISED

From Midwestern Pipeline near Cromwell in Ohio County along U.S. 231 to Morris Lane

Millennium Energy, Inc.
 951 Fairview Ave - Bowling Green, KY
 DRAWING NUMBER 6 of 7



PROPOSED NATURAL GAS SUPPLY LINE

SCALE: 1" = 400'	APPROVED BY:	DRAWN BY: Wjh
DATE: 12/20/99		REVISED

From Midwestern Pipeline near Cromwell in Ohio County along U.S. 231 to Morris Lane

Millennium Energy, Inc.
951 Fairview Ave - Bowling Green, KY

DRAWING NUMBER
7 of 7



P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Emergency: 1-888-291-9133
Fax: (270)781-3299

June 14, 2000

RECEIVED
JUN 16 2000
PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: Case # 1999-115 Filing Deficiencies Response

Dear Mr. Huelsmann:

On June 8, Millennium provided the Commission a response to the Commission's order of May 19, 2000, for Case# 1999-115. We have discovered that an exhibit was inadvertently moved to another section.

In response to question number 6, we note that the loan documents are included under Exhibit 14. As you will find, there is no Exhibit 14. The loan information is included in Exhibit 2.

We apologize for any inconvenience that this relocation may have caused. We appreciate the Commissions cooperation in this case.

Sincerely,

A handwritten signature in cursive script that reads "Gary K. Dillard".

Gary K. Dillard
Executive Vice President



P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Emergency: 1-888-291-9133
Fax: (270)781-3299

June 14, 2000

Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: Case # 1999-115 Filing Deficiencies Response

Dear Mr. Huelsmann:

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We apologize for any inconvenience that this relocation may have caused. We appreciate the Commission's cooperation in this case.

Sincerely,

A handwritten signature in dark ink, appearing to read "Gary K. Dillard".

Gary K. Dillard
Executive Vice President

RECEIVED
JUN 14 2000
PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN - 9 2000

PUBLIC SERVICE
COMMISSION

**A PETITION OF MILLENNIUM ENERGY, INC., FOR A
CERTIFICATE OF CONVENIENCE AND NECESSITY TO
CONSTRUCT A NATURAL GAS LINE, APPROVAL OF FUNDING,
AND THE OPERATION OF A NATURAL GAS LINE IN OHIO
COUNTY, KENTUCKY**

CASE NO. 1999-115

JUNE 7, 2000



P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Emergency: 1-888-291-9133
Fax: (270)781-3299

June 8, 2000

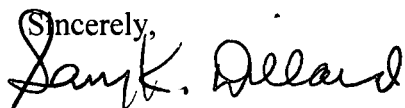
Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: Case # 1999-115 Filing Deficiencies Response

Dear Mr. Huelsmann:

In response to the Commissions order of May 19, 2000, Millennium is providing the following information on Case # 1999-115.

Millennium is willing to answer any further questions that the Commission might have on the project. We appreciate the Commissions cooperation in this case.

Sincerely,


Gary K. Dillard
Executive Vice President

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

**A PETITION OF MILLENNIUM ENERGY, INC.
FOR A CERTIFICATE OF CONVENIENCE
AND NECESSITY TO CONSTRUCT A NATURAL
GAS LINE, APPROVAL OF FUNDING, AND THE
OPERATION OF A NATURAL GAS LINE
IN OHIO COUNTY, KENTUCKY**

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RESPONSE TO THE COMMISSION'S MAY 19 ORDER ON CASE 99-115.

Exhibit 1a (Rev.2)	Customer Survey
Exhibit 1b	Bluegrass Crossing Industrial Authority Letter
Exhibit 2	NCFC Letter of Agreement
Exhibit 3a (Rev. 3)	Construction Cost Estimates (Replaces Exhibit 3a Rev. 2)
Exhibit 3b (Rev. 3)	Construction Cost Estimates by UsoA (Replaces Exhibit 3b Rev. 2)
Exhibit 4 (Rev. 3)	Pro Forma Balance Sheet (Replaces Exhibit 4 Rev. 2)
Exhibit 5 (Rev.3)	Rate Design Considerations (Replaces Exhibit 5 Rev. 2)
Exhibit 6 (Rev.3)	Combined Pro Forma Income Statements and Detailed Cost Accounting (Replaces Exhibit 6 Rev. 2)
Exhibit 7 (Rev.3)	Depreciation Schedule (Replaces Exhibit 7Rev. 2)
Exhibit 8 (Rev.3)	Gross Revenue Conversion Factor (Replaces Exhibit 8 Rev. 2)
Exhibit 9 (Rev. 3)	Revenue Requirements by TIER (Replaces Exhibit 9 Rev. 2)
Exhibit 10a (Rev. 3)	Amortization Schedule for Existing Loans (Replaces Exhibit 10a Rev.2)
Exhibit 10b (Rev.2)	Amortization Schedule for New Loans (Replaces Exhibit 10b Rev.2)
Exhibit 11 (Rev.3)	Estimated Taxes (Replaces Exhibit 11 Rev.2)
Exhibit 12 (Rev. 2)	Cash Flow Summary (Replaces Exhibit 12)
Exhibit 13	Energy Information Administration form EIA-176

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, APPROVAL OF)
FUNDING, AND THE OPERATION OF A)
NATURAL GAS LINE IN OHIO COUNTY,)
KENTUCKY)

CASE NO. 99-115

RESPONSE

Millennium Energy's response to the Commission's May 19, 2000
Order on filing deficiencies

1 **Question 1.** Provide a copy of the signed agreement with Peake Energy, Inc. ("Peake") for
2 firm natural gas supply for the potential customers in the proposed gas system.
3

4 **Witness:** Gary Dillard, Millennium Energy, Inc.
5

6 **Response:** Millennium Energy, Inc. and Peake Energy, Inc. are in ongoing discussions
7 concerning the supply of Natural Gas for this project (Refer to the letter from Peake
8 Energy included as Exhibit 14 of Millennium's response to the commission in Case No.
9 1999-115 dated April 12, 2000). Millennium will not, however, enter into an official
10 agreement with Peake Energy until a large commercial or industrial customer is
11 established in the new regional industrial park or area that will make the project
12 financially feasible. At that time, dependent upon usage demand, Millennium will
13 determine if it secures a supply from Peake or from a Midwestern Pipeline supplier or
14 both. Peake Energy has an interconnection with the Midwestern Pipeline.
15

16
17 **Question 2** Refer to Exhibit 1, Natural Gas Survey/Study.
18

- 19 a. The annual usage volumes presented in the original application's Exhibit 1 were
20 stated in Mcf.; however, the information submitted on April 17, 2000 presents the
21 same volume figures in MMBtu. Explain the usage volumes presented in Exhibit
22 1.
23
- 24 b. The presentation of the estimated number of residential customers in Exhibit 1
25 requires clarification. The total number is presented as 100, but the supporting
26 numbers seem to indicate 200 customers. Provide the total number of additional
27 residential customers Millennium expects to obtain with the Ohio County
28 expansion.
29
- 30 c. Explain how Millennium developed its volume usage estimates for the customers
31 in Exhibit 1.
32

33 **Witness:** Michael Lane; R.W. Beck, Inc.
34

35 **Response: (a)** The usage data outlined in Exhibit 1 is as measured in MMBTU with an
36 assumed heat rate of 1,000 BTU/cf.
37

38 **Witness:** Gary Dillard, Millennium Energy, Inc.
39

40 **Response:(b)** Based on the survey conducted by Millennium Energy, Inc., Millennium
41 estimates that 100 residential customers will be connected in the first year of operation
42 (FY 2000 in this filing, although the FY may be pushed back as necessary). Millennium
43 estimates that an additional 50 residential customers will be connected in both the second
44 and third years of operation (FY 2001 and FY 2002 in this filing, although, again, the FY
45 may be pushed back as necessary). The total number of residential customers is therefore
46 estimated to be 200 customers by the end of the third year of operation (FY 2002 in this
47 filing).
48

49 Accordingly, Exhibit 1 was replaced by Exhibit 1(Rev.2) in order to reflect the correct
50 number of initial residential customers.

51
52 **Witness:** Gary Dillard, Millennium Energy, Inc.

53
54 **Response:(c)** Millennium based its estimate of residential usage on the Energy
55 Information Administration's (EIA) Form EIA-176 (Average Residential Annual
56 Consumption and Cost of Natural Gas per consumer by State, 1994-98), which is
57 included as Exhibit 13 of this filing. 91 Mcf was used as a conservative approximation of
58 the average for the period shown for Kentucky. The commercial usage was based on
59 current estimated propane usage.

60
61 **Question 3.** Refer to Exhibit 5, Rate Design Considerations. The exhibit lists expected
62 revenues from the Residential and Commercial classes but does not include the Industrial
63 customers listed on the original application's Exhibit 5.

- 64
65 a. Explain whether or not Millennium's Ohio County customers will include
66 industrial customers.
67
68 b. If yes, provide the expected number of customers and their estimated annual
69 usage volumes.
70
71 c. The "Revenue from Rate" column is labeled "FY 2002." Explain why
72 Millennium does not expect revenue from Ohio County customers until 2002.

73
74 **Witness:** Gary Dillard, Millennium Energy, Inc.

75
76 **Response:(a)** Millennium anticipates that there will be industrial customer(s) at the new
77 Bluegrass Crossroads Business Centre (Industrial Park) in southern Ohio County. The
78 Green River Regional Industrial Authority (five county authority) is currently purchasing
79 property (1100 acres) through a 7.8 million dollar state government grant. Millennium
80 will assist in the recruitment of industry and provide natural gas to the industrial
81 customers in the Industrial Park. This petition, once approved, will undoubtedly aid the
82 Industrial Authority in that recruitment effort. Millennium plans to negotiate contract
83 service to industry on a case-by-case basis through future PSC filings.

84
85 **Witness:** Gary Dillard, Millennium Energy, Inc

86
87 **Response:(b)** It is not currently known how many industrial customers will inhabit
88 Bluegrass Crossing Business Centre, however, at least one industrial customer with an
89 annual usage of approximately 30,000 to 40,000 MMBTU would be required to make the
90 project financially feasible. A letter from the Bluegrass Crossing Industrial Authority
91 stating their intent to secure an industrial customer has been included as Exhibit 1b.

92
93 **Witness:** Michael Lane, R.W. Beck, Inc

94
95 **Response:(c)** Millennium does anticipate revenue in the first year of operation (FY 2000
96 in this filing). The FY 2002 revenue was intended to be merely an illustration of what

97 revenue would be in the third year of operation after all of the potential residential and
98 commercial customers identified in the customer survey have been connected to the
99 system. Exhibit 5 (Rev.2) has been replaced by Exhibit 5 (Rev. 3), which illustrates the
100 anticipated revenue from rates for each FY of operation. Additionally, the revenue in
101 Exhibit5 (Rev.2) did not accurately illustrate the total revenue in that it only counted one
102 month's worth of customer charges for each of the customer classes and the total
103 residential usage was incorrect. These numbers have been corrected in the revised Exhibit
104 5 (Rev. 3).

105
106 **Question 4.** Refer to Millennium's response to Question 4 and Exhibit 6, Pro Forma Income
107 Statement.

- 108
109 a. Woodward LLC ("Woodward") is Millennium's current natural gas supplier.
110 Explain whether or not Peake will replace Woodward or be an additional supplier.
111
112 b. If Peake is to replace Woodward, does Millennium expect to get a better price
113 from Peake?
114
115 c. Provide the price range of the purchased gas costs discussed with Peake.
116

117 **Witness:** Gary Dillard, Millennium Energy, Inc

118
119 **Response:(a)** Peake Energy will be an additional supplier providing natural gas to
120 customers in Ohio County only.
121

122
123 **Witness:** Gary Dillard, Millennium Energy, Inc.

124
125 **Response:(b)** Peake Energy is not anticipated to replace Woodward, but to supplement
126 Millennium's existing Gas Supply arrangements, Peake Energy's well natural gas will be
127 used in Ohio County only.
128

129 **Witness:** Gary Dillard, Millennium Energy, Inc.

130
131 **Response:(c)** Peake Energy has indicated that they will be able to supply gas at a price of
132 no more than the NYMEX price at the time of signing a supply agreement. Based on
133 preliminary discussions with Peake Energy, prices for Natural Gas are expected to be
134 competitive with Woodward Marketing.
135

136
137 **Question 5.** Refer to Commission's March 10, 2000 Order, Items 9 and 9(b). Millennium was
138 directed to provide all executed notes payable, line of credit agreements and copies of Warren
139 Rural Electric Cooperative Corporation's ("Warren RECC") agreements as guarantor of
140 Millennium's notes payable and line of credit agreements. Provide the information requested.
141

142 **Witness:** Gary Dillard, Millennium Energy, Inc.

143
144 **Response:** A copy of Millennium's letter of credit from NCFC is included as Exhibit

145 2 of this filing. WRECC's Repayment Guarantee was included as Exhibit 15, page 14 of
146 Millennium's response to the Commission dated April 12, 2000.
147

148
149 **Question 6.** Millennium proposed to fund this project with financing from \$500,000 line of
150 credit. How does Millennium plan to borrow \$694,197 from a \$500,000 revolving line of credit?
151 Fully justify the response and reconcile the borrowings required to fund this proposed
152 construction with funding available.
153

154 **Witness:** Gary Dillard, Millennium Energy, Inc.
155

156 **Response:** The loan documents are included as Exhibit 14.
157
158

159 **Question 7.** Refer to Exhibits 6 and 9 of Millennium's response to the Commission's
160 March 10, 2000 Order.
161

- 162 a. The revenue and expenses for the "existing system" in "FY 2000" as referred to
163 on Exhibit 6 is based on a 3-year average provided in Millennium's response to
164 the Commission's September 20, 1999 Order in Case No. 99-312. That schedule
165 of the initial 3 years' estimated operating expenses including inflation or other
166 upward adjustment to many expenses beyond the initial year of operations in the
167 amount of 7 percent. The Commission allows only known measurable
168 adjustments to costs or expenses in financial exhibits for revenue requirement
169 determination. The adjustment may be supported by historical cost trends, future
170 contractual obligations or some other relevant reliable measure. Provide your
171 source of the above-referenced adjustments.
172
- 173 b. In Exhibit 6 (operating expenses by UsoA account and the pro forma income
174 statement) of its response to the Commission's March 10, 2000 Order,
175 Millennium included inflation or some other upward adjustment in the amount of
176 7 percent operating expenses in "FY 2001" and "FY 2002" for the Ohio County
177 Expansion. The Commission allows only known and measurable adjustments to
178 costs or expenses in financial exhibits for revenue requirement determination.
179 The adjustment may be supported by historical cost trends, future contractual
180 obligations or some other relevant measure. Provide your source of the above-
181 referenced adjustments.
182
- 183 c. The interest expense on Exhibit 9, line 2, references Exhibit 6, (the pro forma
184 income statement) of Millennium's response to the Commission's March 10,
185 2000 Order. However, the interest expense for the Existing System and Ohio
186 County Expansion does not agree with the amount on the amortization schedule at
187 Exhibit 10(b). Total system interest for the first, second, and third year of
188 operations of the Ohio County Expansion appears to equal \$78,664, \$77,587 and
189 \$72,834, respectively. These totals of interest expense result in an average annual
190 amount of \$76,362. Reconcile the amounts from the amortization schedule at
191 Exhibit 10(b) to the amount of the revenue requirement determination to Exhibit
192 9, line 2.

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Witness: Michael Lane; R.W. Beck, Inc.

Response:(a) Millennium Energy estimated its annual expenses in Case No. 99-312 using a detailed cost study prepared by Millennium Energy, which was included as Exhibit 2, pages 1 and 2 of 3 in Millennium's response to the commission dated October 7, 1999. Accordingly, R.W. Beck, Inc. utilized the cost study included in Millennium's response to the commission dated October 7, 1999 as Exhibit 2, page 3 of 3, to check the "reasonableness" of the cost estimate conducted by Millennium Energy, Inc.

Witness: Michael Lane; R.W. Beck, Inc.

Response:(b) Millennium Energy attempted to estimate its annual expenses for each fiscal year of operations using the following methods:

Interest expenses were estimated using the actual amortization schedules, which are included as Exhibits 10(a) and 10(b).

Depreciation expenses were estimated using the depreciation schedule included as Exhibit 7 (Rev.2) in Millennium's response to the commission dated April 12, 2000.

Property taxes were estimated using construction cost estimates and the existing property tax rate.

Operating and maintenance expenses were estimated based on the same expense to Total Utility Plant ratio used in Case 99-312, which was based on detailed cost estimates prepared by Millennium Energy, Inc. and included in Millennium's response to the commission dated October 7, 1999 as Exhibit 2, pages 1 and 2 of 3. Accordingly, increases in the O & M expenses are based on an anticipated increase in Total Utility Plant.

Administration and General expenses were estimated using the same expense to Revenue ratio used in Case no. 99-312, which was based on detailed cost estimates prepared by Millennium Energy, Inc. and included in Millennium's response to the commission dated October 7, 1999 as Exhibit 2, pages 1 and 2 of 3. These expenses were held constant throughout the evaluation period.

Customer accounts expenses were estimated using the same expense to Revenue ratio used in Case no. 99-312, which was based on detailed cost estimates prepared by Millennium Energy, Inc. and included in Millennium's response to the commission dated October 7, 1999 as Exhibit 2, pages 1 and 2 of 3. These expenses were held constant throughout the evaluation period.

Witness: Michael Lane; R.W. Beck, Inc.

241 **Response:(c)** Exhibit 6 (Rev. 2) of Millennium's response to the commission dated April
242 17, 2000 has been corrected and replaced with Exhibit 6 (Rev.3) to illustrate the correct
243 interest expense for each Fiscal Year of operation of the Ohio County Expansion.
244 Accordingly, Exhibit 9 (Rev.2) of Millennium's response dated April 17, 2000 has been
245 updated and replaced with Exhibit 9 (Rev.3) to reflect the correct interest expense and the
246 resulting Revenue Requirement.
247
248

249 **Question 8.** In Exhibit 6 of its response to the Commission's March 10, 2000 Order,
250 Millennium shows negative "funds available for capital improvements and additions" after
251 considering the "FY 2002" operating results. Refer to the Commission's March 10, 2000 Order,
252 Item 10(b). Millennium was asked whether its parent company, Warren RECC, would provide
253 capital to Millennium if its cash flow is insufficient to make principal payments on loans.
254 Millennium responded that it will not borrow funds from Warren RECC and all projects must be
255 self-sustaining. Explain how Millennium will obtain funding to maintain its service to public
256 consumers if its total system becomes deficient of funds.
257

- 258 a. Restate your cash flow summary to include any changes to revenues or expenses
259 resulting from the issues raised by this Order. Refer to the Commission's March
260 10, 2000 Order, Item 10(b). Millennium was asked to project cash flow until
261 2010. Millennium did not provide the cash flow summary for the projected time-
262 period requested. With net income and depreciation, as adjusted, constant from
263 "FY 2002" forward, project cash flow for two additional years.
264
- 265 b. Provide all supporting documentation used to prepare the restated cash flow
266 summary as requested in 4(b). Include any changes to operating expenses, the pro
267 forma income statement, or other documentation you use to derive your data for
268 the restated cash flow summary.
269

270 **Witness:** Gary Dillard, Millennium Energy, Inc
271

272 **Response:(a)** The adjusted cash flow statement has been included as Exhibit 12 (Rev.
273 3).
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275
276 **Witness:** Michael Lane; R.W. Beck, Inc.
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278 **Response: (b)** The supporting documentation is included in this filing as Exhibits 3(a)
279 through 11.
280

Exhibit 1a (Rev. 2)
 05/22/2000
 Natural Gas Survey/Study [1]
South Ohio County, Kentucky

Line No.	Type (a)	Location (b)	Number (c)	Total Annual Usage ¹ (d)
Completion in 2000				
1	Residential	Along US Highway 231 between	100	9100 MCF
2		Hwy. 403 and Morris Road		
3	Commercial	Southern Elementary School	1	4000 MCF
4		Days Inn	1	1000
5		Wendy's Restaurant	1	1000
6		Beaver Dam Health Care Center	1	1000
7		NAPA Service Center	1	500
8		Minit Mart	1	500
9		Denny's Restaurant [2]	1	500
10	Completion 2001			
11	Residential	River Road, Water Street	50	4550MCF
12		City View, Placid		
13	Completion 2002			
14	Residential	Patterson Street off Hwy. 269	50	4550MCF
15		White Street, Lee Land		

[1] Usage is in MCF. For the purposes of this filing, heat rate is assumed to be 1,000BTU/cf. Adjustments will be made in the future to reflect actual measured heat rates.

[2] Denny's Restaurant was inadvertently excluded in the initial petition.



May 31, 2000

Mr. Martin J. Huelsmann
Public Service Commission
211 Sower Blvd.
Frankfort, Kentucky 40602

RE: Bluegrass Crossing Industrial Park

Dear Mr. Huelsmann:

The counties of Ohio, Daviess, Hancock, McLean and Muhlenburg are working together to develop the regional industrial park known as Bluegrass Crossings. The park is 1,118 acres and will be located at the intersection of the Western Kentucky Parkway and the William H. Natcher Parkway in Ohio County. Access to the park will be via U.S. Hwy 231.


Labor availability in the area is more than adequate to accommodate any industry's needs. The available pools of unemployed and underemployed workers in this area will give any industry the needed labor supply to fill their needs. The creation of this industrial park will also, allow the five-county area to meet the demands by the population for more, better paying jobs.

The entire site has never been disturbed and site preparation should be minimal. The present use of the land is primarily agricultural, predominately pastureland. Plans are in place to construct a one million-gallon water storage tank in close proximity to the park. An upgrade to the Beaver Dam Sewage Treatment Plant will also be necessary to completely service the park. Adequate electric service is readily available and natural gas will have to be extended approximately one mile to the site. The Economic Development Cabinet has currently committed \$7,820,000 for the development of the site.

It is the Green River Industrial Authority's opinion that this park contains all the necessary amenities to entice interest from a wide variety of industries. The site is centrally located with excellent access in all directions, therefore, increasing the park's positions with industrial clients.

If you have any questions, or need additional information, please do not hesitate to contact me at (270) 298-3551.

Respectfully,


Larry R. Mayfield
Chairman



1350 Clay Street
Hartford, KY 42347

LRM/cmi



NATIONAL COOPERATIVE SERVICES CORPORATION
2201 Cooperative Way · Herndon, Virginia 20171-3025
703-709-6700

VIA FACSIMILE

June 5, 2000

Mr. Gary Dillard
Manager of Business Development
Millennium Energy, Inc.
951 Fairview Avenue
P.O. Box 1118
Bowling Green, KY 42102

Dear Mr. Dillard:

National Cooperative Services Corporation ("NCSC") is pleased to offer Millennium Energy, Inc. ("Millennium") a conditional commitment to finance start-up expenses in an amount up to \$1,000,000 for a natural gas pipeline. This conditional commitment will remain outstanding until such time as the project is completed or one (1) year from the date hereof.

This commitment is contingent upon and subject to the following conditions:

- A guaranty from Warren Rural Electric Cooperative Corporation ("WRECC"), in the amount of the total credit facility extended to Millennium;
- A first priority lien on all of the assets and revenues of Millennium.
- Contingency plan if actual financial performance does not meet the projected financials;
- Receipt of all permits, consents, waivers and approvals required by any federal, state or local governmental boards, commissions, authorities or other regulatory bodies in connection with this transaction, including, but not limited to, those required by the Kentucky Public Service Commission;
- Completion of all filings and notices required by applicable law;
- Due diligence review by NCSC of all contracts material to the transaction, including, but not limited to, any management agreements, participation agreements, operating agreements, and partnership agreements;
- Execution and delivery of promissory notes, loan agreements, security agreements, assignments, mortgages, pledge agreements and such other documents as required by NCSC, in form and substance satisfactory to NCSC and its counsel;
- There is no adverse change in the financial condition of either WRECC or Millennium.

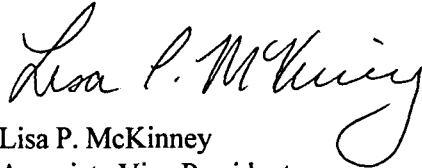
- Further negotiation and completion of mutually agreeable financing and documentation which will include terms, provisions, representations, warranties, covenants, conditions precedent, defaults, indemnities and remedies that are typical to financing facilities of this nature, although not expressly described in this letter.

This conditional commitment is delivered to you with the understanding that you will not disclose its contents or the financing terms of the transaction to any party other than governmental or regulatory bodies which require such disclosure, or to those who are in a confidential relationship with you in connection with this transaction, such as your legal counsel, accountants, consultants, the Board of Directors and officers of Millennium and WRECC, or as otherwise required by law.

If the terms of this conditional commitment are acceptable to you, please sign where indicated below and return the original executed copy to NCSC. This conditional commitment is not assignable and shall become effective upon your signature below and receipt by NCSC.

We at NCSC look forward to working with you toward a successful completion of this transaction.

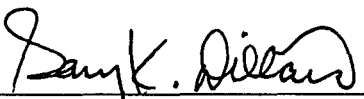
Very truly yours,



Lisa P. McKinney
Associate Vice President

Acknowledged and Agreed:

Millennium Energy, Inc.

By:  _____

Gary Dillard

Date: 6-6-2000

CONTINUING GUARANTY

For and in consideration of loans, advances, discounts, extensions of credit or other financial accommodations made or to be made by NATIONAL COOPERATIVE SERVICES CORPORATION, a corporation organized and existing under the laws of the District of Columbia ("NCSC"), to, for the account of, or on behalf of MILLENIUM ENERGY, INC. ("Borrower"), pursuant to a Secured Revolving Line of Credit Agreement, dated as of even date herewith, between the Borrower and NCSC (the "Line of Credit Agreement"), the undersigned ("Guarantor") hereby absolutely and unconditionally guarantees to NCSC (i) the outstanding principal amount due from the Borrower to NCSC, whether by acceleration or otherwise, under that certain Line of Credit Agreement by and between Borrower and NCSC in original principal amount of Five Hundred Thousand Dollars (\$500,000.00), (ii) all accrued interest thereon, (iii) all other costs, fees or expenses of NCSC for which the Borrower is obligated thereon (including costs of collection and reasonable attorney's fees), and (iv) all other indebtedness of Borrower to NCSC, whether now existing or hereafter created or arising, direct or indirect, matured or unmatured, and whether absolute or contingent and arising out of or in connection with the Line of Credit Agreement. The obligations referred to in items (i) through (iv) above are collectively referred to herein as the "Guaranteed Debt".

The obligations of Guarantor hereunder are absolute and unconditional, and shall continue until payment in full to NCSC of the Guaranteed Debt. No act by NCSC to grant credit from time to time to Borrower, Guarantor or any other party, and no act or omission by NCSC with respect to any matter whatsoever shall operate to release Guarantor from its obligations hereunder other than the execution and delivery by NCSC to Guarantor of an express written release of this Guaranty.

In the event Borrower shall at any time fail to pay NCSC all or any portion of the Guaranteed Debt when due (by maturity, acceleration or otherwise), then Guarantor promises to pay such amount to NCSC forthwith (including payment of interest accruing after the filing of any petition by the Borrower under applicable bankruptcy laws).

Guarantor expressly waives the following:

- a) notice that Borrower has incurred debt to or is in default to NCSC;
- b) NCSC's acceptance of this Guaranty;
- c) presentment, demand for payment, protest, notice of protest, notice of dishonor, notice of any election, acceptance, diligence in collection, notice of non-payment of any instrument evidencing any indebtedness of the Borrower, and to the extent permitted by law, all benefit of valuation, appraisal, exemptions and any and all other notices that would otherwise be required under the laws of the Commonwealth of Virginia;
- d) any right to require NCSC to institute and prosecute with due diligence to judgment and by execution suit against the Borrower, another guarantor or any other person on the underlying debt of the Borrower or for performance of the

Borrower or any other guarantor under any agreement with NCSC;

e) any right to require suit against the Borrower, another guarantor or any other person before enforcing this Guaranty, and with respect thereto, Guarantor specifically agrees that any proceeding for collection under this Guaranty may be brought against Guarantor before, after or simultaneously with any proceeding that may be brought against Borrower, another guarantor, or any other party for nonpayment of any indebtedness to NCSC, notwithstanding any notices or demands to the contrary that Guarantor may transmit to NCSC;

f) any right to have security applied before enforcing this Guaranty;

g) until the Borrower's indebtedness to NCSC is paid in full, any right of subrogation to NCSC's rights against the Borrower;

h) any right or remedy which Guarantor may now have or may hereafter acquire against the Borrower that would otherwise act to release Guarantor hereunder, including but not limited to any right of contribution, indemnification, subrogation, reimbursement, exoneration or participation, regardless of whether such right or remedy arises under equity, contract, in common law or otherwise; and

i) any rights of setoff, deduction, recoupment or counterclaim against NCSC.

Guarantor hereby agrees that, without notice of any kind to Guarantor and without altering the absolute and unconditional obligation of Guarantor hereunder, NCSC may renew time of payment, extend time of payment, surrender, release, exchange, substitute, deal with or take additional collateral security, take or release other guarantees, abstain from taking advantage of or realizing upon any collateral security or other guarantees, discharge, compromise, release or settle any or all of Borrower's indebtedness to NCSC (regardless of whether such indebtedness is part of the Guaranteed Debt), extend, grant indulgences, forbear against or otherwise modify any term, provision, covenant, obligation or condition with respect to any or all of the Borrower's indebtedness to NCSC (regardless of whether such indebtedness is part of the Guaranteed Debt).

If Borrower shall be in default under either of the Line of Credit Agreement, then the Guaranteed Debt shall, for the purpose of this Guaranty, be deemed at NCSC's election to have become immediately due and payable.

In the event Guarantor fails to pay its obligations hereunder in full upon demand, then NCSC is hereby authorized at any time and from time to time, without prior notice to Guarantor, to exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by NCSC or owed to Guarantor or for the credit or account of Guarantor against any and all of the obligations of Guarantor hereunder. NCSC agrees to notify Guarantor promptly after any such setoff or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of NCSC under this section are in addition to any

other rights and remedies (including other rights of setoff or recoupment) which NCSC may have.

Guarantor further agrees to pay to NCSC, in addition to payment of the Guaranteed Debt, any and all costs, expenses and reasonable attorneys' fees paid or incurred by NCSC in collecting or endeavoring to collect the Guaranteed Debt from Guarantor, regardless of whether suit is brought.

Guarantor represents and warrants that, during the term of this Guaranty, (i) the aggregate amount of obligations guaranteed hereunder shall not exceed the maximum amount allowed under a mortgage, indenture, or agreement of any kind entered into by or affecting Guarantor, and (ii) Guarantor will not, without the written consent of NCSC, make any loan, deposit, advance, investment or obligation which would cause the total aggregate indebtedness guaranteed hereunder to exceed said maximum allowable amount.

This Guaranty shall be binding upon Guarantor and its successors and assigns, and shall inure to the benefit of NCSC and its successors and assigns. The terms "Guarantor" and "Borrower" and any pronouns referring thereto as used herein shall be construed in the singular or plural as the context may require.

THE PERFORMANCE AND CONSTRUCTION OF THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

GUARANTOR HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY. GUARANTOR IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

EACH OF GUARANTOR AND NCSC HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY.

No modification or waiver of any provision of this Guaranty shall in any event be effective unless the same shall be in writing signed by NCSC.

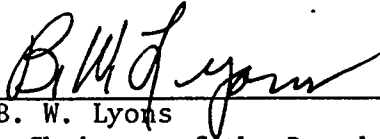
If any term, provision or condition, or any part thereof, of this Guaranty shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this

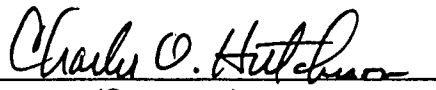
Guaranty shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

IN WITNESS WHEREOF this Guaranty has been executed and delivered to NCSC by the undersigned Guarantor this 22nd day of April, 1999.

Warren Rural Electric Cooperative Corporation

(SEAL)

By: 
B. W. Lyons
Title: Chairman of the Board of Directors

Attest: 
(Secretary)
Charles O. Hutcheson


WARREN RURAL ELECTRIC COOPERATIVE CORPORATION

**RESOLUTION
AUTHORIZING REPAYMENT GUARANTEE OF NCSC LONG-TERM
LOAN FOR MILLENNIUM ENERGY INC.**

WHEREAS, the Board of Directors of Warren Rural Electric Cooperative Corporation herein called the "Cooperative", guarantees repayment of a loan from the National Cooperative Service Corporation, herein called "NCSC", to Millennium Energy, Inc., a subsidiary of the Cooperative, in the amount up to \$500,000 to finance the project for a term of 10 years at a variable rate or rates as shall be prescribed in the note or notes executed on behalf of the Applicant and delivered to NCSC, the proceeds of such loan to be used for operation of the subsidiary business of Millennium Energy, Inc.

BE IT RESOLVED, that repayment of the loan by Millennium Energy, Inc., shall be based on monthly payment of interest only with principal payments deferred for a period of 24 months following the date of loan. Beginning on the 25th month, monthly installments will include interest and level amortization of principal over the term of the loan.

WITNESS my signature, this 22nd day of April, 1999.



B. W. Lyons, Chairman

CERTIFICATION

I, Charles O. Hutcheson, Secretary of Warren Rural Electric Cooperative Corporation, do hereby certify that the above is a true and correct copy of a Resolution adopted by the Board of Directors of Warren Rural Electric Cooperative Corporation, duly and legally called, convened, and held on April 22, 1999, at the corporate office of Warren Rural Electric Cooperative Corporation, where at a quorum was present and acting throughout, and that said Resolution is in full force and effect, and has not been rescinded or revoked in any manner whatsoever.

Witness my signature, this 22nd day of April, 1999



Charles O. Hutcheson, Secretary

(SEAL)

ENGLISH, LUCAS, PRIEST & OWSLEY

ESTABLISHED 1973

ATTORNEYS AT LAW

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JAMES H. LUCAS
OF COUNSEL

April 23, 1999

National Cooperative Services Corporation
2201 Cooperative Way
Herndon, VA 20171-3025
Attn: General Counsel

Re: MILLENNIUM ENERGY, INC. GUARANTY

Dear Sir:

I am counsel for WARREN RURAL ELECTRIC COOPERATIVE CORPORATION, organized under the laws of the Commonwealth of Kentucky ("Company"), and render this opinion to you in connection with the execution and delivery of the Guaranty executed by the Company in favor of National Cooperative Services Corporation, which guarantees certain obligations of MILLENNIUM ENERGY, INC. (the "Guaranty").

I have examined the Guaranty and such corporate records and proceedings of the Company, and such other documents as I have deemed necessary as a basis for the opinions hereinafter expressed.

Based upon the foregoing, I am of the opinion that:

(a) the Company is a duly organized, validly existing corporation in good standing under the laws of the jurisdiction of its organization, and the Company has full corporate power to execute and deliver the Guaranty and to perform all acts required to be done by it thereunder;

(b) the Guaranty has been duly authorized, executed and delivered by the Company to NCSC, and constitutes the valid and binding obligation of the Company,

National Cooperative Services Corporation

April 23, 1999

Page 2

enforceable against the Company in accordance with its respective terms provided, however, that enforceability may be limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights and that the enforcement thereof may be limited by laws with respect to or affecting the remedies provided for in said agreement or instrument;

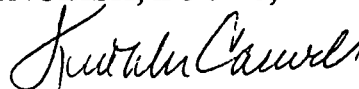
(c) the execution and performance by the Company of the Guaranty and the transactions contemplated thereby will not violate any provision of law, the Articles or Bylaws of the Company, or result in the breach of, or constitute a default under, any agreement, indenture or other instrument to which the Company is a party, or by which it may be bound, known to the undersigned;

(d) no authorization or consent of any regulatory bodies is required in connection with the execution and delivery of the Guaranty; and

(e) I know of no judgments rendered or litigation pending or threatened against or affecting the Company or any of its property which, in my opinion, would have a material adverse effect upon the business, operations or financial condition of the Company.

Very truly yours,

ENGLISH, LUCAS, PRIEST & OWSLEY



Keith M. Carwell

jhs

201770-1

Millennium Energy, Inc.
Ohio County LDS
Exhibit 3A - Estimated Construction Costs (Rev.3)

Line No.	Acct. No. / Item Description (a)	Feet/Units (b)	Average Unit Cost (c)	Estimated Cost (d)
1	Gas Supply- Materials & Installation			
2	379 Meter Station, Valves, Odor Unit			20,000
3	(Peake Energy- Rob Roy Road)			-
4	Sub-Total Gas Supply			\$ 20,000
5	Gas Distribution Mains - Materials			
6	376 6" Main Valve	4	700	2,800
7	376 3" Main Valve	4	285	1,140
8	376 2" Main Valve	10	125	1,250
9	376 8" SDR11 PE Pipe 3408	10000	5.70	57,000
10	376 6" SDR11 PE Pipe 3408	14560	3.36	48,922
11	376 3" SDR11.5 PE Pipe 2406	24000	0.99	23,760
12	376 2" SDR11.5 PE Pipe 2406	20000	0.49	9,800
13	376 Fittings, taps, reducers, tees 2", 3", 6", 8"			10,000
14	376 Tracer Wire #12	74560	0.05	3,728
15	376 Line Markers	50	25	1,250
16	376 Valve Boxes	18	60	1,080
17	Sub-Total Valves/ Lines			\$ 160,730
18	Customers			
19	385 Riser, Meter and Reg. (2")- School	1	2,000	2,000
20	385 Riser, Meter and Reg. (1")- Commercial	6	1,200	7,200
21	385 Risers, Meters and Reg. (1/2")- Residential	100	300	30,000
21	385 Riser, Meter and Reg. (2")- Industrial	1	2,000	2,000
21	380 1" Service Lines- Commercial	1000	0.20	200
23	380 1/2" Service Lines- Residential	5000	0.10	500
24	380 1/2", 1" Fittings, taps, tees etc			2,000
25	Sub-Total Customers			\$ 43,900
26	Other Construction Costs			
27	376 Street Bores- 8"- Natcher Parkway	500	80	40,000
28	376 Street Bores- 6"- WK Parkway	800	80	64,000
29	376 Street Bores- 3" (6-231)	700	13	9,100
30	376 Street Bores- 2"	1000	10	10,000
31	376 Street Bores- 1/2"	400	3	1,200
32	376 8" Pipe Installation, reclamation	8800	4.15	36,520
33	376 6" Pipe Installation, reclamation	14000	3.50	49,000
34	376 3" Pipe Installation, reclamation	24000	2.70	64,800
35	376 2" Pipe Installation, reclamation	20000	2.40	48,000
36	376 1" Pipe Installation, reclamation	1000	1.75	1,750
37	376 1/2" Pipe Installation, reclamation	5000	1.75	8,750
38	376 Crushed Stone	200	10	2,000
39	376 Road Repairs			5,000
40	376 Crop Damage			2,000
41	376 Seed, fertilizer, straw			1,500
42	Sub-Total Other Construction Costs			\$ 343,620
43	Total Construction Costs			\$ 568,250
44	Other Project Costs			
45	301 Project Engineering			15,000
46	301 Legal Counsel			10,000
47	301 Administration 240 hrs @35			8,400
48	376 Contingency Allowance (10%)			56,825
49	Sub-Total Other Costs			\$ 90,225
50	Total Estimated Costs			\$ 658,475

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 3(b) – Estimated Construction Costs by USOA Account (Rev. 3)

Line No.	USOA Acct. #	Item Description	Amount
	(a)	(b)	(c)
1	301	Organization	\$ 33,400
2	375	Structures and Improvements	-
3	376	Mains	561,175
4	379	Meas. and Reg. Station Equip. - City Gate Check Stations	20,000
5	380	Services	2,700
6	385	Measuring and Regulating Equipment	<u>41,200</u>
7		Total Utility Plant	\$ 658,475

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 4 – Pro Forma Balance Sheet (Rev.3)

Line No.	Acct. # (a)	Item Description (b)	Existing System (c)	Ohio Co. Expansion (d)	Total Amount (e)
1		ASSETS			
2	301	Organization	\$ 15,000	\$ 33,400	\$ 48,400
3	375	Structures and Improvements	2,500	-	2,500
4	376	Mains	213,803	561,175	774,978
5	379	Measuring and Regulating Station Equip. - City Gate Check Stations	78,000	20,000	98,000
6	380	Services	13,800	2,700	16,500
7	385	Measuring and Regulating Equipment	19,600	41,200	60,800
8					
9		Total Utility Plant	\$ 342,703	\$ 658,475	\$ 1,001,178
10					
11	131	Cash (Working Capital - 45 days)	26,297	50,527	76,824
12					
13		TOTAL ASSETS	<u>\$ 369,000</u>	<u>\$ 709,002</u>	<u>\$ 1,078,002</u>
14		TOTAL ASSETS	369,000	709,002	1,078,002
15					
16		LIABILITIES			
17	224	Long-Term Debt	\$ 369,000	\$ 709,002	\$ 1,078,002
18					
19		TOTAL LIABILITIES	<u>\$ 369,000</u>	<u>\$ 709,002</u>	<u>\$ 1,078,002</u>

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 5 Rate Design Considerations (Rev.3)

Line No.	Customer Class	Retail Rates	FY 2000		FY 2001		FY 2002		FY 2003		FY 2004	
			Billing Units (c)	Revenue From Rates (d)	Billing Units (e)	Revenue From Rates (f)	Billing Units (g)	Revenue From Rates (h)	Billing Units (i)	Revenue From Rates (k)	Billing Units (l)	Revenue From Rates (m)
1	Residential Customer Charge	6.00 (\$/mo.)	100	\$ 7,200	150	\$ 10,800	200	\$ 14,400	200	\$ 14,400	200	\$ 14,400
2	Commercial Commodity Charge	4.00 (\$/MCF)	9,100	\$ 36,400	13,650	\$ 54,600	18,200	\$ 72,800	18,200	\$ 72,800	18,200	\$ 72,800
5	Commercial Customer Charge	20.00 (\$/mo.)	7	\$ 1,680	7	\$ 1,680	7	\$ 1,680	7	\$ 1,680	7	\$ 1,680
6	Industrial Commodity Charge	3.00 (\$/MCF)	8,500	\$ 25,500	8,500	\$ 25,500	8,500	\$ 25,500	8,500	\$ 25,500	8,500	\$ 25,500
7	Industrial Customer Charge	1.200 (\$/mo.)	1	\$ 1,200	1	\$ 240	1	\$ 240	1	\$ 240	1	\$ 240
8	Industrial Commodity Charge	80.000 (\$/MCF)	40,000	\$ 80,000	40,000	\$ 80,000	40,000	\$ 80,000	40,000	\$ 80,000	40,000	\$ 80,000
9	Total Revenue From Rates			\$ 151,980		\$ 172,820		\$ 194,620		\$ 194,620		\$ 194,620
10	Projected Total Consumption (Mcf)		57,600		62,150		66,700		66,700		66,700	
11	Total Avg. Rate (\$/Mcf)			\$ 2.64		\$ 2.78		\$ 2.92		\$ 2.92		\$ 2.92

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 6 Pro Forma Income Statement (Rev.3)

Line No.	Account No./Description	FY 2000				FY 2001			
		Existing System [1]	Ohio Co. Expansion (d)	Total System (e)	Existing System [1] (f)	Ohio Co. Expansion (g)	Total System (h)		
1	481 Revenue	\$ 226,648	\$ 323,628	\$ 550,276	\$ 245,053	\$ 358,987	\$ 604,040		
2	804 Purchased Gas (@2.98 MM/BTU) [2]	123,912	171,648	295,560	135,757	185,207	320,964		
3	Revenue less Purchased Gas	\$ 102,736	151,980	\$ 254,716	\$ 109,296	173,780	\$ 283,076		
4	Operating Expenses								
5	871-881 Operations	6,142	11,801	17,942	6,650	12,777	19,427		
6	885-894 Maintenance	6,142	11,801	17,942	6,650	12,777	19,427		
7	901-905 Customer Accounts	10,000	14,793	24,793	10,000	14,793	24,793		
8	920-931 Administrative and General	30,000	44,380	74,380	30,000	44,380	74,380		
9		\$ 52,283	82,774	\$ 135,058	\$ 53,300	84,728	\$ 138,028		
10	Other Expenses								
11	403 Depreciation	11,423	-	11,423	9,573	16,693	26,266		
12	408 Taxes	2,112	4,059	6,171	2,112	4,059	6,171		
13	427 Interest	24,170	55,657	79,826	23,093	55,657	78,750		
14	Total Expenses	\$ 37,705	\$ 59,715	\$ 97,420	\$ 35,855	\$ 76,409	\$ 112,264		
15	Net Income (before inc. taxes)	\$ 89,630	\$ 142,490	\$ 232,120	\$ 89,155	\$ 161,137	\$ 250,291		
16	409 Income Taxes			4,158			6,032		
17	Net Income			\$ 18,438			\$ 26,752		

[1] From KPSC Case No. 99-312 filed on October 7, 1999, Exhibit 3: 1 of 2.

[2] Based on current agreement with Woodward Marketing, actual gas costs may differ depending on future agreements with Peake Energy and market prices.

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 6 Pro Forma Income Statement (Rev. 3)

Line No.	Account No./Description	FY 2002			FY 2003		
		Existing System (l)	Ohio Co. Expansion (j)	Total System (k)	Existing System (l)	Ohio Co. Expansion (m)	Total System (n)
1	481 Revenue	\$ 249,423	\$ 394,346	\$ 643,769	\$ 240,375	\$ 394,346	\$ 634,721
2	804 Purchased Gas (@2.98 MM/BTU) [2]	135,757	198,766	334,523	131,809	198,766	330,575
3	Revenue less Purchased Gas	\$ 113,666	195,580	\$ 309,246	\$ 108,566	195,580	\$ 304,146
4	Operating Expenses						
5	871-881 Operations	6,650	12,777	19,427	6,481	12,452	18,932
6	885-894 Maintenance	6,650	12,777	19,427	6,481	12,452	18,932
7	901-905 Customer Accounts	12,000	14,793	26,793	10,667	14,793	25,460
8	920-931 Administrative and General	32,000	44,380	76,380	30,667	44,380	75,046
9		\$ 57,300	84,728	\$ 142,028	\$ 54,294	84,077	\$ 138,371
10	Other Expenses						
11	403 Depreciation	9,573	16,693	26,266	10,189	16,693	26,883
12	408 Taxes	2,112	4,059	6,171	2,112	4,059	6,171
13	427 Interest	20,643	53,304	73,947	18,028	47,906	65,934
14	Total Expenses	\$ 34,778	\$ 74,056	\$ 108,834	\$ 36,113	\$ 68,659	\$ 104,771
15	Net Income (before inc. taxes)	\$ 92,078	\$ 158,784	\$ 250,862	\$ 90,288	\$ 152,735	\$ 243,023
16	409 Income Taxes						
17	Net Income			\$ 58,384			\$ 61,123
				\$ 10,743			\$ 11,247
				\$ 47,641			\$ 49,877

[1] From KPSC Case No. 99-312 filed on October 7, 1999, Exhibit 6
 [2] Based on current agreement with Woodward Marketing, a

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 6 Pro Forma Income Statement (Rev.3)

Line No.	Account No./Description	FY 2004					Comments
		Existing System	[1]	Ohio Co. Expansion	Total System	5-Year Average	
	(a) (b)	(o)	(p)	(q)	(r)		
1	481 Revenue	\$ 240,375	\$ 394,346	\$ 634,721	\$ 599,362	Calculated: Line 2 plus Line 3.	
2	804 Purchased Gas (@2.98 MM/BTU) [2]	131,809	198,766	330,575	\$ 317,016		
3	Revenue less Purchased Gas	\$ 108,566	195,580	\$ 304,146	\$ 282,346	See Exhibit 9 Revenue Requirements, Line 17	
4	Operating Expenses						
5	871-881 Operations	6,481	12,452	18,932	18,932	Based on KPSC Case 99-312 Expense to Utility Plant Ratio	
6	885-894 Maintenance	6,481	12,452	18,932	18,932	Based on KPSC Case 99-312 Expense to Utility Plant Ratio	
7	901-905 Customer Accounts	10,667	14,793	25,460	25,460	Based on KPSC Case 99-312 Expense to Revenue Ratio	
8	920-931 Administrative and General	30,667	44,380	75,046	75,046	Based on KPSC Case 99-312 Expense to Revenue Ratio	
9		\$ 54,294	\$ 84,077	\$ 138,371	\$ 138,371		
10	Other Expenses						
11	403 Depreciation	10,189	16,693	26,883	21,318	See Exhibit 7, Depreciation Schedule	
12	408 Taxes	2,112	4,059	6,171	6,171	Property Taxes	
13	427 Interest	15,237	42,069	57,306	77,508	See Exhibit 10, Amortization Schedule	
14	Total Expenses	\$ 36,113	\$ 62,821	\$ 98,934	\$ 104,997		
15	Net Income (before inc. taxes)	\$ 90,288	\$ 146,898	\$ 237,186	\$ 243,369	Line 3 less Line 14.	
16	409 Income Taxes					See Exhibit 11, Tax Calculation	
17	Net Income			\$ 54,640	\$ 31,806		

[1] From KPSC Case No. 99-312 filed on October 7, 1999, Exhibit 6
[2] Based on current agreement with Woodward Marketing, a

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 7 – Depreciation Schedule (Rev.3)

Line No.	Acct. #	Item Description	Cost Estimate	Estimated Installation	Depreciation Period	Balance 2000	Balance 2001
	(a)	(b)	(c)	(d)	(e)	(g)	(h)
1	301	Organization	\$ 33,400	2000	10	\$ 33,400	\$ 30,060
2	375	Structures and Improvements	-	2000	30	-	-
3	376	Mains	561,175	2000	50	561,175	549,951
4	379	Measuring and Regulating Station Equip.	20,000	2000	30	20,000	19,333
5	380	Services	2,700	2000	30	2,700	2,610
6	385	Measuring and Regulating Equipment	41,200	2000	30	41,200	39,827
7		Total Utility Plant	\$ 658,475			\$ 658,475	\$ 641,781
8		Depreciation Expense					16,693
9		Accumulated Depreciation					16,693

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 7 – Depreciation Schedule (Rev.3)

Line No.	Acct. # (a)	Item Description (b)	Balance		Balance		Balance		Balance	
			2002 (i)	2003 (j)	2004 (k)	2005 (l)	2006 (m)	2007 (n)		
1	301	Organization	\$ 26,720	\$ 23,380	\$ 20,040	\$ 16,700	\$ 13,360	\$ 10,020		
2	375	Structures and Improvements								
3	376	Mains	538,728	527,504	516,281	505,057	493,834	482,610		
4	379	Measuring and Regulating Station Equip.	18,667	18,000	17,333	16,667	16,000	15,333		
5	380	Services	2,520	2,430	2,340	2,250	2,160	2,070		
6	385	Measuring and Regulating Equipment	38,453	37,080	35,707	34,333	32,960	31,587		
7		Total Utility Plant	\$ 625,088	\$ 608,394	\$ 591,701	\$ 575,007	\$ 558,314	\$ 541,620		
8		Depreciation Expense	16,693	16,693	16,693	16,693	16,693	16,693		
9		Accumulated Depreciation	33,387	50,080	66,774	83,467	100,161	116,854		

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 7 – Depreciation Schedule (Rev.3)

Line No.	Acct. #	Item Description	Balance 2008	Balance 2009	Balance 2010	Balance 2011	Balance 2012	Balance 2013
	(a)	(b)	(o)	(p)	(q)	(r)	(s)	(t)
1	301	Organization	\$ 6,680	\$ 3,340	\$ -	\$ -	\$ -	\$ -
2	375	Structures and Improvements	-	-	-	-	-	-
3	376	Mains	471,387	460,163	448,940	437,716	426,493	415,269
4	379	Measuring and Regulating Station Equip.	14,667	14,000	13,333	12,667	12,000	11,333
5	380	Services	1,980	1,890	1,800	1,710	1,620	1,530
6	385	Measuring and Regulating Equipment	30,213	28,840	27,467	26,093	24,720	23,347
7		Total Utility Plant	\$ 524,927	\$ 508,233	\$ 491,540	\$ 478,186	\$ 464,833	\$ 451,479
8		Depreciation Expense	16,693	16,693	16,693	13,353	13,353	13,353
9		Accumulated Depreciation	133,548	150,241	166,935	180,288	193,642	206,995

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 7 – Depreciation Schedule (Rev.3)

Line No.	Acct # (a)	Item Description (b)	Balance	Balance	Balance	Balance	Balance	Balance
			2014 (u)	2015 (v)	2016 (w)	2017 (x)	2018 (y)	2019 (z)
1	301	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	375	Structures and Improvements	-	-	-	-	-	-
3	376	Mains	404,046	392,822	381,599	370,375	359,152	347,928
4	379	Measuring and Regulating Station Equip.	10,667	10,000	9,333	8,667	8,000	7,333
5	380	Services	1,440	1,350	1,260	1,170	1,080	990
6	385	Measuring and Regulating Equipment	21,973	20,600	19,227	17,853	16,480	15,107
7		Total Utility Plant	\$ 438,126	\$ 424,772	\$ 411,419	\$ 398,065	\$ 384,712	\$ 371,358
8		Depreciation Expense	13,353	13,353	13,353	13,353	13,353	13,353
9		Accumulated Depreciation	220,349	233,702	247,056	260,409	273,763	287,116

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 7 – Depreciation Schedule (Rev.3)

Line No.	Acct. # (a)	Item Description (b)	Balance		Balance		Balance		Balance		Balance	
			2020 (aa)	2021 (ab)	2022 (ac)	2023 (ad)	2024 (ae)	2025 (af)				
1	301	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	375	Structures and Improvements	-	-	-	-	-	-	-	-	-	
3	376	Mains	336,705	325,481	314,258	303,034	291,811	280,587	-	-	-	
4	379	Measuring and Regulating Station Equip.	6,667	6,000	5,333	4,667	4,000	3,333	-	-	-	
5	380	Services	900	810	720	630	540	450	-	-	-	
6	385	Measuring and Regulating Equipment	13,733	12,360	10,987	9,613	8,240	6,867	-	-	-	
7		Total Utility Plant	\$ 358,005	\$ 344,651	\$ 331,298	\$ 317,944	\$ 304,591	\$ 291,237	\$ -	\$ -	\$ -	
8		Depreciation Expense	13,353	13,353	13,353	13,353	13,353	13,353	13,353	13,353	13,353	
9		Accumulated Depreciation	300,470	313,823	327,177	340,530	353,884	367,237	-	-	-	

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 7 – Depreciation Schedule (Rev.3)

Line No.	Acct. # (a)	Item Description (b)	Balance				
			2026 (ag)	2027 (ah)	2028 (ai)	2029 (aj)	2030 (ak)
1	301	Organization	\$ -	\$ -	\$ -	\$ -	\$ -
2	375	Structures and Improvements	-	-	-	-	-
3	376	Mains	269,364	258,140	246,917	235,693	224,470
4	379	Measuring and Regulating Station Equip.	2,667	2,000	1,333	667	-
5	380	Services	360	270	180	90	-
6	385	Measuring and Regulating Equipment	5,493	4,120	2,747	1,373	(0)
7		Total Utility Plant	\$ 277,884	\$ 264,530	\$ 251,177	\$ 237,823	\$ 224,470
8		Depreciation Expense	13,353	13,353	13,353	13,353	13,353
9		Accumulated Depreciation	380,591	393,944	407,298	420,651	434,005

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 8 Gross Revenue Conversion Factor (Rev.3)

Line No.	Description (a)	Basis (b)
1	Operating Revenue	100.00%
2	Less: Uncollectable Accounts	0.40%
3	Less: PSC Assesment Fee	0.15%
4	Less: Ky. Income Tax Rate	<u>4.00%</u>
5	Income before Federal Tax	95%
6	Less: Federal Income Tax @ 15%	<u>14.32%</u>
7	Operating Income Ratio	81.1%
8	Gross Revenue Conversion Factor (1/Operating Income Ratio)	1.23

Exhibit 8

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 9 Revenue Requirements by TIER (Rev.3) [1]

Line No.	Description (a)	Exhibit Reference (b)	Amount (c)	Comments (d)
1	Calculation of Projected Income Tax Expense			
2	Interest Expense	Exhibit 6	\$ 77,508	
3	TIER Requirement	RUS 1710	1.60	
4	Required Total Margin		\$ 46,505	= (Line 3 X Line 2) - Line 2
5	Gross Revenue Conversion Factor	Exhibit 8	1.23	
6	Taxable Income		\$ 57,322	= Line 4 X Line 5
7	Less: Net Income		46,505	Line 4
8	Tax Expense		\$ 10,817	= Line 6 - Line 7
9	Calculation of Revenue Requirements			
10	Operating Expenses (less interest)	Exhibit 6	\$ 165,861	Line 14 less Line 13.
11	Margin		46,505	Line 4
12	Interest Expense	Exhibit 6	77,508	
13	Income Tax Expense		10,817	Line 8
14	Total Revenue Requirement		\$ 300,690	
15	Less: Interest Income		-	
16	Less: Other Operating Income		-	
17	Revenue Required From Rates		\$ 300,690	
18	Projected Purchased Gas Cost		\$ 317,016	
19	Total Revenue Requirements		\$ 617,706	

[1] Based on a 5-year average as shown in Exhibit 6 (Rev. 3) 5-year average, Line 2.

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 11 Tax Rate Computation (Rev. 3)

Line No.	Description (a)	Estimated 2000 Taxes (b)	Estimated 2001 Taxes (c)	Estimated 2002 Taxes (d)	Estimated 2003 Taxes (e)	Estimated 2004 Taxes (f)	Estimated 5-Yr Avg. Taxes (g)
1	Pre-tax Income	\$ 22,596	\$ 32,785	\$ 58,384	\$ 61,123	\$ 66,960	\$ 38,977
2	Less: Kentucky Income Tax (0- \$25,000 @ 4%)	904	1,311	2,335	2,445	2,678	1,559
		\$ 21,692	\$ 31,473	\$ 56,048	\$ 58,678	\$ 64,282	\$ 37,418
5	Less Federal Income Tax	3,254	4,721	8,407	8,802	9,642	5,613
6	(1- \$50,000 @ 15%)						
7	Total Income Tax	4,158	6,032	10,743	11,247	12,321	7,172
8	Net Income	\$ 18,438	\$ 26,752	\$ 47,641	\$ 49,877	\$ 54,640	\$ 31,806
9	Effective Income Tax Rate	18.40%	18.40%	18.40%	18.40%	18.40%	18.40%

Exhibit 11

Millennium Energy, Inc.
Ohio County LDS
Cash Flow Summary

Line No.	Description	Existing	Combined	Combined	Combined	Combined	Combined
		1999 [1]	2000	2001	2002	2003	2004
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Working Capital (BOY)	\$ -	\$ 26,297	\$ 80,389	\$ 82,117	\$ 35,961	\$ (356)
2	Plus: Net Income (after tax) [1]	-	18,438	26,752	47,641	49,877	54,640
3	Plus: Depreciation	-	11,423	26,266	26,266	26,883	26,883
4	Less: Principal Payment	-	-	36,290	105,064	113,076	77,559
5	Plus: New Borrowing	369,000	709,002 [3]	-	-	-	-
6	Funds Available for Capital						
7	Improvements and Additions	369,000	765,160	97,117	50,961	(356)	3,608
8	Less: Capital Requirements	342,703	658,475	15,000	15,000	-	-
9	Working Capital (EOY)	\$ 26,297	\$ 106,686	\$ 82,117	\$ 35,961	\$ (356)	\$ 3,608
10	Change in Working Capital	NA	\$ 80,389	\$ (24,569)	\$ (46,156)	\$ (36,317)	\$ 3,964

[1] From Case No. 99-312

[2] From Exhibit 6

[3] From Exhibit 10b

Table 32. Average Residential Annual Consumption and Cost of Natural Gas per Consumer by State, 1994-1998

State	1994		1995		1996		1997		1998	
	Volume (thousand cubic feet)	Cost (dollars)	Volume (thousand cubic feet)	Cost (dollars)	Volume (thousand cubic feet)	Cost (dollars)	Volume (thousand cubic feet)	Cost (dollars)	Volume (thousand cubic feet)	Cost (dollars)
Alabama.....	67	495	66	452	74	533	62	518	59	485
Alaska.....	192	690	192	695	199	680	181	683	181	664
Arizona.....	47	352	41	318	40	302	43	335	47	402
Arkansas.....	80	455	77	424	86	508	78	520	69	476
California.....	59	378	54	346	53	340	53	360	60	414
Colorado.....	93	456	94	451	97	425	98	469	91	473
Connecticut.....	97	985	95	945	101	1,017	93	961	81	854
D.C.....	117	974	116	931	128	1,175	117	1,101	100	889
Delaware.....	85	633	82	542	92	655	82	685	69	613
Florida.....	28	278	28	280	31	335	25	293	26	293
Georgia.....	72	529	77	474	83	552	74	546	65	439
Hawaii.....	19	318	19	330	17	345	17	363	17	333
Idaho.....	75	399	74	414	80	414	76	389	75	399
Illinois.....	139	763	145	676	154	813	141	841	115	631
Indiana.....	109	683	110	591	121	669	112	714	91	600
Iowa.....	104	563	108	551	114	628	105	646	87	520
Kansas.....	96	490	95	467	106	593	85	549	83	500
Kentucky.....	94	511	96	487	101	558	93	590	76	461
Louisiana.....	56	350	55	330	60	405	55	392	49	330
Maine.....	63	496	61	448	65	506	66	561	58	470
Maryland.....	93	647	91	602	98	747	87	728	75	626
Massachusetts.....	101	907	90	810	96	854	93	879	84	793
Michigan.....	134	669	137	648	142	704	133	691	110	569
Minnesota.....	117	604	119	572	129	705	114	654	95	521
Mississippi.....	67	365	65	343	72	413	65	414	60	363
Missouri.....	96	519	99	513	108	642	99	652	85	557
Montana.....	96	503	97	497	108	525	100	505	88	460
Nebraska.....	104	520	105	509	111	543	106	603	78	399
Nevada.....	63	421	57	384	57	355	59	371	65	465
New Hampshire.....	90	720	88	628	93	690	90	763	80	646
New Jersey.....	104	738	92	665	104	742	99	784	87	640
New Mexico.....	75	423	68	344	79	351	83	485	79	413
New York.....	96	841	93	784	100	887	92	896	82	791
North Carolina.....	73	531	73	504	84	638	71	642	65	567
North Dakota.....	114	592	117	545	129	585	116	577	99	511
Ohio.....	118	691	121	659	125	739	117	787	97	625
Oklahoma.....	82	450	80	446	88	499	82	512	76	450
Oregon.....	74	515	68	460	77	484	71	442	72	490
Pennsylvania.....	112	835	109	778	115	845	107	892	87	739
Rhode Island.....	87	789	85	685	92	783	85	820	79	756
South Carolina.....	56	431	61	460	69	512	58	486	55	459
South Dakota.....	101	532	102	513	111	581	101	582	87	489
Tennessee.....	75	458	75	430	84	524	74	511	66	441
Texas.....	64	382	60	355	65	385	66	419	55	341
Utah.....	97	482	94	443	97	432	102	525	97	538
Vermont.....	108	751	98	667	103	662	103	660	92	602
Virginia.....	90	690	91	655	96	766	91	782	75	638
Washington.....	88	501	83	487	93	526	88	496	84	490
West Virginia.....	100	664	100	705	104	733	99	676	82	601
Wisconsin.....	102	642	105	613	112	674	100	642	83	513
Wyoming.....	99	503	102	491	103	437	103	474	100	517
Total.....	91	582	89	541	95	602	89	616	79	538

Source: Energy Information Administration (EIA), Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition."



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

May 31, 2000

Ex. Gary K. Dillard
Millennium Energy, Inc.
951 Fairview Ave.
P. O. Box 1118
emergency # 1-888-291-9133
Bowling Green, KY. 42102

RE: Case No. 1999-115

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF MILLENIUM ENERGY, INC.)
FOR APPROVAL OF A CERTIFICATE OF)
CONVENIENCE AND NECESSITY TO) CASE NO.
OPERATE A NATURAL GAS LINE) 99-115
IN OHIO COUNTY)

O R D E R

Millennium Energy, Inc. having moved for an extension of time until June 9, 2000 in which to submit its response to the Commission's May 19, 2000 Order and the Commission finding good cause, IT IS HEREBY ORDERED that the motion is granted.

Done at Frankfort, Kentucky, this 31st day of May, 2000.

By the Commission

ATTEST:


Executive Director



P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Emergency: 1-888-291-9133
Fax: (270)781-3299

RECEIVED

MAY 30 2000

PUBLIC SERVICE
COMMISSION

May 25, 2000

Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

RE: Case # 1999-115 Commission's Order- Filing Extension Request

Dear Mr. Huelsmann:

On May 19, 2000 the Commission requested further information on Case # 1999-115. The order instructed Millennium Energy to reply within 10 days.

Due to these time restraints, we would like to request an extension of 11 days or June 9 to compile the information that the Commission has requested.

Our reason for the extension request is that since the order was issued on Friday and we received it on Monday, we have four days to complete the order due to two weekends and a holiday. We have two key people on vacation and we are also waiting on supporting information from the Green River Regional Industrial Authority that will not be available until after their Board meeting on June 5.

We apologize for the inconvenience and would appreciate your consideration in our request for an extension.

Sincerely,

A handwritten signature in dark ink, appearing to read "Gary K. Dillard". The signature is fluid and cursive, written over a light background.

Gary K. Dillard
Executive Vice President



P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Emergency: 1-888-291-9133
Fax: (270)781-3299

May 25, 2000

Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

RECEIVED

MAY 25 2000

PUBLIC SERVICE
COMMISSION

RE: Case # 1999-115 Commission's Order- Filing Extension Request

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We apologize for the inconvenience and would appreciate your consideration in our request for an extension.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary K. Dillard", is written over a horizontal line.

Gary K. Dillard
Executive Vice President

 Millennium Energy, Inc.
P.O. Box 1118
951 Fairview Avenue
Bowling Green, KY 42102

FAX

To:
MARTIN
WUELSMANN

From:
GARY
DILLARD

Date: 5-25-2K
Number of Pages: 2
Phone: (270)842-6541
Fax: (270)781-3299

502-564-3460

Remarks:

ATTENTION:

SUSAN HUTCHERSON

OR

FILINGS DIVISION

2 PAGES - TOTAL

THANKS



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

May 19, 2000

Ex. Gary K. Dillard
Millennium Energy, Inc.
P. O. Box 1118
emergency # 1-888-291-9133
Bowling Green, KY. 42102

RE: Case No. 1999-115

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

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. 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. Include with each response 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 shall be filed with the Commission no later than ten days from the date of this Order.

1. Provide a copy of the signed agreement with Peake Energy, Inc. ("Peake") for firm natural gas supply for the potential customers in the proposed gas system.
2. Refer to Exhibit 1, Natural Gas Survey/Study.
 - a. The annual usage volumes presented in the original application's Exhibit 1 were stated in Mcf; however, the information submitted on April 17, 2000

presents the same volume figures in MMBtu. Explain whether the usage volumes presented in Exhibit 1 are in Mcf or MMBtu.

b. The presentation of the estimated number of residential customers in Exhibit 1 requires clarification. The total number is presented as 100, but the supporting numbers seem to indicate 200 customers. Provide the total number of additional residential customers Millennium expects to obtain with the Ohio County expansion.

c. Explain how Millennium developed its volume usage estimates for the customers in Exhibit 1.

3. Refer to Exhibit 5, Rate Design Considerations. The Exhibit lists expected revenues from the Residential and Commercial classes but does not include the Industrial customers listed on the original application's Exhibit 5.

a. Explain whether or not Millennium's Ohio County customers will include industrial customers.

b. If yes, provide the expected number of customers and their estimated annual usage volumes.

c. The "Revenue from Rate" column is labeled "FY 2002." Explain why Millennium does not expect revenue from Ohio County customers until 2002.

4. Refer to Millennium's response to Question 4 and Exhibit 6, Pro Forma Income Statement.

a. Woodward LLC ("Woodward") is Millennium's current natural gas supplier. Explain whether or not Peake will replace Woodward or be an additional supplier.

b. If Peake is to replace Woodward, does Millennium expect to get a better price from Peake?

c. Provide the price range of the purchased gas costs discussed with Peake.

5. Refer to the Commission's March 10, 2000 Order, Items 9 and 9(b). Millennium was directed to provide all executed notes payable, line of credit agreements and copies of Warren Rural Electric Cooperative Corporation's ("Warren RECC") agreements as guarantor of Millennium's notes payable and line of credit agreements. Millennium failed to provide the executed notes payable and guarantor agreements. Provide the information requested.

6. Millennium proposes to fund this project with financing from a \$500,000 line of credit.¹ How does Millennium plan to borrow \$694,197 from a \$500,000 revolving line of credit? Fully justify the response and reconcile the borrowings required to fund this proposed construction with the funding available.

7. Refer to Exhibits 6 and 9 of Millennium's response to the Commission's March 10, 2000 Order.

a. The revenue and expenses for the "existing system" in "FY 2000" as referred to on Exhibit 6 is based on a 3-year average provided in Millennium's response to the Commission's September 20, 1999 Order in Case No. 99-312.² That schedule of the initial 3 years' estimated operating expenses included inflation or other upward adjustment to many expenses beyond the initial year of operations in the

¹ Millennium's response to the Commission's March 10, 2000 Order, Exhibit 15.

² Case No. 99-312, 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, Order dated September 20, 1999.

amount of 7 percent. The Commission allows only known and measurable adjustments to costs or expenses in financial exhibits for revenue requirement determination. The adjustment may be supported by historical cost trends, future contractual obligations or some other relevant, reliable measure. Provide your source of the above-referenced adjustments.

b. In Exhibit 6 (operating expenses by USoA account and the pro forma income statement) of its response to the Commission's March 10, 2000 Order, Millennium included inflation or some other upward adjustment in the amount of 7 percent operating expenses in "FY 2001" and "FY 2002" for the Ohio County Expansion. The Commission allows only known and measurable adjustments to costs or expenses in financial exhibits for revenue requirement determination. The adjustment may be supported by historical cost trends, future contractual obligations or some other relevant, reliable measure. Provide your source of the above-referenced adjustments.

c. The interest expense on Exhibit 9, line 2, references Exhibit 6 (the pro forma income statement) of Millennium's response to the Commission's March 10, 2000 Order. However, the interest expense for the Existing System and Ohio County Expansion does not agree with the amount on the amortization schedule at Exhibit 10(b). Total system interest for the first, second and third year of operations of the Ohio County Expansion appears to equal \$78,664, \$77,587 and \$72,834, respectively. These totals of interest expense result in an average annual amount of \$76,362. Reconcile the amounts from the amortization schedule at Exhibit 10(b) to the amount of the revenue requirement determination at Exhibit 9, line 2.

8. In Exhibit 6 (the cash flow summary) of its response to the Commission's March 10, 2000 Order, Millennium shows negative "funds available for capital

improvements and additions" after considering the "FY 2002" operating results. Refer to the Commission's March 10, 2000 Order, Item 10(b). Millennium was asked whether its parent company, Warren RECC, would provide capital to Millennium if its cash flow is insufficient to make principal payments on loans. Millennium responded that it will not borrow funds from Warren RECC and all projects must be self-sustaining. Explain how Millennium will obtain funding to maintain its service to public consumers if its total system becomes deficient of funds.

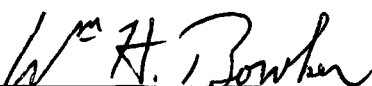
a. Restate your cash flow summary to include any changes to revenues or expenses resulting from the issues raised by this Order. Refer to the Commission's March 10, 2000 Order, Item 10(a). Millennium was asked to project cash flow until 2010. Millennium did not provide the cash flow summary for the projected time-period requested. With net income and depreciation, as adjusted, constant from "FY 2002" forward, project cash flow for two additional years.

b. Provide all supporting documentation used to prepare the restated cash flow summary as requested in 4(b). Include any changes to operating expenses, the pro forma income statement, or other documentation you use to derive your data for the restated cash flow summary.

Done at Frankfort, Kentucky, this 19th day of May, 2000.

By the Commission

ATTEST:

Deputy 
Executive Director

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 17 2000

**PUBLIC SERVICE
COMMISSION**

**A PETITION OF MILLENNIUM ENERGY, INC. FOR A
CERTIFICATE OF CONVENIENCE AND NECESSITY TO
CONSTRUCT A NATURAL GAS LINE, APPROVAL OF FUNDING,
AND THE OPERATION OF A NATURAL GAS LINE IN OHIO
COUNTY, KENTUCKY**

CASE NO. 1999-115

April 12, 2000



P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Emergency: 1-888-291-9133
Fax: (270)781-3299

April 12, 2000

Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: Case # 1999-115 Filing Deficiencies Response and Project Amendment

Dear Mr. Huelsmann:

In response to the Commissions order of March 10, 2000, and its permission for an extension and amendment on April 5, 2000, Millennium is providing the following information on Case # 1999-115.

Millennium is willing to answer any further questions that the Commission might have on the project.

Sincerely,

A handwritten signature in cursive script that reads "Gary K. Dillard".

Gary K. Dillard
Executive Vice President

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

**A PETITION OF MILLENNIUM ENERGY, INC.
FOR A CERTIFICATE OF CONVENIENCE
AND NECESSITY TO CONSTRUCT A NATURAL
GAS LINE, APPROVAL OF FUNDING, AND THE
OPERATION OF A NATURAL GAS LINE
IN OHIO COUNTY, KENTUCKY**

Table of Contents

**CASE 1999-115 AMENDED TO REFLECT MAJOR ENGINEERING CHANGES AND
RESULTING CHANGES TO FINANCIAL EXHIBITS.**

Exhibit 1	Customer Survey
Exhibit 2a	Detailed maps of proposed service territory
Exhibit 2b	Parkway Crossing Diagrams
Exhibit 2c	Contractor Agreement
Exhibit 3a (Rev. 2)	Construction Cost Estimates (Replaces Exhibit 3a)
Exhibit 3b (Rev. 2)	Construction Cost Estimates by UsoA (Replaces Exhibit 3b)
Exhibit 4 (Rev. 2)	Pro Forma Balance Sheet (Replaces Exhibit 4)
Exhibit 5 (Rev.2)	Rate Design Considerations (Replaces Exhibit 5)
Exhibit 6 (Rev.2)	Combined Pro Forma Income Statements and Detailed Cost Accounting (Replaces Exhibit 6)
Exhibit 7 (Rev.2)	Depreciation Schedule (Replaces Exhibit 7)
Exhibit 8 (Rev.2)	Gross Revenue Conversion Factor (Replaces Exhibit 8)
Exhibit 9 (Rev. 2)	Revenue Requirements by TIER (Replaces Exhibit 9)
Exhibit 10a (Rev. 2)	Amortization Schedule for Existing Loans (Replaces Exhibit 10a)
Exhibit 10b (Rev.2)	Amortization Schedule for New Loans (Replaces Exhibit 10b)
Exhibit 11 (Rev.2)	Estimated Taxes (Replaces Exhibit 11)
Exhibit 12	Cash Flow Summary
Exhibit 13	Construction Schedule
Exhibit 14	Letter of Agreement with Peake Energy
Exhibit 15	Loan Documents
Exhibit 16	Right-of-Way agreements

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, APPROVAL OF)
FUNDING, AND THE OPERATION OF A)
NATURAL GAS LINE IN OHIO COUNTY,)
KENTUCKY)

CASE NO. 99-115

RESPONSE

Millennium Energy's response to the Commission's March 10, 2000
Order on filing deficiencies

1 **Question 1.** Has Millennium secured the right-of way for the pipelines? If yes,
2 provide copies of the correspondence or the agreements.

3
4 **Witness:** Gary Dillard, Millennium Energy, Inc.

5
6 **Response:** Millennium has secured the right-of-way to utilize Ohio County roads and
7 LG&E/KU electric transmission line right-of-way. All other rights-of-way will be
8 secured when the Green River Industrial Development Authority purchases the optioned
9 industrial lands. Copies of the right-of-way approval are listed in Exhibit 16.

10
11
12 **Question 2** Provide a detailed map for the crossing of Western Kentucky Parkway.

13
14 **Witness:** Gary Dillard, Millennium Energy, Inc.

15
16 **Response:** Millennium has amended the original gas route to include a crossing of the
17 William Natcher Parkway in addition to the Western Kentucky Parkway. Millennium
18 has met with Mike Nunn, Madisonville District office of the Kentucky Department of
19 Highways and surveyed the proposed parkway road routes. We are providing the

20 Highway Department road bore diagram that we will follow as Exhibit 2b. In accordance
21 to Department of Highway standards, parkway bores will run from toe to toe of the road
22 and encased in steel from fence line to fence line with venting. The encased pipeline will
23 include insulators so that the piping will not lie directly on the casing.
24

25
26 **Question 3.** Provide a copy of bid documents and construction schedule for the project.
27

28 **Witness:** Gary Dillard, Millennium Energy, Inc.
29

30 **Response:** Millennium plans to use its current contractor for this project. A copy of the
31 current contractor agreement and construction schedule is listed in Exhibit 2c.
32

33
34 **Question 4.** Provide a copy of the agreement with the natural gas supplier.
35

36 **Witness:** Gary Dillard, Millennium Energy, Inc.
37

38 **Response:** Millennium is providing a supply agreement letter with Peake Energy for a
39 supply of natural gas from wells in Grayson County, Kentucky in Exhibit 14.
40

41
42 **Question 5.** Refer to Exhibit 1, Natural Gas Survey/Study and Exhibit 5, Rate
43 Design Considerations. Exhibit 1 indicates that Millennium expects to extend service to an
44 additional 200 residential customers, an additional six commercial customers and an
45 additional two industrial customers in Ohio County. The number of customers and usage
46 volumes in Exhibit 5, used to project the revenue from the expansion, do not reconcile with
47 Exhibit 1. Explain why Exhibit 5 does not use the customers and usage found in Exhibit 1 to
48 project revenues. If Exhibit 5 should reflect the figures found in Exhibit 1, provide a revised
49 Exhibit 5. If Exhibit 1 should reflect the figures found in Exhibit 5, provide a revised Exhibit 1.
50

51 **Witness:** Michael Lane; R.W. Beck, Inc.
52

53 **Response:** The Survey of Potential Customers that was initially submitted in the
54 December 30, 1999 petition has been updated to include an additional Denny's restaurant
55 at 500 MM/Btu annually. Exhibit 5 (Rev. 2) reflects these changes.
56

57
58 **Question 6.** Refer to Exhibits 3.8 and Exhibit 5. These exhibits present the industrial
59 customers as if they were a separate class. However, Exhibit 3.8 contains a footnote that
60 indicates that the industrial charges are negotiated. Explain whether or not Millennium is
61 requesting to add the industrial customers as a separate customer class as implied by the
62 customer and distribution charges set out in the exhibits.
63

64 **Witness:** Michael Lane; R.W. Beck, Inc.
65

66 **Response:** Millennium Energy does not wish to add the industrial customers as a

67 separate customer class. Petitions for rates to serve industrial customers will continue to
68 be negotiated and filed on a case-by-case basis. This is reflected in Exhibit 5 (rev. 2),
69 included with this response.
70
71

72 **Question 7.** Provide the cost support for the \$100 Customer Charge and the \$2.00 Distribution
73 rate charged to industrial customers.
74

75 **Witness:** Michael Lane; R.W. Beck, Inc.
76

77 **Response:** See the response to question 6 above.
78
79

80 **Question 8.** At Tab 2, Financial Exhibit 2.3 of Millennium's petition, the "Initial Loan Amount"
81 of \$761,335, does not agree with the \$761,375 beginning balance on the amortization schedule at
82 Financial Exhibit 2.4.
83

- 84 a. Explain which amount is correct for the financing requested.
85
86 b. The amount included in "Other Project Costs" in Financial Exhibit 2.2A of
87 \$66,180 is described as "Contingency Allowance (10%)". Financial Exhibit 2.3,
88 "Use of Loan Proceeds" shows the same dollar amount as "Working Capital and
89 Debt Reserve Fund." Are these two descriptions being used interchangeably?
90 Explain.
91

92 **Witness:** Michael Lane; R.W. Beck, Inc.
93

94 **Response:** (a) The corrected amount of \$694,197 is included in Exhibit 4 (rev.2) of the
95 amended Filing
96

97 **Witness:** Michael Lane; R.W. Beck, Inc.
98

99 **Response:** The amount entered for Cash (working capital – 45 days) was an attempt to
100 estimate 45 days of working capital and is not related to the construction cost
101 contingency. This is shown in Exhibit 4 (Rev.2)
102

103 **Question 9.** Provide copies of all executed notes payable and line of credit agreements from
104 Millennium's lender(s). Provide copies of any lender's security interest in assets of Millennium.
105 Provide copies of Warren Rural Electric Cooperative Corporation's ("Warren RECC")
106 agreements as guarantor of Millennium's notes payable and line of credit agreements.
107
108
109

110 **Witness:** Gary Dillard, Millennium Energy, Inc.
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112 **Response:** These documents are included as Exhibit 15.
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Question 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. 99-312.1 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 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.
- c. For its "existing system" Millennium's customer base was not expected to change for the first three years of operations. 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.

Witness: Michael Lane; R.W. Beck, Inc.

Response (a) The correct amount is shown as New Borrowing in Exhibit 12 in the amended filing included with this response.

Witness: Gary Dillard, Millennium Energy, Inc

Response (b) Millennium will not borrow funds from Warren RECC. All projects must be self-sustaining.

Witness: Gary Dillard, Millennium Energy, Inc

Response (c) Millennium does not expect a constant customer base. We have attempted to project future customer growth. This Exhibit is included as Exhibit 1 in the amended filing included with this response. The projected customer base is based on the survey included as Exhibit 1, which was conducted by Millennium Energy, Inc.

Question 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 ("U SOA").

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Question 11 (Cont.)

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.

Witness: Gary Dillard, Millennium Energy, Inc.

Response – a. These are included in Exhibit 6 (Rev. 2)

Witness: Michael Lane; R.W. Beck, Inc

Response – b.

Millennium Energy, Inc. has very little historical cost data available which could be utilized in cost projections. As a result, we have utilized cost ratios that are comparable to other utilities of similar size and customer density.

Account 804, Purchased Gas Cost, is derived directly from sales estimations shown in Exhibit 1 and an estimate of projected gas costs based on current agreements as shown in Exhibit 6.

Accounts 871-894, Operations and Maintenance Expenses, are based on a percentage of total plant investment (See Exhibit 6: this method was previously used in Case 99-312). This is a generally accepted method for estimating expenditures of this type. Additionally, estimates of actual expenditures were developed by Millennium Energy, Inc. and are included in Exhibit 6.

Accounts 901-931, Customer Accounts and Administrative and General Expenses, are based on a percentage of revenue, (See Exhibit 6: this method was previously used in Case 99-312). This is a generally accepted method for estimating expenditures of this type. Additionally, estimates of actual expenditures were developed by Millennium Energy, Inc. and are included in Exhibit 6.

Account 403, Depreciation, has been projected based on Depreciation tables shown in Exhibit 7.

Account 408, Property taxes, has been projected based on current tax rates.

Account 409, Income taxes, has been projected based on current tax rates and calculations as shown in Exhibit 11.

Account 427, Interest Expense, is based on debt service coverage costs and calculations shown in Exhibit 10b.

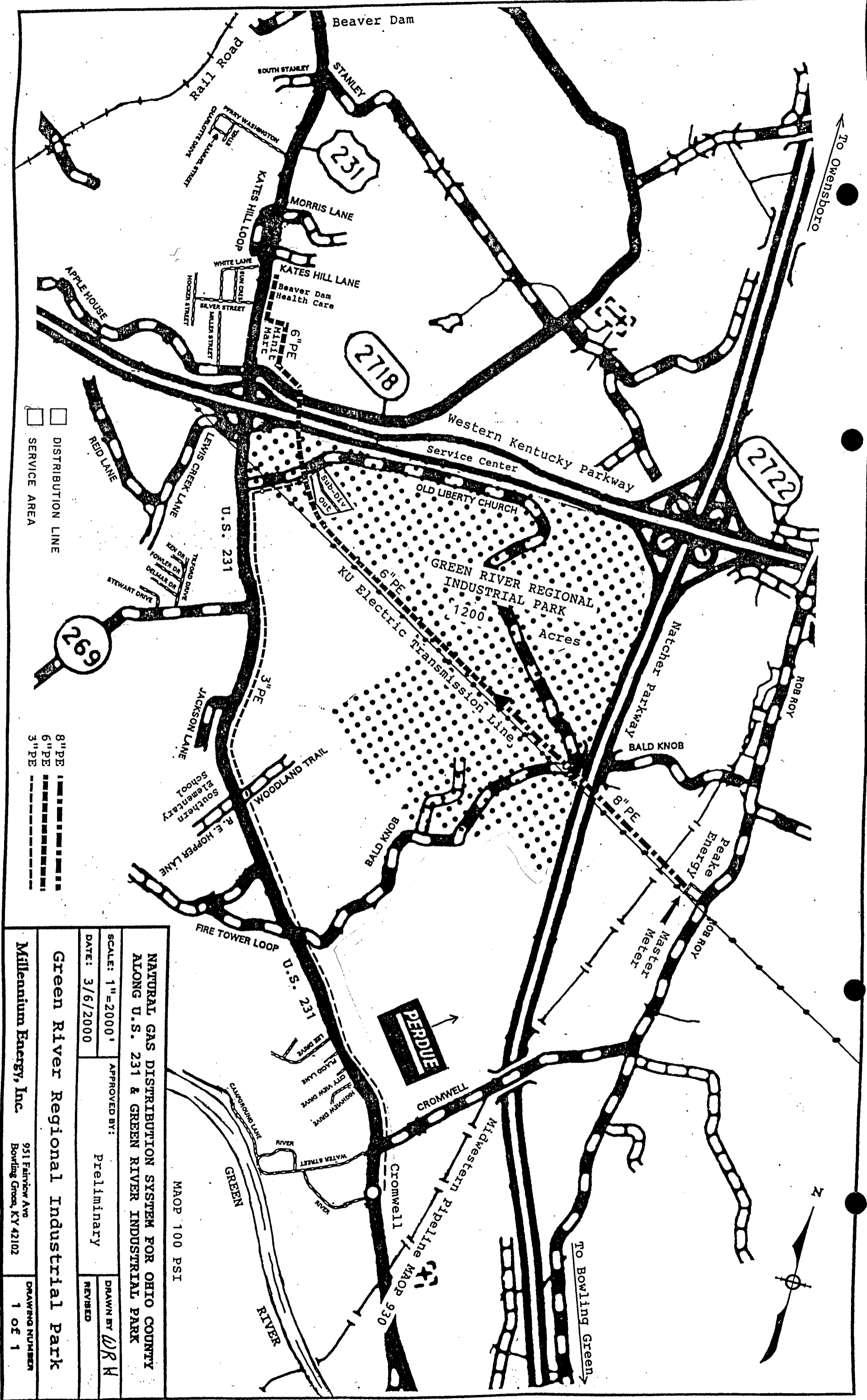
Exhibit 1

04/12/2000

Natural Gas Survey/Study
South Ohio County, Kentucky

Type	Location	Number	Usage (Annually)
Residential	Along US Highway 231 between Hwy 403 and Morris Road	50	9100 MM/Btu
Estimated units to be connected by year end 2000		50	4550 MM/Btu
Residential	Sub-divisions within the distance of the distribution mains		
	River Road, Water Street	15	1365 MM/Btu
	City View, Placid, Lee Land	15	1365
	Patterson Street off Hwy. 269	10	910
	White Street	10	910
	Total	50	4550 MM/Btu
Estimated units to be connected by year end 2000		50	4550 MM/Btu
Total Estimated Residential	during year 2000	100	9100 MM/Btu
Commercial	Commercial or public facilities along the main route		
	Southern Elementary School	1	4000 MM/Btu
	Days Inn	1	1000
	Wendys Restaurant	1	1000
	Beaver Dam Health Care Center	1	1000
	NAPA Service Center	1	500
	Minit Mart	1	500
	* Dennys Restaurant	1	500
Total Estimated Commercial		6	8,500 MM/Btu
Proposed Industrial		2	66,000
Total Anticipated Annual	MM/Btu after one year period		83,000 MM/Btu

*** Denny's Restaurant was inadvertently excluded in the initial December 30, 1999 petition.**



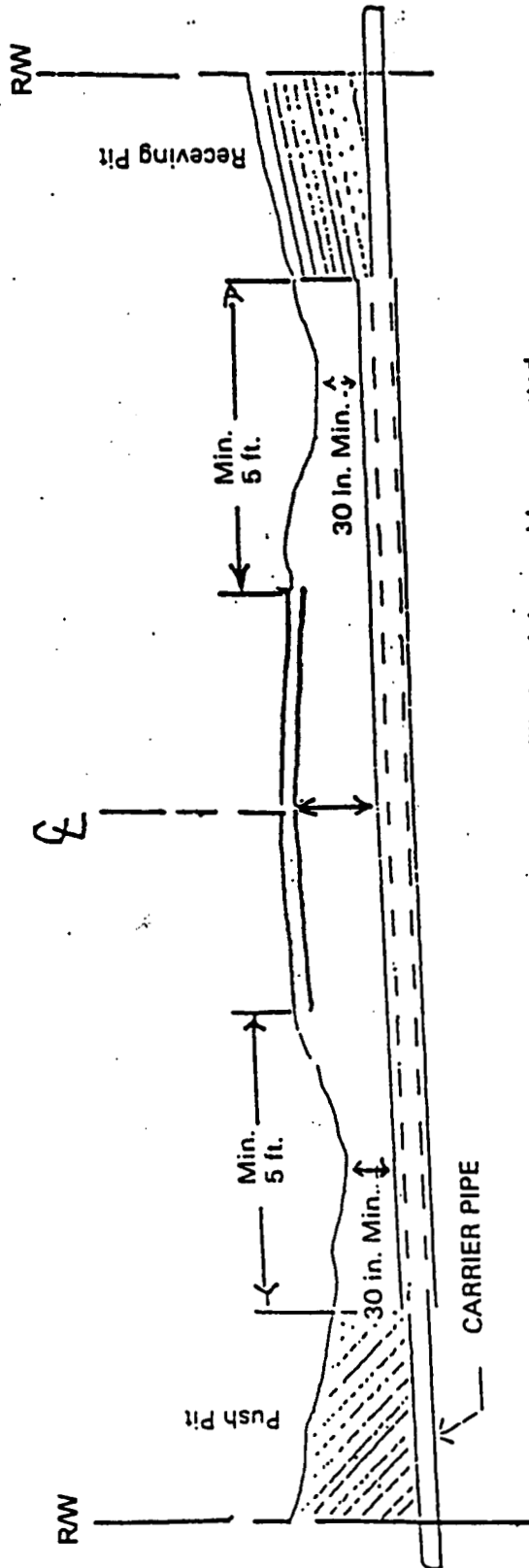
DISTRIBUTION LINE
 SERVICE AREA

8" PE
 6" PE
 3" PE

NATURAL GAS DISTRIBUTION SYSTEM FOR OHIO COUNTY ALONG U.S. 231 & GREEN RIVER INDUSTRIAL PARK	
SCALE: 1" = 2000' DATE: 3/6/2000	APPROVED BY:
Green River Regional Industrial Park Millennium Energy, Inc. 951 Fairview Ave Bowling Green, KY 42102	DRAWN BY: <i>DRH</i> REVISED:
DRAWING NUMBER 1 OF 1	

Typical Highway Boring Crossing Detail

Permit No. _____
Route No. _____
Pavement Width _____

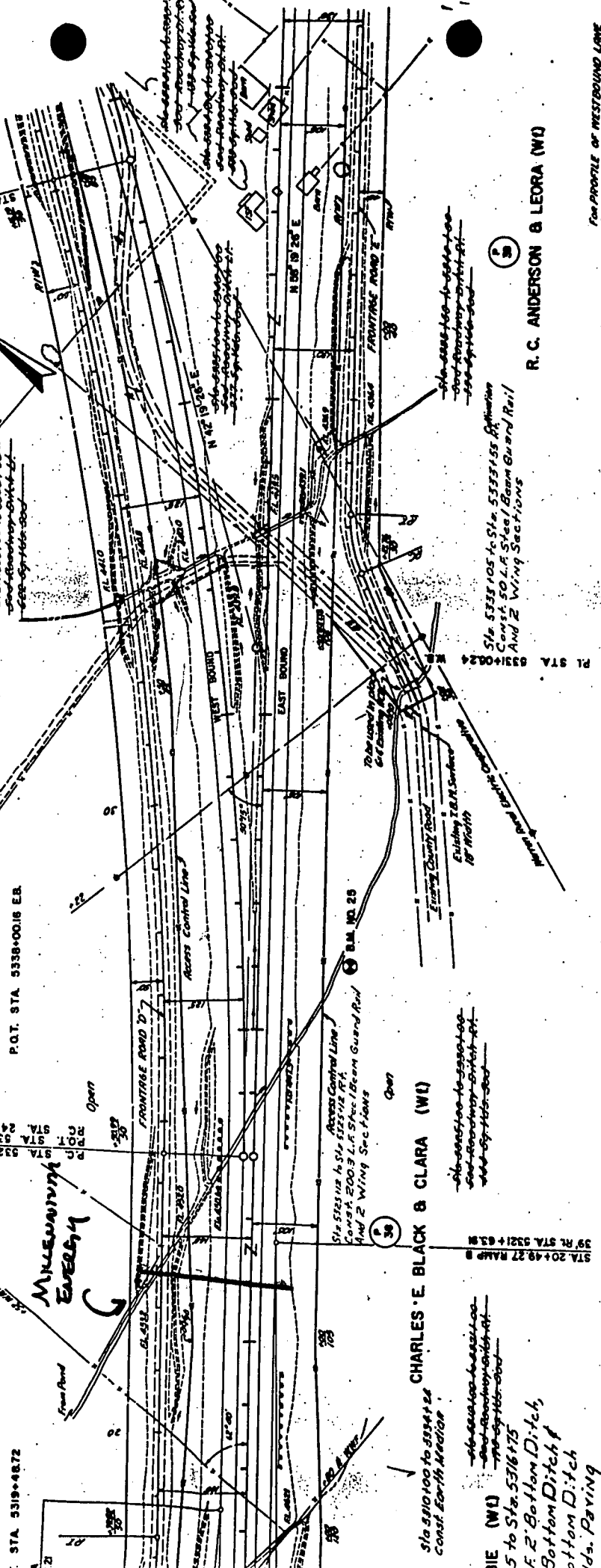
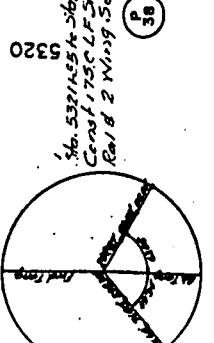
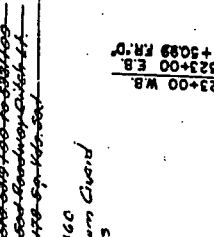
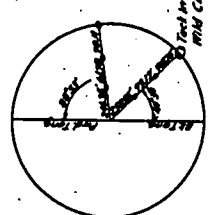


1. Push Pit and Receiving Pit to be backfilled and thoroughly compacted.
2. All Ditch Lines to be left open.
3. Seed and straw all areas disturbed by this work.

Services over 2" to be encased or exempt under Chapter 2 of the Permits Guidance Manual

Sheet 2 of 3
 West Kentucky Turnpike
 S.P. 92-794 N.K. 25-2
 OHIO COUNTY
 HERBERT KEY
 & MARGORIE (WI.)

WESTINGHOUSE
 CURVE DATA
 A. 1° 00' 00"
 D. P. 00' 00"
 T. 1000.00'
 L. 1000.00'
 R. 5728.00'
 E. 92.58
 S.E. = 0.00314



R. C. ANDERSON & LEORA (WI)

Sta 5338 105 to Sta. 5333 155. Alignment
 Const. 50 L.R. Steel Beam Guard Rail
 And 2 Wing Sections

B.M. NO. 25 Nail in root of 15" Wild Cherry 140' RI.
 Sta. 5328+00 Elev. 449.07

CHARLES E. BLACK & CLARA (WI)
 Sta 5310+00 to 5344+22
 Const. Earth Median

11E (WI)
 5 to Sta. 5316+75
 2' Bottom Ditch,
 Bottom Ditch &
 1/2" Paving

FOR PROFILE OF WESTBOUND LANE
 See Sheet No. 19 of 25

Borrow for Median 1800 CU YD. 490

AGREEMENT FOR PROVIDING OF INSTALLATION AND MAINTENANCE SERVICES

This AGREEMENT, made and entered into on this 12 day of AUGUST, 1999, by and between MILLENNIUM ENERGY, INC., P. O. Box 1118, 951 Fairview Avenue, Bowling Green, Kentucky 42102, hereinafter referred to as "Millennium," and JOHNSON WELDING COMPANY, INC., 516 Clay Street, Bowling Green, Kentucky 42101, hereinafter referred to as "Johnson Welding."

WITNESSETH:

WHEREAS, Millennium presently operates a natural gas distribution system (the "System") within the County of Simpson for the citizens, residents and commercial and industrial users within said county for the purposes of providing natural gas service; and

WHEREAS, Johnson Welding has the necessary expertise to provide installation and maintenance services to the System; and

WHEREAS, Millennium desires to engage Johnson Welding to render certain services in connection with Millennium's continued expansion, operation and the maintenance of its System, and Johnson Welding has indicated a willingness to provide such services.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and the benefits to be derived by the parties hereto, the parties agree as follows:

1. Term. The term of this Agreement shall be from date of execution until terminated by either party upon thirty (30) days' written notice to the other party.

2. Scope of Services. During the term of this Agreement, Johnson Welding will provide the following services for installation of natural gas lines which will become a part of the System:

a. installation of plastic (SDR or 2406 service line) pipe at the following rates:

3/4-inch pipe	\$1.75 per foot	
1-inch pipe	\$1.75 per foot	
1-1/4 inch pipe	\$1.90 per foot	
2-inch pipe	\$2.40 per foot	
3-inch pipe	\$2.70 per foot	6" 3.50
4-inch pipe	\$3.10 per foot	8" 4.15

b. road, street and sidewalk bores at the following rates:

2-inch pipe or less	\$9.00 per foot	
3-inch pipe	\$12.00 per foot	6" \$18.00/FT
4-inch pipe	\$14.00 per foot	8" \$22.00/FT

c. installation and tapping of service tees with a diameter of two (2) inches or less at the rate of \$40 each;

d. installation of service risers with a diameter of two (2) inches or less at \$15 each;

e. installation of gas meters, conducting pressure checks at installations and inspection of appliance lighting mechanism at the rate of \$100 per installation;

Back Bone
\$100. per FT.
TRENCH ROCK \$6.00/CU.FT.

**Millennium Energy, Inc.
Ohio County Project
Schedule of Construction**

Task	2000												
	May	June	July	Aug	Sept	Oct	Nov						
Approval from the PSC	—												
Secure remaining easements	—												
Peake Energy supply agreement	—												
Secure road bore permits	—												
Secure Midwestern pipeline crossing permit	—												
Order material	—												
Locate utilities		—											
Stake pipeline route		—											
Delivery of materials			—										
Start pipe welding/fusing			—										
Start trenching/ Parkway bores			—										
Start pipe laying			—										
Trench backfilling			—										
Clean-up			—										
Install District regulator (if needed)				—									
Install Peake connections					—								
Install pipeline markers						—							
Connect businesses							—						
Connect residents								—					

Millennium Energy, Inc.
Ohio County LDS
Exhibit 3A - Estimated Construction Costs (Rev.2)

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Line No.	Acct. No. / Item Description (a)	Feet/Units (b)	Average Unit Cost (c)	Estimated Cost (d)
1	Gas Supply- Materials & Installation			
2	379 Meter Station, Valves, Odor Unit			20,000
3	(Peake Energy- Rob Roy Road)			-
4	Sub-Total Gas Supply			\$ 20,000
5	Gas Distribution Mains - Materials			
6	376 6" Main Valve	4	700	2,800
7	376 3" Main Valve	4	285	1,140
8	376 2" Main Valve	10	125	1,250
9	376 8" SDR11 PE Pipe 3408	10000	5.70	57,000
10	376 6" SDR11 PE Pipe 3408	14560	3.36	48,922
11	376 3" SDR11.5 PE Pipe 2406	24000	0.99	23,760
12	376 2" SDR11.5 PE Pipe 2406	20000	0.49	9,800
13	376 Fittings, taps, reducers, tees 2", 3", 6", 8"			10,000
14	376 Tracer Wire #12	74560	0.05	3,728
15	376 Line Markers	50	25	1,250
16	376 Valve Boxes	18	60	1,080
17	Sub-Total Valves/ Lines			\$ 160,730
18	Customers			
19	385 Riser, Meter and Reg. (2")- School	1	2,000	2,000
20	385 Riser, Meter and Reg. (1")- Commercial	6	1,200	7,200
21	385 Risers, Meters and Reg. (1/2")- Residential	65	300	19,500
22	380 1" Service Lines- Commercial	1000	0.20	200
23	380 1/2" Service Lines- Residential	5000	0.10	500
24	380 1/2", 1" Fittings, taps, tees etc			2,000
25	Sub-Total Customers			\$ 31,400
26	Other Construction Costs			
27	376 Street Bores- 8"- Natcher Parkway	500	80	40,000
28	376 Street Bores- 6"- WK Parkway	800	80	64,000
29	376 Street Bores- 3" (6-231)	700	13	9,100
30	376 Street Bores- 2"	1000	10	10,000
31	376 Street Bores- 1/2"	400	3	1,200
32	376 8" Pipe Installation, reclamation	8800	4.15	36,520
33	376 6" Pipe Installation, reclamation	14000	3.50	49,000
34	376 3" Pipe Installation, reclamation	24000	2.70	64,800
35	376 2" Pipe Installation, reclamation	20000	2.40	48,000
36	376 1" Pipe Installation, reclamation	1000	1.75	1,750
37	376 1/2" Pipe Installation, reclamation	5000	1.75	8,750
38	376 Crushed Stone	200	10	2,000
39	376 Road Repairs			5,000
40	376 Crop Damage			2,000
41	376 Seed, fertilizer, straw			1,500
42	Sub-Total Other Construction Costs			\$ 343,620
43	Total Construction Costs			\$ 555,750
44	Other Project Costs			
45	301 Project Engineering			15,000
46	301 Legal Counsel			10,000
47	301 Administration 240 hrs @35			8,400
48	376 Contingency Allowance (10%)			55,575
49	Sub-Total Other Costs			\$ 88,975
50	Total Estimated Costs			\$ 644,725

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 3(b) – Estimated Construction Costs by USOA Account (Rev. 2)

Line No.	USOA Acct. #	Item Description	Amount
	(a)	(b)	(c)
1	301	Organization	\$ 33,400
2	375	Structures and Improvements	-
3	376	Mains	559,925
4	379	Meas. and Reg. Station Equip. - City Gate Check Stations	20,000
5	380	Services	2,700
6	385	Measuring and Regulating Equipment	<u>28,700</u>
7		Total Utility Plant	\$ 644,725

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 4 – Pro Forma Balance Sheet (Rev.2)

Line No.	Acct. # (a)	Item Description (b)	Existing System	Ohio Co. Expansion (d)	Total Amount
1		ASSETS			
2	301	Organization	\$ 15,000	\$ 33,400	\$ 48,400
3	375	Structures and Improvements	2,500	-	2,500
4	376	Mains	213,803	559,925	773,728
5	379	Measuring and Regulating Station Equip. - City Gate Check Stations	78,000	20,000	98,000
6	380	Services	13,800	2,700	16,500
7	385	Measuring and Regulating Equipment	<u>19,600</u>	<u>28,700</u>	<u>48,300</u>
8					
9		Total Utility Plant	\$ 342,703	\$ 644,725	\$ 987,428
10					
11	131	Cash (Working Capital - 45 days)	26,297	49,472	75,769
12					
13		TOTAL ASSETS	<u>\$ 369,000</u>	<u>\$ 694,197</u>	<u>\$ 1,063,197</u>
14		TOTAL ASSETS	369,000	694,197	1,063,197
15					
16		LIABILITIES			
17	224	Long-Term Debt	\$ 369,000	\$ 694,197	\$ 1,063,197
18					
19		TOTAL LIABILITIES	<u>\$ 369,000</u>	<u>\$ 694,197</u>	<u>\$ 1,063,197</u>

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 5 Rate Design Considerations (Rev.2)

Line No.	Customer Class	Retail Rates	Billing Units	FY 2002 Revenue From Rate
	Residential			
1	Customer Charge	(\$/mo.) \$ 6.00	200	\$ 1,200
2	Commodity Charge	(\$/MCF) \$ 4.00	5,915	23,660
	Commercial			
5	Customer Charge	(\$/mo.) \$ 20.00	7	\$ 140
6	Commodity Charge	(\$/MCF) \$ 3.00	8,500	25,500
7	Projected Total Consumption (Mcf)		14,415	
8	Total Revenue From Rates			\$ 50,500
9	Total Avg. Rate			\$ 3.50

Pro Forma Income Statement- Total System
Calculations of Estimated Operating Expenses by UsoA
Exhibit 6 (Rev. 2)

	FY 2000	FY 2001	FY 2002
d. Operating Expenses:	17,696	19,161	19,161
870 Operation Supervision & Engineering			
-75 hrs @ \$32 + benefits @ 35% (7% increase annually)	3,240	3,470	3,715
-Contractor Expense Ohio County	3,200	3,400	3,400
874 Mains & Services Expense			
-Miscellaneous	1,000	1,000	1,000
877 Measuring & Regulating Station Expenses-			
City Gate Check Stations			
-100 hrs @ \$22 + benefits @ 35% (7% increase annually)	2,970	3,180	3,400
-Contractor Expense Ohio County	3,200	3,400	3,400
-Miscellaneous	1,000	1,000	1,000
878 Meter Expenses			
-Miscellaneous	500	500	500
879 Customer Installations Expense			
-Miscellaneous	500	500	500
880 Other Expenses			
-Miscellaneous	2,086	2,711	2,246
	17,696	19,161	19,161
e. Maintenance Expenses:	17,696	19,161	19,161
885 Maintenance Supervision & Engineering			
-75 hrs @ \$32 + benefits @ 35% (7% increase annually)	3,240	3,470	3,715
-Contractor Expense Ohio County	3,200	3,400	3,400
887 Maintenance of Mains			
-Miscellaneous Contractor Expense	3,200	3,400	3,700
-Miscellaneous	1,000	1,000	1,000
891 Maintenance of Measuring & Regulating Station			
Equipment-City Gate Check Station			
-Miscellaneous Contractor Expense	3,200	3,400	3,400
-Miscellaneous	1,000	1,000	1,000
892 Maintenance of Services			
-Miscellaneous Contractor Expense	1,000	1,200	1,200
893 Maintenance of Meters			
-Miscellaneous Contractor Expense	1,000	2,291	1,746
	16,840	19,161	19,161

Pro Forma Income Statement- Total System
Calculations of Estimated Operating Expenses by UsaA
Exhibit 6 (Rev. 2)

f. Customer Accounts Expenses:	15,404	15,404	18,485
901 Supervision			
-75 hrs @ \$32 + benefits @ 35% (7% increase annually)	3,240	3,470	3,715
-50 hrs @ \$22 + benefits @ 35% (7% increase annually)	1,485	1,590	1,700
902 Meter Reading Expenses			
-36 hrs @ \$17 + benefits @ 35% (7% increase annually)	826	885	950
-Contractor Expense Ohio County	1,000	1,000	1,000
-Miscellaneous	100	200	500
903 Customer Records & Collection Expenses			
-300 hrs @ \$12 + benefits @ 35% (7% increase annually)	4,860	5,200	5,565
-Billing Supplies/Postage	250	300	300
-Software	500	225	250
-Miscellaneous	3,143	1,784	3,755
904 Uncollectible Accounts		750	750
	<u>15,404</u>	<u>15,404</u>	<u>18,485</u>
g. Administrative Expenses:	46,212	46,212	49,293
920 Administrative & General Salaries			
-75 hrs @ \$32 + benefits @ 35% (7% increase annually)	3,240	3,470	3,715
-400 hrs @ \$32 + benefits @ 35% (7% increase annually)	17,280	18,490	19,800
-150 hrs @ \$26 + benefits @ 35% (7% increase annually)	5,265	5,635	7,600
-250 hrs @ \$15 + benefits @ 35% (7% increase annually)	5,060	5,415	5,795
921 Office Supplies & Expenses			
-Supplies	1,500	2,000	2,000
-Software	500	500	250
-Training/Educational	3,500	3,500	3,500
923 Outside Services Employed			
-Legal	1,000	1,000	1,000
-Consulting	5,000	2,000	1,500
924 Property Insurance	1,500	1,600	1,600
930.1 General Advertising Expenses	1,500	1,500	1,500
930.2 Miscellaneous General Expenses	867	1,102	1,033
	<u>46,212</u>	<u>46,212</u>	<u>49,293</u>

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 7 – DEPRECIATION SCHEDULE (REV.2)

Line No.	Acct. #	Item Description	Cost Estimate	Estimated Installation	Depreciation Period	Balance 2000	Balance 2001
	(a)	(b)	(c)	(d)	(e)	(g)	(h)
1	301	Organization	\$ 33,400	2000	10	\$ 33,400	\$ 30,060
2	375	Structures and Improvements	-	2000	30	-	-
3	376	Mains	559,925	2000	50	559,925	548,726
4	379	Measuring and Regulating Station Equip.	20,000	2000	30	20,000	19,333
5	380	Services	2,700	2000	30	2,700	2,610
6	385	Measuring and Regulating Equipment	28,700	2000	30	28,700	27,743
7		Total Utility Plant	\$ 644,725			\$ 644,725	\$ 628,473
8		Depreciation Expense					16,252
9		Accumulated Depreciation					16,252

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 7 – DEPRECIATION SCHEDULE (REV.2)

Line No.	Acct. #	Item Description	Balance		Balance		Balance		Balance		Balance	
			2002	2003	2004	2005	2006	2007				
(a)	(b)	(i)	(j)	(k)	(l)	(m)	(n)					
1	301	Organization	\$ 26,720	\$ 23,380	\$ 20,040	\$ 16,700	\$ 13,360	\$ 10,020				
2	375	Structures and Improvements	-	-	-	-	-	-				
3	376	Mains	537,528	526,329	515,131	503,932	492,734	481,535				
4	379	Measuring and Regulating Station Equip.	18,667	18,000	17,333	16,667	16,000	15,333				
5	380	Services	2,520	2,430	2,340	2,250	2,160	2,070				
6	385	Measuring and Regulating Equipment	26,787	25,830	24,873	23,917	22,960	22,003				
7		Total Utility Plant	\$ 612,221	\$ 595,969	\$ 579,717	\$ 563,465	\$ 547,214	\$ 530,962				
8		Depreciation Expense	16,252	16,252	16,252	16,252	16,252	16,252				
9		Accumulated Depreciation	32,504	48,755	65,007	81,259	97,511	113,763				

**MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 7 – DEPRECIATION SCHEDULE (REV.2)**

Line No.	Acct. #	Item Description	Balance		Balance		Balance		Balance		Balance	
			2008	2009	2010	2011	2012	2013				
	(a)	(b)	(o)	(p)	(q)	(r)	(s)	(t)				
1	301	Organization	\$ 6,680	\$ 3,340	\$ -	\$ -	\$ -	\$ -				
2	375	Structures and Improvements	-	-	-	-	-	-				
3	376	Mains	470,337	459,138	447,940	436,741	425,543	414,344				
4	379	Measuring and Regulating Station Equip.	14,667	14,000	13,333	12,667	12,000	11,333				
5	380	Services	1,980	1,890	1,800	1,710	1,620	1,530				
6	385	Measuring and Regulating Equipment	21,047	20,090	19,133	18,177	17,220	16,263				
7		Total Utility Plant	\$ 514,710	\$ 498,458	\$ 482,206	\$ 469,294	\$ 456,383	\$ 443,471				
8		Depreciation Expense	16,252	16,252	16,252	12,912	12,912	12,912				
9		Accumulated Depreciation	130,015	146,266	162,518	175,430	188,342	201,254				

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 7 – DEPRECIATION SCHEDULE (REV.2)

Line No.	Acct. #	Item Description	Balance		Balance		Balance		Balance		Balance	
			2014	2015	2016	2017	2018	2019				
(a)	(b)	(u)	(v)	(w)	(x)	(y)	(z)					
1	301	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	375	Structures and Improvements	-	-	-	-	-	-	-	-	-	
3	376	Mains	403,146	391,947	380,749	369,550	358,352	347,153	-	-	-	
4	379	Measuring and Regulating Station Equip.	10,667	10,000	9,333	8,667	8,000	7,333	-	-	-	
5	380	Services	1,440	1,350	1,260	1,170	1,080	990	-	-	-	
6	385	Measuring and Regulating Equipment	15,307	14,350	13,393	12,437	11,480	10,523	-	-	-	
7		Total Utility Plant	\$ 430,559	\$ 417,647	\$ 404,735	\$ 391,824	\$ 378,912	\$ 366,000	-	-	-	
8		Depreciation Expense	12,912	12,912	12,912	12,912	12,912	12,912	-	-	-	
9		Accumulated Depreciation	214,166	227,077	239,989	252,901	265,813	278,725	-	-	-	

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION

EXHIBIT 7 – DEPRECIATION SCHEDULE (REV.2)

Line No.	Acct. #	Item Description	Balance		Balance		Balance		Balance		Balance	
			2020	2021	2022	2023	2024	2025				
(a)	(b)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)					
1	301	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	375	Structures and Improvements	-	-	-	-	-	-	-	-	-	
3	376	Mains	335,955	324,756	313,558	302,359	291,161	279,962				
4	379	Measuring and Regulating Station Equip.	6,667	6,000	5,333	4,667	4,000	3,333				
5	380	Services	900	810	720	630	540	450				
6	385	Measuring and Regulating Equipment	9,567	8,610	7,653	6,697	5,740	4,783				
7		Total Utility Plant	\$ 353,088	\$ 340,176	\$ 327,264	\$ 314,353	\$ 301,441	\$ 288,529				
8		Depreciation Expense	12,912	12,912	12,912	12,912	12,912	12,912				
9		Accumulated Depreciation	291,636	304,548	317,460	330,372	343,284	356,196				

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 7 – DEPRECIATION SCHEDULE (REV.2)

Line No.	Acct. #	Item Description	Balance				
			2026	2027	2028	2029	2030
(a)	(b)	(ag)	(ah)	(ai)	(aj)	(ak)	
1	301	Organization	\$ -	\$ -	\$ -	\$ -	\$ -
2	375	Structures and Improvements	-	-	-	-	-
3	376	Mains	268,764	257,565	246,367	235,168	223,970
4	379	Measuring and Regulating Station Equip.	2,667	2,000	1,333	667	-
5	380	Services	360	270	180	90	-
6	385	Measuring and Regulating Equipment	3,827	2,870	1,913	957	(0)
7		Total Utility Plant	\$ 275,617	\$ 262,705	\$ 249,793	\$ 236,882	\$ 223,970
8		Depreciation Expense	12,912	12,912	12,912	12,912	12,912
9		Accumulated Depreciation	369,107	382,019	394,931	407,843	420,755

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 8 GROSS REVENUE CONVERSION FACTOR (REV.2)

Line No.	Description (a)	Basis (b)
1	Operating Revenue	100.00%
2	Less: Uncollectable Accounts	0.40%
3	Less: PSC Assesment Fee	0.15%
4	Less: Ky. Income Tax Rate	<u>4.00%</u>
5	Income before Federal Tax	95%
6	Less: Federal Income Tax @ 15%	<u>14.32%</u>
7	Operating Income Ratio	81.1%
8	Gross Revenue Conversion Factor (1/Operating Income Ratio)	1.23

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 9 REVENUE REQUIREMENTS BY TIER (REV.2) [1]

Line No.	Description (a)	Exhibit Reference (b)	Amount (c)	Comments (d)
Calculation of Projected Income Tax Expense				
1				
2	Interest Expense	Exhibit 6	\$ 43,370	
3	TIER Requirement	RUS 1710	1,60	
4	Required Total Margin		\$ 26,022	= (Line 3 X Line 2) - Line 2
5	Gross Revenue Conversion Factor	Exhibit 8	1.23	
6	Taxable Income		\$ 32,074	= Line 4 X Line 5
7	Less: Net Income		26,022	Line 4
8	Tax Expense		\$ 6,053	= Line 6 - Line 7
Calculation of Revenue Requirements				
9			Amount	
10	Operating Expenses (less interest) Margin	Exhibit 6	\$ 132,430	Line 14 less Line 13.
11			26,022	Line 4
12	Interest Expense	Exhibit 6	43,370	
13	Income Tax Expense		6,053	Line 8
14	Total Revenue Requirement		\$ 207,874	
15	Less: Interest Income		-	
16	Less: Other Operating Income		-	
17	Revenue Required From Rates		\$ 207,874	
18	Projected Purchased Gas Cost		\$ 224,405	
19	Total Revenue Requirements		\$ 432,279	

[1] Based on a 3-year average

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION

EXHIBIT 1 | TAX RATE COMPUTATION (REV. 2)

Line No.	Description	Estimated	Estimated	Estimated	Estimated
		2000 Taxes	2001 Taxes	2002 Taxes	3-Yr Avg. Taxes
1	Pre-tax Income	\$ (50,819)	\$ 43,666	\$ 70,961	\$ 21,269
2	Less: Kentucky Income Tax (0- \$25,000 @ 4%)	-	1,747	2,838	851
5	Less Federal Income Tax (1- \$50,000 @ 15%)	\$ (50,819)	\$ 41,919	\$ 68,123	\$ 20,419
6		-	6,288	10,218	3,063
7	Total Income Tax	-	8,034	13,057	3,914
8	Net Income	\$ (50,819)	\$ 35,631	\$ 57,905	\$ 17,356
9	Effective Income Tax Rate	0.00%	18.40%	18.40%	18.40%

Millennium Energy, Inc.
Ohio County LDS
Cash Flow Summary
Exhibit 12

Line No.	Description (a)	Existing 1999 [1]	Combined 2000	Combined 2001	Combined 2002
1	Working Capital (BOY)	\$ -	\$ 26,297	\$ (1,347)	\$ 1,880
2	Plus: Net Income (after tax) [1]	-	(50,819)	\$ 43,666	70,961
3	Plus: Depreciation	-	-	16,252	16,252
4	Less: Principal Payment	-	-	36,290	103,679
5	Plus: New Borrowing	<u>369,000</u> [2]	<u>694,197</u> [3]	<u>-</u>	<u>-</u>
6	Funds Available for Capital				
7	Improvements and Additions	369,000	669,674	22,280	(14,585)
8	Less: Capital Requirements	342,703	644,725	20,400	20,100
9	Working Capital (EOY)	\$ 26,297	\$ 24,950	\$ 1,880	\$ (34,685)
10	Change in Working Capital	NA	\$ (1,347)	\$ (23,070)	\$ (59,635)

[1] From Case No. 99-312

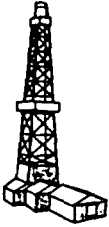
[2] From Exhibit 6

[3] From Exhibit 10b

**Millennium Energy, Inc.
Ohio County Project
Schedule of Construction**

2000

Task	May	June	July	Aug	Sept	Oct	Nov
Approval from the PSC	—						
Secure remaining easements							
Peake Energy supply agreement							
Secure road bore permits							
Secure Midwestern pipeline crossing permit							
Order material							
Locate utilities							
Stake pipeline route							
Delivery of materials							
Start pipe welding/fusing							
Start trenching/ Parkway bores							
Start pipe laying							
Trench backfilling							
Clean-up							
Install District regulator (if needed)							
Install Peake connections							
Install pipeline markers							
Connect businesses							
Connect residents							



Peake Energy, Inc.

P.O. Box 8
State Rt. 2 & Pleasantview Ridge Road
Ravenswood, WV 26164
Telephone: (304) 273-5371
Fax: (304) 273-5379

March 31, 2000

Mr. Gary K. Dillard
Executive Vice President
Millennium Energy, Inc.
PO Box 1118
Bowling Green, KY 42102

Dear Mr. Dillard:

As a follow up to discussions with Peake Energy, Inc. (Peake), please know that Peake is certainly interested in pursuing further discussions regarding the possible negotiation of a firm price agreement with Millennium for natural supply gas in Ohio County, Kentucky.

Peake owns and operates the Shrewsbury natural gas field which is located in Grayson County, Kentucky. Peake also owns 23 miles of 10" gathering line which delivers gas to the current sales point with compression equipment on Rob Roy Road in Ohio County, Kentucky. Peake currently delivers all of its gas into an interstate pipeline due to the lack of local marketing opportunities. Peake embraces the concept of using a local supply to fuel local industrial and residential consumers.

Peake wishes you success in your start up efforts to provide local distribution services in this area. Please know that Peake has committed its full volumes through October 2000, but is ready to initiate discussion on your desire for a fixed price, termed contract. Please know that Peake expects to use the NYMEX futures strip as a price benchmark in any such discussion.

Again, best of luck with the project and we look forward to hearing from you soon.

Sincerely,

Thomas S. Liberatore
General Manager

TSL/mdr

cc: Barry Ferguson - North Coast Energy, Inc.
Gerry Merriam - North Coast Energy, Inc.

**National Cooperative Services Corporation
Secured Revolving Line of Credit Agreement
("Agreement")**

Name of Borrower: MILLENIUM ENERGY, INC.

Address: Post Office Box 1118, Bowling Green, KY 42102

National Cooperative Services Corporation ("NCSC"), a District of Columbia corporation, has approved Borrower for a secured revolving line of credit loan in an amount not to exceed Five Hundred Thousand Dollars (\$500,000.00) (hereinafter referred to as the "NCSC Commitment"). Borrower hereby agrees that the terms and conditions herein, plus any additional terms and conditions agreed to in writing by the parties, shall constitute a valid and binding agreement between Borrower and NCSC. In consideration of their mutual promises hereunder and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, NCSC and Borrower agree to the following terms and conditions:

- 1. Revolving Credit and Term.** NCSC agrees to advance funds to the Borrower pursuant to the terms and conditions hereof (each such advance of funds is referred to herein as an "Advance"), provided, however, that the amount at any time outstanding under this line of credit shall not exceed the NCSC Commitment. The Borrower may borrow, repay and reborrow funds at any time or from time to time for a period up to thirty-six (36) months from the effective date hereof.
- 2. Requisitions.** Requests for Advances shall be in such written form as NCSC may reasonably require from time to time.
- 3. Interest Rate and Payment.** The Borrower unconditionally promises and agrees to pay, as and when due, interest on all amounts advanced hereunder from the date of each Advance and to repay all amounts advanced hereunder with interest on the date this Agreement terminates as provided herein. Interest shall be due and payable in accordance with NCSC's regular billing cycles as may be in effect from time to time. NCSC shall send a payment notice to the Borrower at least five days prior to the due date of any interest payment. All amounts shall be payable at NCSC's main office at Woodland Park, 2201 Cooperative Way, Herndon, Virginia 20171-3025 or at such other location as designated by NCSC from time to time. The interest rate on all Advances will be equal to the total rate per annum as may be fixed by NCSC from time to time, which shall not exceed the Prevailing Bank Prime Rate (as defined herein), plus one percent per annum. Interest will be computed on the basis of a 365 day year for the actual number of days that any Advance is outstanding. The effective date of an interest rate adjustment will be determined from time to time by NCSC, provided that no such adjustment may be effective on a date other than the first or sixteenth day of any month, and any such adjustment shall remain in effect until any subsequent change in the interest rate occurs.

The "Prevailing Bank Prime Rate" is that bank prime rate published in the "Money Rates" column of the eastern edition of *The Wall Street Journal* on the publication day immediately preceding the day on which an adjustment in the interest rate hereof shall become effective. If *The Wall Street*

Journal shall cease to be published, then the Prevailing Bank Prime Rate shall be determined by NCSC by reference to another publication reporting bank prime rates in a similar manner.

4. NCSC Accounts. NCSC shall maintain in accordance with its usual practices an account or accounts evidencing the indebtedness of the Borrower resulting from each Advance and the amounts of principal and interest payable and paid hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts (whether stored on computer memory, microfilm, payment notices or otherwise) shall be presumptive evidence (absent manifest error) of the existence and amounts of the Borrower's transactions therein recorded.

5. Corporate and Regulatory Approvals. Borrower represents and warrants that it has obtained any and all necessary corporate and regulatory approvals for Borrower to execute, deliver and perform its obligations under this Agreement.

6. Reports. During the term of this Agreement, Borrower agrees (a) to provide NCSC, within 120 days of the end of Borrower's fiscal year, its annual financial statements, prepared in accordance with generally accepted accounting principles ("GAAP") and audited by an independent certified public accountant, or otherwise in form and substance satisfactory to NCSC, and (b) to provide NCSC with any other reports or information which NCSC may from time to time reasonably request.

7. Fees. If any amount outstanding and due hereunder shall not be paid when due, Borrower agrees to pay on demand NCSC's reasonable costs of collection or enforcement of this Agreement, or preparation therefor, including reasonable fees of counsel. If payment of any principal and/or interest due under the terms of this Agreement is not received at NCSC's office in Herndon, Virginia, or such other location designated by NCSC within 5 business days after the due date thereof, then Borrower shall pay to NCSC, on demand, and in addition to all other amounts due under the terms of this Agreement, any late-payment and additional interest charges as may then be in effect pursuant to NCSC's then current policies without setoff or counterclaim. For purposes of this Agreement, a "business day" means a day that both NCSC and the financial institution it employs for funds remittance are open for business.

8. Limitation on Advances. While an Advance is outstanding, NCSC reserves the right to limit further Advances if the sum of (a) all Advances outstanding, (b) the amount of any further Advance requested, and (c) the total amount of Borrower's other unsecured outstanding debt, would exceed the NCSC Commitment.

9. Security. As a condition to NCSC making Advances hereunder, the Borrower shall execute and file such security agreements, financing statements and other security documents as requested by NCSC from time to time, and Borrower hereby grants to NCSC a security interest in the collateral identified thereon. Said collateral secures repayment of principal, interest, costs of collection and enforcement, and all other sums due to NCSC pursuant to the terms of this Agreement.

10. Credit Support. With NCSC's prior written approval, this Agreement may be used as credit support for other financings.

11. Notices, Acceleration of Debt and Waivers. While an Advance is outstanding, Borrower agrees to notify NCSC in writing of (a) any delinquency or default on any of its financial obligations, (b) any material adverse change in its financial or business condition, and (c) if any representation or warranty made in this Agreement is no longer true in any material respect. If any delinquency, default, or any other event as a result of which any holder of indebtedness may declare the same due and payable shall occur and continue uncorrected for more than any applicable grace period, or any representation or warranty herein shall no longer be true, or Borrower shall fail to perform or to comply with any term of this Agreement, or if the financial condition of Borrower shall have changed to the extent that such change, in the reasonable judgment of NCSC, materially increases NCSC's risk or repayment hereunder, then NCSC may declare at any time all outstanding principal, interest and other amounts due hereunder immediately due and payable in full with accrued interest, without presentment or demand, and may withhold Advances. The Borrower waives the defense of usury and all rights to setoff, counterclaim, deduction or recoupment.

12. Survival of Representations and Warranties and Payment Obligations. Borrower agrees that its obligation to repay principal, interest and all other amounts due hereunder, and the representations and warranties made herein, shall survive termination of this Agreement. Borrower further agrees that such repayment obligations shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower is rescinded, set aside or must be otherwise restored, whether as a result of any proceeding in bankruptcy or reorganization or otherwise.

13. Representations and Warranties. Borrower represents and warrants that as of the date of its application for this line of credit, and on the date of each Advance hereunder:

- a) the Borrower is not in default of any of its financial obligations;
- b) there has been no material adverse change in the Borrower's business or financial condition from that set forth in its most recent audited financial statements;
- c) no litigation is pending or, to the best of Borrower's knowledge, threatened against the Borrower which, if adversely determined, would have a material adverse effect on the Borrower's ability to perform under this Agreement;
- d) the information contained in Borrower's audited financial statements, its other financial reports and information otherwise submitted in connection with this Agreement is complete and accurate, and said financial statements and financial reports fairly represent the financial condition of the Borrower as of the dates reflected thereon;
- e) the execution, delivery and performance of this Agreement has been duly authorized by the Borrower, which authorization has not been rescinded or modified; and
- f) all Advances hereunder will be used only for proper corporate purposes

14. Conditions of Lending. As a condition to NCSC making Advances hereunder, each of the following conditions shall be satisfied at the time of each Advance:

- a) NCSC shall have received the Borrower's most recent annual financial statements, prepared in accordance with GAAP and audited by an independent certified public accountant, or otherwise in form and substance satisfactory to NCSC;
- b) all representations and warranties set forth herein shall be true and correct; and
- c) the Borrower shall have obtained any and all necessary corporate, regulatory and governmental approvals for the Borrower to execute, deliver and perform its obligations under this Agreement.

15. GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

BORROWER HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

EACH OF THE BORROWER AND NCSC HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

16. Severability. If any term, provision or condition, or any part thereof, of this Agreement shall for any reason be found or held invalid or unenforceable by any court or governmental agency of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained herein.

17. Setoff. NCSC is hereby authorized at any time and from time to time without prior notice to the Borrower to exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by NCSC or owed to the Borrower or for the credit or account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing hereunder. NCSC agrees to notify the Borrower promptly after any such setoff or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of NCSC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which NCSC may have.

18. Miscellaneous. (a) This Agreement contains the entire agreement of the parties hereto with respect to the matters covered and the transactions contemplated hereby, and no other agreement, statement or promise made in connection with this line of credit by any party hereto, or by any employee, officer, agent or attorney of any party hereto which is not contained herein shall be valid and binding. (b) Any amendment to this Agreement must be in writing signed by both parties. (c) No failure or delay by NCSC in exercising any right or remedy hereunder shall operate as a waiver or preclude the future exercise thereof or of any other right or remedy. (d) If any payment is due from Borrower on a day which NCSC is not open for business, then such payment shall be made on the next succeeding day on which NCSC is open for business.

19. Additional Terms and Conditions. As further conditions to the making of any Advance, NCSC shall have received: (a) an unconditional guaranty of all amounts due hereunder, in form and substance satisfactory to NCSC, from Warren Rural Electric Cooperative Corporation; and (b) evidence satisfactory to NCSC that Borrower has entered into an agreement with Cagle-Keystone whereby Cagle-Keystone will purchase from Borrower all of the natural gas used by Cagle-Keystone at its feed mill and hatchery located in Simpson County, Kentucky.

Name of Borrower: MILLENIUM ENERGY, INC.

Signed By: Floyd N. Ellis
Floyd N. Ellis

Title: President Date Signed: 4-22-99

NATIONAL COOPERATIVE SERVICES CORPORATION

By: _____
Assistant Secretary-Treasurer

Loan Number: KY 406-R-5100
NCSC Loan No. DC 210-R-R-5193
Master Note No. DC 210-A-9177

Effective Date (to be filled in by NCSC): _____

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, (this "Agreement"), dated April 22, 1999 is by and between MILLENIUM ENERGY, INC., a corporation organized and existing under the laws of the State of Kentucky ("Borrower"), and NATIONAL COOPERATIVE SERVICES CORPORATION ("NCSC"), a cooperative association incorporated under the laws of the District of Columbia.

WHEREAS, Borrower and NCSC are parties to that certain secured revolving line of credit agreement dated as of the date hereof, providing for a line of credit in original principal amount of \$500,000.00 (as modified and supplemented and in effect from time to time, the "Line of Credit Agreement") providing, subject to the terms and conditions thereof, for one or more loans to be made by NCSC to Borrower.

WHEREAS, to induce NCSC to enter into the Line of Credit Agreement and to lend money thereunder and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower has agreed to pledge and grant a security interest in the Collateral (as hereinafter defined) as security for the Secured Obligations (as so defined). Accordingly, the parties hereto agree as follows:

Section 1. Definitions. Any capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the Line of Credit Agreement or, if not defined therein, as defined in the Uniform Commercial Code as the same may from time to time be in effect in the Commonwealth of Virginia (the "UCC"):

"Accounts Receivable" means all accounts, fees or other revenues receivable, contract rights for the payment of money, royalties, instruments, chattel paper, other obligations and receivables, expense reimbursements and all other rights to payment; and all other types of any property of Borrower included within the term "Account" as defined in the UCC, in all cases whether now owned or existing or hereafter acquired or hereafter arising.

"Collateral" means (i) all Accounts Receivable, (ii) all Equipment, (iii) all contract rights, leases, easements, licenses, insurance proceeds and other General Intangibles of Borrower, (iv) all Inventory, and (v) all proceeds, products, additions and accessions to and substitutions or replacements for any of the foregoing.

"Equipment" means all machinery, equipment, appliances, furniture, fixtures, goods, supplies and tangible personal property of every kind and description including, but not limited to, property included within the term "equipment" as defined in the UCC, in all cases whether now owned or existing or hereafter acquired or hereafter arising, including but not limited to any tangible personal property of any type or description whatsoever used in the Borrower's business.

"General Intangibles" means all of Borrower's catalogs, books, records, computer software and programs and the like pertaining to operations by or the business of Borrower; all licenses, consents, permits, variances, certifications and approvals of governmental agencies held by Borrower pertaining to its operations or business; all rights of Borrower to receive return of deposits and trust payments; all rights of Borrower to payment under letters of credit and similar

agreements; all tax refunds owed to Borrower; all causes of action, rights, contract rights, claims and warranties of Borrower against third parties; all rights of Borrower as lessor or lessee under any lease or rental agreement; all rights of Borrower in chattel paper, documents, and instruments; all rights of Borrower with respect to employee benefit plan assets; all rights of Borrower under any insurance, surety or similar contract or arrangement; and all other types of property of Borrower included within the term "general intangibles" as defined in the UCC, in all cases whether now owned or existing or hereafter acquired or hereafter arising.

"Inventory" shall mean all right, title and interest of Debtor in and to inventory of every type and description, now owned and hereafter acquired and wherever located, including, without limitation, raw materials, work in process, finished goods, goods returned or repossessed or stopped in transit, goods used for demonstration, promotion, marketing or similar purposes, property in or on which any of the foregoing may be stored or maintained and all materials and supplies usable or used or consumed in the course of Debtor's business, together with all accessions, replacement parts and additions thereto in any form whatsoever.

"Secured Obligations" means, collectively, principal, interest and all other sums due under the Line of Credit Agreement (as may be amended from time to time), any note or notes executed and delivered by Borrower pursuant to the Line of Credit Agreement, including any substitute note, modification or additional note or notes issued pursuant thereto, and all other obligations set forth in the Line of Credit Agreement and in any such note or notes.

Section 2. Security Interest. Borrower, its successors and assigns, hereby gives and grants to NCSC, its successors and assigns, a security interest in all the Collateral and all of Borrower's right, title and interest therein, whether now owned or existing or hereafter acquired or arising, together with all proceeds therefrom, to secure the Secured Obligations, including, without limitation, the following:

- a) the payment of all principal under the Line of Credit Agreement and all interest from time to time outstanding thereunder;
- b) the payment by Borrower of all costs and expenses (including attorneys' fees and expenses) incurred by NCSC in the collection of the amounts due under the Line of Credit Agreement and in the enforcement of its rights thereunder;
- c) the payment of all amounts from time to time owing to NCSC under or in connection with the Line of Credit Agreement and this Agreement, including all costs and expenses (including attorneys' fees and expenses) incurred by NCSC in the enforcement of its rights under the Line of Credit Agreement and this Agreement; and
- d) performance by Borrower of all of its obligations under the Line of Credit Agreement and this Agreement.

Section 3. Accounts Receivable. Borrower covenants and agrees as follows:

- a) NCSC shall have the right from time to time (at Borrower's expense) to arrange for verification of all Accounts Receivable directly with the account debtors or by other methods reasonably satisfactory to NCSC. Any such verification shall be conducted in such a manner as to minimize disruption to Borrower's business.
- b) In the event any Account Receivable of Borrower is evidenced by chattel paper or other negotiable instruments, Borrower shall, after the occurrence and during the continuance of a Default, deliver the same to NCSC (with all requisite endorsements, in favor of NCSC, which NCSC may make as attorney-in-fact for Borrower, NCSC being hereby appointed as attorney-in-fact for Borrower for such purpose) as soon as possible and prior to such delivery shall hold the same in trust for the benefit of NCSC.
- c) Except as otherwise provided in this Section, Borrower shall use its best efforts to collect, at its own expense, all amounts due or to become due to Borrower on the Accounts Receivable. After a Default, NCSC shall have the sole right at any time, upon written notice to Borrower and at the expense of Borrower, to take such action in accordance with applicable law to collect the Accounts Receivable as NCSC deems proper, and to adjust, settle and compromise payment thereof (without notice to or the consent of Borrower), in the same manner and to the same extent as Borrower might have done. At such time as NCSC exercises its rights pursuant to the preceding sentence, Borrower shall not take any action to collect, adjust, settle or compromise any Account Receivable except with the written consent of NCSC and any collections of Accounts Receivable received or held by Borrower shall be property of NCSC, shall be held in trust for the benefit of NCSC and shall be delivered to NCSC immediately with all requisite endorsements in favor of NCSC which NCSC may make as attorney-in-fact for Borrower. NCSC does not have any obligation to Borrower to collect or attempt to collect any Accounts Receivable or to preserve any rights against any party in connection therewith.

If any of the Accounts Receivable includes a charge for any tax payable to any governmental authority, NCSC is hereby authorized (but in no event obligated) in its discretion, to pay the amount thereof to the proper taxing authority for Borrower's account and to charge Borrower's account therefor. NCSC shall have the right to retain the full proceeds of such Accounts Receivable and shall not be liable for any taxes that may be due from Borrower by reason of the sale and delivery creating such Accounts Receivable.

Section 4. Records.

Borrower will at all times keep accurate and complete records of the Collateral, and NCSC shall have the right, at all reasonable times upon one day's notice and at its own expense prior to the occurrence of any Default but at Borrower's expense thereafter, to examine and inspect the same and to make copies thereof.

Section 5. Representations, Warranties and Covenants.

Borrower hereby represents and warrants to NCSC as follows:

- a) It is and will be the sole owner of all of the Collateral now or hereafter appearing on its books, and that the same are and will be, during the term of this Agreement, free and clear from any and all assignments, liens, and security interests, except for purchase money security interests, those in favor of NCSC or as otherwise provided herein or in the Line of Credit Agreement, and that all its books and records concerning the Collateral are kept at the Borrower's principal place of business;
- b) All records concerning the Collateral will be kept at the Borrower's principal place of business;
- c) Borrower will not permit the sale or lease of any Collateral (except for dispositions occurring in the ordinary course of business) nor permit any Collateral to become subject to any lien or other security interest, whether prior or subordinate to the Security Interests of NCSC created hereunder, except for those in favor of NCSC or as otherwise provided herein or in the Line of Credit Agreement;
- d) Borrower agrees to indemnify and hold harmless NCSC from any present or future claim for liability for any tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with this Agreement or the Collateral;
- e) Borrower will prepare and execute all necessary financing statements and supplements thereto, if any, and will attend to the filing of any and all continuation statements as required by NCSC or applicable law from time to time in order to continue the perfection and priority of the Security Interests of NCSC hereunder; and
- f) Borrower shall, from time to time as requested by NCSC, take such action and execute and deliver to NCSC all such instruments, supplements, further assurances, financing statements and security or other agreements as may be required or requested by NCSC in order to perfect and maintain NCSC's security interest in the Collateral.

Section 6. Default and Remedies.

6.01. Borrower shall be in default under this Agreement upon the occurrence of any one or more of the following events (each, a "Default"):

- a) An Event of Default under the Line of Credit Agreement.
- b) A breach of any agreement, representation, warranty or covenant under this Agreement which shall be continuing for a period of thirty (30) days after notice thereof to Borrower.

6.02 If a Default shall occur, NCSC shall have the following rights:

- a) to perform any defaulted covenant or agreement of this Agreement to such extent as NCSC shall determine and advance such moneys as it shall deem advisable for the aforesaid purpose and all monies so advanced shall be secured hereby and shall be repaid promptly without demand; provided, however, that nothing herein contained shall be construed to require NCSC to advance money for any of the aforesaid purposes;
- b) to notify all account debtors to make payments directly to NCSC or otherwise as NCSC may specify;
- c) to exercise its rights, options, and remedies under this Agreement and/or other rights, options, and remedies as provided under applicable law;
- d) where applicable, to take immediate possession of the Collateral and, with or without taking possession of the Collateral, to sell, lease or otherwise dispose of any or all of the Collateral, either at public or private sale, upon commercially reasonable terms, and NCSC may become the purchaser thereof at public sale. Any notice given at least ten (10) days prior to such sale shall be deemed to comply with law and constitute reasonable notice. Any sale may be adjourned at any time and from time to time to a reasonably specified time and place by announcement at the time and place of sale as previously fixed, without further notice by publication or otherwise of the time and place of such adjourned sale. The proceeds of any sale shall be applied (i) first to the expenses of taking, holding and preparing for sale or disposition, and sale or disposition and the like (including reasonable attorneys' fees), (ii) next to the principal and interest due under the Line of Credit Agreement and the other Secured Obligations, and (iii) any surplus to Borrower, and Borrower shall remain liable for any deficiency and any court costs relating to the sale or other disposition of Collateral. Any such sale, public or private, may be made on credit at the option of NCSC. NCSC shall have the right to conduct any such sale on Borrower's premises, and NCSC shall have such right of possession of said premises as shall be necessary or convenient for such purpose. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by NCSC until the selling price is paid by the purchaser thereof, but NCSC shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may again be sold upon like notice. NCSC, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose on and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction;
- e) to take immediate possession of the Collateral and to use or operate the Collateral in order to preserve the same or its value, and collect, receive and use all of the net profits from such use or operation to pay the Secured Obligations;

- f) to require Borrower, to the extent practicable and at Borrower's expense, to assemble the Collateral and make it available to NCSC at such locations within the county wherein such Collateral is located as NCSC shall designate;
- g) to proceed to protect and enforce its rights under the or this Agreement by a suit or suits in equity or at law, whether for specific performance or observance of any terms, provisions, covenants or conditions herein or therein contained, in aid of the execution of any power herein or therein granted, for any foreclosure hereunder or thereunder, or for the enforcement of any other proper legal or equitable remedy;
- h) to license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any of the General Intangibles, for such term or terms, on such conditions, and in such manner, as NCSC shall in its sole discretion determine;
- i) upon request by NCSC, Borrower will execute and deliver to NCSC a power of attorney, in form and substance satisfactory to NCSC, for the implementation of any lease, assignment, license, sublicense, grant of option, sale, or other disposition of General Intangibles. Borrower hereby releases NCSC from any claims, causes of action and demands at any time arising out of or with respect to any actions taken or omitted to be taken by NCSC hereunder except for any such claims, causes of action and demands arising out of the gross negligence or willful misconduct of NCSC. Borrower agrees to pay when due all reasonable costs incurred in any such disposition, including any taxes, fees and reasonable attorneys fees;
- j) NCSC shall have any and all other rights and remedies provided by law or equity to a secured party. All of NCSC's rights and remedies will be cumulative, and no waiver of any default will affect any other subsequent default. The rights and remedies provided in this Agreement, including, without limitation, obtaining and selling the Collateral, are cumulative, may be exercised concurrently or separately, may be exercised from time to time and in such order, without any marshaling, as NCSC shall determine; and
- k) to exercise rights of set-off against the Collateral in order to pay the Secured Obligations.

Nothing herein contained shall be construed as preventing NCSC from taking all lawful actions to protect its interest in the event that liquidation, insolvency, bankruptcy, reorganization or foreclosure proceedings of any nature whatsoever affecting the property or assets of Borrower should be instituted.

Section 7. Miscellaneous.

7.01 No Waiver. No failure on the part of NCSC or any of its agents to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by NCSC or any of its agents of any right, power or remedy hereunder preclude any other or further exercise

thereof or exercise of any other rights, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

7.02 Choice of Law; Jurisdiction; Waiver of Jury Trial.

The performance and construction of this Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia.

Borrower hereby submits to the nonexclusive jurisdiction of the United States courts located in Virginia and of any state court so located for purposes of all legal proceedings arising out of or relating to this agreement or the transactions contemplated hereby. Borrower irrevocably waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the establishing of the venue of any such proceeding brought in such a court and any claim that any such proceeding has been brought in an inconvenient forum.

Each of the Borrower and NCSC hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this agreement or the transactions contemplated hereby.

7.03 Notices. All notices, requests, consents and demands hereunder shall be in writing and telexed, telecopied, telegraphed, cabled or delivered to the intended recipient at this address or telex number specified in the Line of Credit Agreement and shall be deemed to have been given at the times specified therein.

7.04 Waivers, etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by Borrower and NCSC. Any such amendment or waiver shall be binding upon NCSC, each holder of any Secured Obligation and Borrower.

7.05 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of Borrower, NCSC and each holder of the Secured Obligations (provided, however, that Borrower shall not assign or transfer its rights hereunder without the prior written consent of NCSC).

7.06 Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

7.07 Agents. NCSC may employ agents and attorneys-in-fact in connection herewith and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith.

7.08 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of NCSC in order to carry out the intentions of the parties hereto as nearly as may be possible.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

MILLENIUM ENERGY, INC.

(SEAL)

By: Floyd H. Ellis
Floyd H. Ellis
Title: President

NATIONAL COOPERATIVE SERVICES CORPORATION

(SEAL)

By: Cynthia S. Smith
Assistant Secretary-Treasurer

WARREN RURAL ELECTRIC COOPERATIVE CORPORATION

**RESOLUTION
AUTHORIZING REPAYMENT GUARANTEE OF NCSC LONG-TERM
LOAN FOR MILLENNIUM ENERGY INC.**

WHEREAS, the Board of Directors of Warren Rural Electric Cooperative Corporation herein called the "Cooperative", guarantees repayment of a loan from the National Cooperative Service Corporation, herein called "NCSC", to Millennium Energy, Inc., a subsidiary of the Cooperative, in the amount up to \$500,000 to finance the project for a term of 10 years at a variable rate or rates as shall be prescribed in the note or notes executed on behalf of the Applicant and delivered to NCSC, the proceeds of such loan to be used for operation of the subsidiary business of Millennium Energy, Inc.

BE IT RESOLVED, that repayment of the loan by Millennium Energy, Inc., shall be based on monthly payment of interest only with principal payments deferred for a period of 24 months following the date of loan. Beginning on the 25th month, monthly installments will include interest and level amortization of principal over the term of the loan.

WITNESS my signature, this 22nd day of April, 1999.

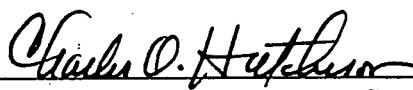


B. W. Lyons, Chairman

CERTIFICATION

I, Charles O. Hutcheson, Secretary of Warren Rural Electric Cooperative Corporation, do hereby certify that the above is a true and correct copy of a Resolution adopted by the Board of Directors of Warren Rural Electric Cooperative Corporation, duly and legally called, convened, and held on April 22, 1999, at the corporate office of Warren Rural Electric Cooperative Corporation, where at a quorum was present and acting throughout, and that said Resolution is in full force and effect, and has not been rescinded or revoked in any manner whatsoever.

Witness my signature, this 22nd day of April, 1999



Charles O. Hutcheson, Secretary

(SEAL)

**CERTIFICATE OF RESOLUTIONS AND INCUMBENCY
MILLENIUM ENERGY, INC.**

I, Orville W. "Pete" Dotson, do hereby certify that: I am the Secretary of
MILLENIUM ENERGY, INC. (the "Borrower") and further certify as follows:

The following is a true and correct copy of excerpts from the minutes of a meeting of the
Board of Directors of the Borrower held on April 22,
19 99, as they appear in the Minutes Book of the Borrower; the meeting was duly and properly
called, with a quorum present and acting throughout; said resolutions were duly adopted thereat;
the Secured Revolving Line of Credit Agreement submitted to National Cooperative Services
Corporation ("NCSC") are substantially in the form as presented to said meeting; the Company
authorized the execution and delivery of the Secured Revolving Line of Credit Agreement; and
said resolutions have not been modified or rescinded:

"RESOLVED, that MILLENIUM ENERGY, INC. (the "Company") establish a secured line of credit
and authorize borrowing from National Cooperative Services Corporation ("NCSC") in an amount
which shall not at any one time exceed Five Hundred Thousand Dollars (\$500,000.00) (the "Line
of Credit Amount"), for a term of thirty-six (36) months, subject to the provisions of the line of
credit agreement substantially in the form submitted to this meeting ("Line of Credit Agreement"),
and to pay such interest rate or rates as shall be prescribed therein; and

RESOLVED, that each of the individuals named below is hereby authorized to execute and deliver
the Line of Credit Agreement on behalf of the Company, to execute any future amendments to
said Line of Credit Agreement as such individual may deem appropriate within the Line of Credit
Amount so authorized, and to execute such further documents as may be necessary or
appropriate in order to comply with NCSC's requirements; and,

RESOLVED, that upon execution and delivery of the Line of Credit Agreement to NCSC, and
when executed by NCSC, it is intended that the Line of Credit Agreement shall a constitute valid
and binding agreement between NCSC and the Company, enforceable in accordance with its
terms; and

RESOLVED, that NCSC shall be entitled to rely upon the direction of such officer or employee of
Company as NCSC reasonably believes is authorized on behalf of the Company to request and
receive funds pursuant to the Line of Credit Agreement; and,

RESOLVED, that NCSC is hereby authorized to receive, review and make copies of any financial
statements, documents; reports, contracts or other materials as NCSC may reasonably request
from time to time in connection with the Line of Credit Agreement; and

RESOLVED, that each of the following persons be, and each of them is, authorized in the name
and on behalf of the Company, to execute and deliver the Line of Credit Agreement, a security
agreement, financing statement and all such other instruments, make all such payments and do
all such other acts as in the opinion of the person or persons acting may be necessary or
appropriate in order to carry out the purposes and intent of the foregoing resolutions:

Office/Title

Name (typed)

Signature

President

Floyd H. Ellis

Floyd H. Ellis

Vice President

Joe B. Neely

Joe B. Neely

Secretary & Treasurer

Orville W. "Pete" Dotson

Orville W. Dotson

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Company
this 22nd day of April, 19 99

(SEAL)

Orville W. Dotson

Secretary

ORVILLE W. "PETE" DOTSON

Utilities

March 30, 2000



Mr. Gary K. Dillard
Executive Vice President
Millennium Energy, Inc.
P. O. Box 1118
Bowling Green, KY 42102

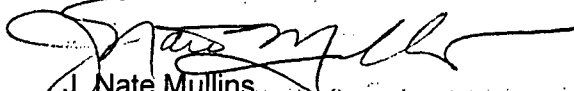
Dear Mr. Dillard:

Kentucky Utilities Company is in receipt of your letter and maps dated March 17, 2000. The maps depict your request to install an eight or six-inch gas distribution gas pipeline for approximately 15,000 feet on Kentucky Utilities Company's existing Green River-Bonnieville 138 kV transmission line right-of-way. It is our understanding that the gas pipeline will be on the outer two to five feet edge of the 150' wide right-of-way and buried to a minimum depth of 42 inches.

This is to advise that Kentucky Utilities Company has no objection to this request provided the following conditions are agreed to:

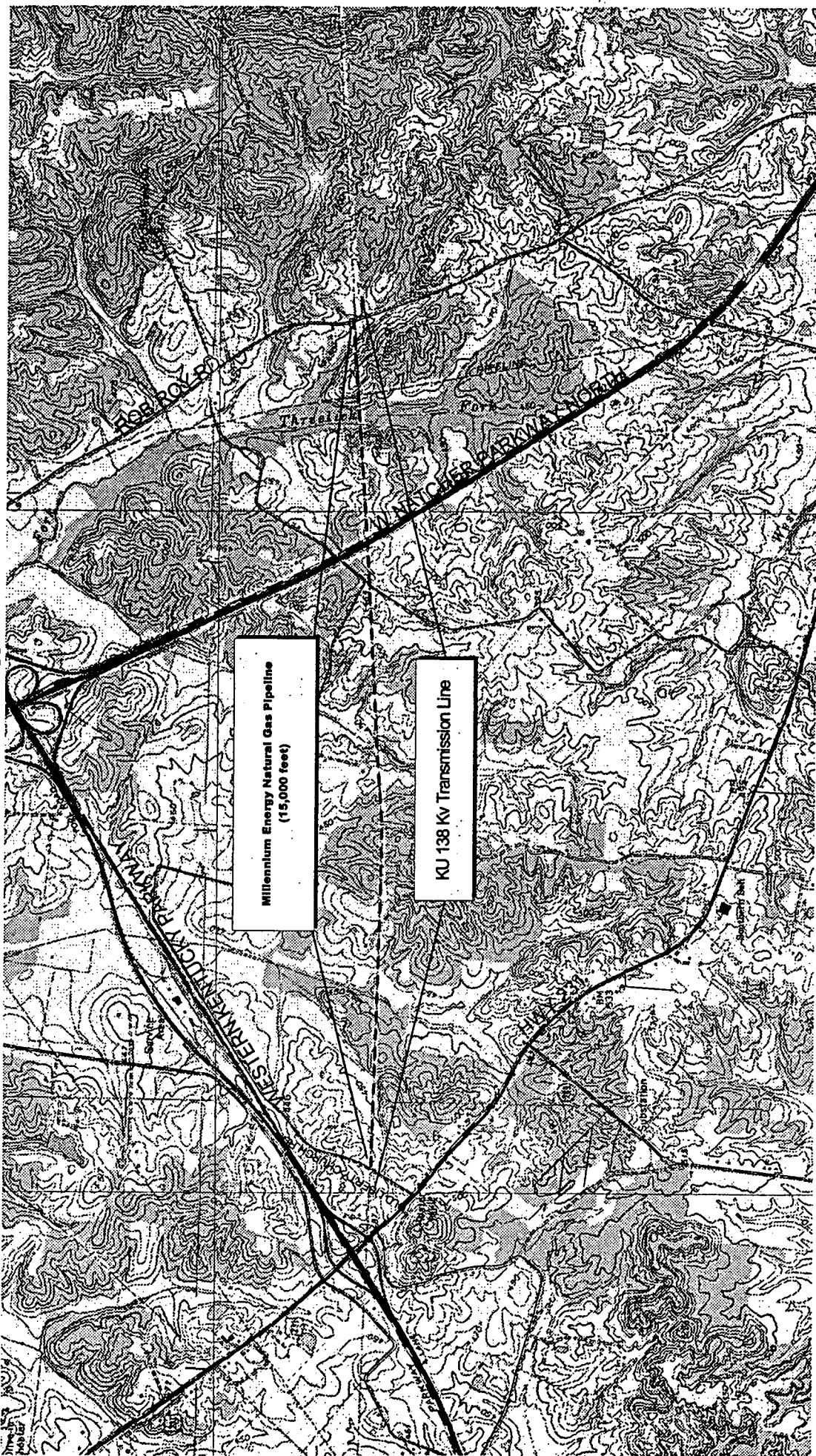
1. Millennium Energy, Inc. and/or its contractors shall provide advance notice to KU prior to commencing any work on the easement.
2. Millennium Energy, Inc. shall reimburse KU for any and all damages to KU facilities resulting from the construction, operation, and maintenance of the gas distribution pipeline.
3. Millennium Energy, Inc. shall hold KU harmless for any damage or other operational effects resulting from the proximity of KU's facilities.
4. Millennium Energy, Inc. shall provide KU with a complete set of "as-built" prints of the gas distribution line when the project is completed.
5. Millennium Energy, Inc. shall permanently mark the gas line for identification in the field.
6. Millennium Energy, Inc. shall obtain permission and/or easements from the "fee simple" property owners for each parcel effected by the installation.

Sincerely,


J. Nate Mullins
Manager Transmission Lines

c: D.D. Becher

Proposed Millennium Energy Easement



**RESOLUTION OF THE OHIO COUNTY FISCAL COURT APPROVING USE BY
MILLENNIUM ENERGY, INC. OF COUNTY ROAD RIGHT-OF-WAYS IN
CONSTRUCTION OF NATURAL GAS DISTRIBUTION LINES BETWEEN
CROMWELL AND BEAVER DAM**

WHEREAS, Millennium Energy, Inc. proposes to construct natural gas distribution lines for industrial, commercial and residential use between Cromwell and Beaver Dam in Ohio County, having applied to the Kentucky Public Service Commission for approval of such gas distribution system; and,

WHEREAS, the construction of such gas distribution lines will provide a public benefit for the residences, businesses, churches, and schools located within the service area; promote commercial and industrial development; and provide a dependable source of energy which is presently not available in Millennium's proposed gas distribution service area.

NOW THEREFORE, BE IT RESOLVED BY THE OHIO COUNTY FISCAL COURT:

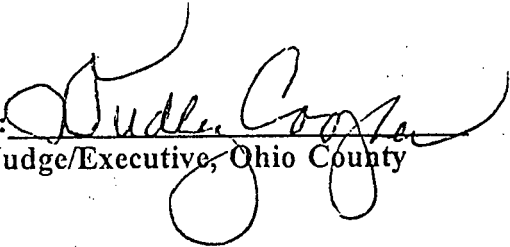
SECTION 1: That Millennium Energy, Inc. shall be and is now authorized to use, and granted a license therefore, the right-of-ways of all Ohio County roads which are included within the are of the gas distribution system to be constructed by Millennium Energy, Inc., including but not limited to, those county roads located within the area on "Schedule A" attached hereto.

SECTION 2: That in the construction of all gas distribution lines across any county roads or road right-of-ways, whether such roads are included in the attached "Schedule A" or otherwise, all gas line crossings shall be by road bores constructed in accordance with standard gas line construction codes and all trenches for location of gas

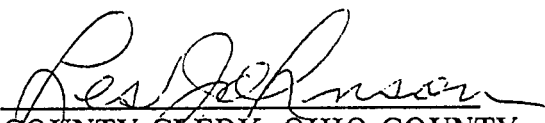
distribution lines along county roads shall likewise be in accordance with standard gas line construction codes.

This 14th day of February, 2000.

Ohio County Fiscal Court

BY: 
Judge/Executive, Ohio County

ATTEST:


COUNTY CLERK, OHIO COUNTY



P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Emergency: 1-888-291-9133
Fax: (270)781-3299

April 17, 2000

RECEIVED
APR 18 2000
PUBLIC SERVICE
COMMISSION

MARTIN J HUELSMANN
EXECUTIVE DIRECTOR
KENTUCKY PUBLIC SERVICE COMMISSION
P O BOX 615
FRANKFORT KY 40602

CASE NO. 1999-115 Filing Deficiencies Response and Project Amendment

On Friday, April 14, Millennium Energy submitted a response to the Commissions order of March 10, 2000 and permission for an extension and amendment on April 5, 2000.

We have just discovered that a page was missing from the booklet under Exhibit 6 (rev. 2). Eight copies of the missing page-Exhibit 6 Pro Forma Income Statement (rev. 2)- are enclosed.

We apologize for the inconvenience. If you have questions or need further information, please let us know.

A handwritten signature in black ink, appearing to read "Gary K. Dillard".

GARY K DILLARD, EXECUTIVE VICE PRESIDENT

bw
enclosures



P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Emergency: 1-888-291-9133
Fax: (270)781-3299

RECEIVED

APR 17 2000

PUBLIC SERVICE
COMMISSION

April 14, 2000

Ms. Susan Hutcherson, Manager
Division of Filings
Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602-0615

RE: Case # 1999-115 Filings Tardiness

Dear Ms. Hutcherson:

On today's date, Millennium is to have a response to the Commissions order of March 10, 2000, and it permission for an extension and amendment on April 5, 2000 in your office.

Due to office equipment breakdown, we are unable to complete the duplicating, binding and document presentation. We will although, be able to complete the documents in time to see that the information is mailed through over night mail to your office for Monday delivery.

I have discussed the matter with J. R. Goff and John Williams, so they are aware of our problem.

We do appreciate your cooperation under these circumstances. I will call on Monday to see that filings were received and I will be mailing this original correspondence.

Sincerely,

A handwritten signature in cursive script that reads "Gary K. Dillard".

Gary K. Dillard



P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Emergency: 1-888-291-9133
Fax: (270)781-3299

April 4, 2000

RECEIVED
APR - 6 2000
PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: Case # 1999-115 Case Extension

Dear Mr. Huelsmann:

Millennium Energy would like to request an extension of the application for authorization to incur additional indebtedness beyond the sixty days as specified in KRS 278.300(2).

This request is based on Millennium's intention to submit a major amendment to the financing and construction of this project. Since our original application was submitted, we have discovered a method of securing a natural gas supply that is from production wells in Kentucky. This new avenue can be more cost efficient than securing major pipeline connection and metering equipment.

We will be submitting the amendment documentation within the very near future.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary K. Dillard", with a stylized flourish at the end.

Gary K. Dillard
Executive Vice President

FAX 502-564-7279



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

April 5, 2000

Ex. Gary K. Dillard
Millennium Energy, Inc.
P. O. Box 1118
emergency # 1-888-291-9133
Bowling Green, KY. 42102

RE: Case No. 1999-115

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,
Stephanie J. Bell
Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

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

Millennium Energy, Inc. ("Millennium") filed its application on February 15, 2000 for approval of financing not to exceed \$360,000 in loans by banks or financial institutions and for authority granting a certificate of public convenience and necessity to construct a natural gas pipeline and distribution system in Ohio County, Kentucky.

KRS 278.300(2) requires applications for authority to issue or assume securities or evidences of indebtedness to be ruled upon within 60 days unless it is necessary, for good cause shown, to delay approval of the application. By letter dated April 4, 2000, Millennium has advised Commission Staff that it intends to file a major amendment to its application and, by letter filed March 23, 2000, Millennium has requested an extension of time until April 14, 2000 in which to file its response to the Commission's March 10, 2000 Order. Granting Millennium's motion will allow the Commission only one working day to review the information and issue its Order. It will be necessary to extend the time for approval of the financing application beyond the 60-day limit in order to obtain and review the relevant information. Therefore, the Commission finds that good cause

exists to continue the funding application beyond the 60-day period specified in KRS 278.300(2).

IT IS THEREFORE ORDERED that:

1. Millennium's motion for an extension of time until April 14, 2000 to respond to the Commission's March 10, 2000 Order is granted.

2. The portion of Millennium's application for authorization to incur additional indebtedness is hereby continued beyond the 60-day period specified in KRS 278.300(2).

Done at Frankfort, Kentucky, this 5th day of April, 2000.

By the Commission

ATTEST:


Executive Director



Millennium Energy, Inc.

P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Fax: (270)781-3299

March 22, 2000

RECEIVED
MAR 23 2000
PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: Case # 1999-115 Further Information

On March 10, 2000 the Commission requested further information on Case # 1999-115. The order instructed Millennium Energy to reply within 15 days.

Due to time restraints beyond our control, we would like to request an extension of 20 days or April 14 to compile the information that the Commission has requested. Our primary reason for the delay is in coordinating road bore criteria and specific locations with the Kentucky Department of Highways.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary K. Dillard", written in a cursive style.

Gary K. Dillard
Executive Vice President



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

March 10, 2000

Ex. Gary K. Dillard
Millennium Energy, Inc.
P. O. Box 1118
emergency # 1-888-291-9133
Bowling Green, KY. 42102

RE: Case No. 1999-115

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure
cc: Titan Energy Group, Inc.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

This matter arises on motion of Titan Energy Group, Inc. ("Titan"), filed February 29, 2000, for full intervention herein. As grounds for its motion, Titan states that it should serve the area relative to Millennium Energy, Inc.'s ("Millennium") application in this case. Taking judicial knowledge of its proceedings, decisions and orders, the Commission finds, however, that Titan is not a utility pursuant to KRS 278.010 and that it has not been certified by the Commission as a local distribution company. Titan is an intrastate transporter serving only Purdue Farms in Ohio County pursuant to a special contract. Titan does not hold a franchise to serve the area relative to Millennium's application. Titan has no pending application to provide service in the area and has articulated no intent to do so. Accordingly, its contention that it has a special interest justifying intervention herein is in error.

On January 20, 1999, Case Number 98-550¹ was dismissed by the Commission for lack of jurisdiction. Millennium's application is currently being reviewed by

¹ Case No. 98-550 – The Application of Gasco Distribution Systems, Inc. for Approval of the Transfer of Kentucky Oil Gathering Corporation Pipeline and Gas Transportation Contract.

Commission Staff. Titan has not demonstrated that its inclusion as a party herein will assist the Commission in its proceedings. Instead, intervention by Titan would serve only to unduly complicate the proceedings. 807 KAR 5:001, § 3(8).

IT IS HEREBY ORDERED that the motion of Titan to intervene is denied.

Done at Frankfort, Kentucky, this 10th day of March, 2000.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

March 10, 2000

Ex. Gary K. Dillard
Millennium Energy, Inc.
P. O. Box 1118
emergency # 1-888-291-9133
Bowling Green, KY. 42102

RE: Case No. 1999-115

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

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. 99-312.¹ 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.

¹ 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.² 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.

² Millennium's Supplemental Response to the Commission's August 10, 1999 Order on Filing Deficiencies, Case No. 99-312.

Done at Frankfort, Kentucky, this 10th day of March, 2000.

By the Commission

ATTEST:


Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

FEB 29 2000

In the Matter of:

Petition of Millennium Energy, Inc.)
for Approval of a Certificate of)
Convenience And Necessity to)
Operate a Natural Gas Line)
in Ohio County)

Case No. 99-115

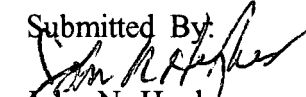
MOTION TO INTERVENE

The Titan Energy Group, Inc., by counsel, moves for full intervention in this matter pursuant to 807 KAR 5:001(8).

1. Titan is an unregulated natural gas company that owns and operates oil and gas wells and gathering facilities;
2. It has received approval from the Commission to acquire a natural gas pipeline in Ohio County, Kentucky in Case No. 98-550;
3. It has a contract to supply natural gas to Perdue Farms in Ohio County;
4. Its service and facilities could be affected by the construction of additional facilities to serve this area. Titan's facilities may be adequate to supply the area included in Millennium's application;
5. No other party to this action can represent the interest of Titan;
6. Titan can assist the Commission in the development of facts and the issues because of its familiarity with the service available in the area. Its intervention will not unduly delay or disrupt the proceedings.

For these reasons, Titan requests that it be granted full intervention in this matter.

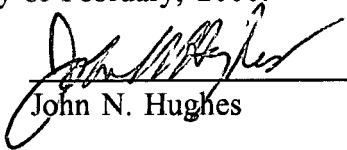
Submitted By:


John N. Hughes
124 W. Todd St.
Frankfort, KY 40601
(502) 227-7270

Attorney for Titan Energy Group, Inc.

Certificate:

I certify that a copy of this motion was served on Gary Dillard, Box 1118, Bowling Green, KY 42102 by first class mail the 29th day of February, 2000.



John N. Hughes



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

February 17, 2000

Gary Dillard
Millennium Energy, Inc.
P. O. Box 1118
Bowling Green, KY. 42102

RE: Case No. 1999-115
MILLENNIUM ENERGY, INC.

The Commission staff has reviewed your response of February 15, 2000 and has determined that your application in the above case now meets the minimum filing requirements set by our regulations. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further information, please contact my staff at 502/564-3940.

Sincerely,
Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

RECEIVED

FEB 15 2000

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

**BEFORE THE PUBLIC SERVICE
COMMISSION**

**A PETITION OF MILLENNIUM ENERGY,
INC. FOR A CERTIFICATE OF
CONVENIENCE AND NECESSITY TO
CONSTRUCT A NATURAL GAS
LINE, APPROVAL OF FUNDING, AND THE
OPERATION OF A NATURAL GAS LINE IN
OHIO COUNTY, KENTUCKY**

CASE NO. 1999-115

February 15, 2000



P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (270)842-6541
Emergency: 1-888-291-9133
Fax: (270)781-3299

February 15, 2000

Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RECEIVED
FEB 15 2000
PUBLIC SERVICE
COMMISSION

RE: Case # 1999-115 Filing Deficiencies Response

Dear Mr. Huelsmann:

We are providing the attached information in response to the commission's letter of January 10, 2000 in relation to the filing deficiencies in Case # 1999-115.

If we can be of further assistance, we available at the commission's convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary K. Dillard". The signature is fluid and cursive.

Gary K. Dillard
Executive Vice President

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

**A PETITION OF MILLENNIUM ENERGY, INC. FOR A
CERTIFICATE OF CONVENIENCE AND NECESSITY TO
CONSTRUCT A NATURAL GAS
LINE, APPROVAL OF FUNDING, AND THE
OPERATION OF A NATURAL GAS LINE IN OHIO COUNTY,
KENTUCKY**

TABLE OF CONTENTS

**RESPONSE TO KPSC ORDER ON FILING DEFICIENCIES FOR
CASE 1999-115, Dated January 10, 2000**

**Exhibit One – Millennium Energy’s most recent Income Statement and Balance
Sheet**

Exhibit Two – Loan documentation for Millennium Energy.

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, APPROVAL OF)
FUNDING, AND THE OPERATION OF A)
NATURAL GAS LINE IN OHIO COUNTY,)
KENTUCKY)

CASE NO. 1999-115

RESPONSE

Millennium Energy's response to the Commission's January 10, 2000
Order on filing deficiencies, items that are either required to be filed with the application or to be
referenced in the application if they are already on file in another case or will be filed at a later
date.

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Item 1. Filing deficiencies pursuant to 807 KAR 5:001, Section 6:

(1) Amount and types of stock authorized.

Witness: Gary Dillard, Millennium Energy, Inc.

Response: 100 shares of common stock authorized.

(2) Amount and types of stock issued and outstanding.

Witness: Gary Dillard, Millennium Energy, Inc.

Response: 100 shares of authorized common stock issued solely to Warren RECC.

(3) Detail of preference terms of preferred stock.

Witness: Gary Dillard, Millennium Energy, Inc.

Response: No preferred stock has been issued and none is outstanding.

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(4) Date of execution of mortgages; amount of indebtedness secured; sinking fund provisions of mortgages.

Witness: Gary Dillard, Millennium Energy, Inc.

Response: No mortgages executed; \$500,000 line of credit obtained; lender has security interest in assets of Millennium Energy; Warren RECC guarantees loan.

(6) Notes outstanding: date of issue, amount, maturity date, rate of interest, interest paid in last fiscal year.

Witness: Rox'Anne Gray, Millennium Energy, Inc.

Response: \$300,000 drawn on 7/19/199 and \$60,000 drawn on 12/15/1999; total interest paid through December 1999 is \$4,071; interest rate varies monthly ranging from 5.7% to 7.25%; payment of principal deferred two years. The documentation for these loans is included as Exhibit Two of this response.

(7) Other indebtedness: description of each class, how secured, description of any assumption of indebtedness by outside party (i.e., any transfer), interest paid in last fiscal year.

Witness: Rox'Anne Gray, Millennium Energy, Inc.

Response: No other indebtedness incurred.

(8) Rate and amount of dividends paid during the five previous fiscal years.

Witness: Gary Dillard, Millennium Energy, Inc.

Response: No amount of dividends has been paid by Millennium Energy, Inc. since its' inception.

(9) Detailed income statement and balance sheet.

Witness: Rox'Anne Gray, Millennium Energy, Inc.

Response: A Pro-Forma income statement was included in the initial filing of Case 1999-115 as Exhibit 6 – Pro Forma Income Statement. A Pro Forma Balance Sheet was included in the initial filing of Case 1999-115 as Exhibit 4 – Pro Forma Balance Sheet. Millennium Energy's most recent Income Statement and Balance Sheet are included as Exhibit One of this response.

Item 2. Filing deficiencies pursuant to 807 DAR 5:001, Section 11(2)(b):

(1) Copies of all trust deeds or mortgages. If previously filed, state case number.

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Witness: Gary Dillard, Millennium Energy, Inc.

Response: No mortgages executed; \$500,000 line of credit obtained; lender has security interest in assets of Millennium Energy; Warren RECC guarantees loan.

Item 3. Filing deficiencies pursuant to 807 DAR 5:071, Section 3(3)(a):

(1) A full and complete explanation of any corporate or business relationships between applicant and parent or brother-sister corporation, subsidiary(ies), a development corporation(s), or any other party or business to afford the PSC a full understanding of the situation.

Witness: Gary Dillard, Millennium Energy, Inc.

Response: Millennium Energy, Inc. is a wholly owned subsidiary of Warren Rural Electric Cooperative Corporation of Bowling Green, Ky.

Exhibit 1
Millennium Energy
Balance Sheet

	Jan-00
Utility Plant	292,149.03
CWIP	49,663.24
Total Utility Plant	341,812.27
Less Accum. Depreciation/Amortization	(709.17)
Net Utility Plant	341,103.10
Cash	23,270.93
Receivable- Contribution in aide	
Receivable from WRECC	185.99
Customer Receivables	27,464.43
Total Assets & Other Debits	392,024.45
Accounts Payable-WRECC	
Accounts Payable- Other	16,857.80
Customer Deposits	100.00
Taxes Payable	2,485.07
LTD- CFC	360,000.00
Interest Payable	2,247.28
Retained Earnings	10,334.30
Total Liabilities & Other Credits	392,024.45

Exhibit 1
Millennium Energy
Income Statement

	Jan-00	FYTD
Revenue:		
Residential	679.23	1,067.30
Commercial & Industrial	25,760.15	99,451.27
Misc Service Revenues	50.00	75.00
Total Revenue	<u>26,489.38</u>	<u>100,593.57</u>
Expenses:		
Purchased Gas	15,202.15	57,651.61
Distribution Operations Expense	406.30	2,247.01
Customer Accounts Expense	87.42	138.43
G&A	1,178.31	2,225.96
Insurance		1,258.00
Outside Services (legal & consulting)		8,039.39
Depreciation & Amortization Expense	709.17	709.17
Utility Tax Expense	770.08	2,927.74
Interest on long term debt	2,247.28	11,649.20
Total Expenses	<u>20,600.71</u>	<u>86,846.51</u>
Miscellaneous Income	42.63	60.74
Net Income	<u><u>5,931.30</u></u>	<u><u>13,807.80</u></u>



Warren Rural
Electric
Cooperative
Corporation

951 Fairview Avenue
PO Box 1118
Bowling Green, KY
42102

Phone: (502) 842-6541
Fax: (502) 781-3299

July 19, 1999

NCSC
Cynthia Giudici
2201 Cooperative Way
Herndon, VA 20171-3025

RE: NCSC Line of Credit #KY406-R-5100

Dear Ms. Giudici:

Millennium Energy wishes to draw \$300,000 from its line of credit established with NCSC. The funds may be transferred to the following institution:

Citizens First Bank
Bowling Green, KY
ABA # 083908255
Account # 1001095501

If you need further information, please call Rox'Anne at (270) 842-6541.
Notification of date of transaction will be appreciated.

Sincerely,


Floyd H. Ellis
President & C.E.O.

Received 7/19/99

Other Locations:

Buck Jenkins
Service Center

Franklin

Leitchfield

Borgantown



**Warren Rural
Electric
Cooperative
Corporation**

951 Fairview Avenue
PO Box 1118
Bowling Green, KY
42102

Phone: (270) 842-6541
Fax: (270) 781-3299

Other Locations:

Buck Jenkins
Service Center

Franklin

Leitchfield

Morgantown

December 14, 1999

NCSC
David Farrell
2201 Cooperative Way
Herndon, VA 20171-3025

RE: NCSC Line of Credit #KY406-R-5100

Dear Mr. Farrell:

Millennium Energy wishes to draw \$60,000 from its line of credit established with NCSC. The funds may be transferred to the following institution:

Citizens First Bank
Bowling Green, KY
ABA # 083908255
Account # 1001095501

If you need further information, please call Rox'Anne at (270) 842-6541.
Notification of date of transmittal will be appreciated.

Sincerely,

Floyd H. Ellis
President & C.E.O.

Received 12/15/99

FILED

FEB 15 2000

PUBLIC SERVICE
COMMISSION

RECEIVED

DEC 30 1999

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

**BEFORE THE PUBLIC SERVICE
COMMISSION**

CASE 99-115

**A PETITION OF MILLENNIUM ENERGY, INC.
FOR A CERTIFICATE OF CONVENIENCE AND
NECESSITY TO CONSTRUCT A NATURAL GAS
LINE, APPROVAL OF FUNDING, AND THE
OPERATION OF A NATURAL GAS LINE IN OHIO
COUNTY, KENTUCKY**

DECEMBER 30, 1999



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Paul E. Patton
Governor

Helen Helton
Executive Director
Public Service Commission

January 10, 2000

Mr. Gary Dillard
Millennium Energy, Inc.
P. O. Box 1118
Bowling Green, Kentucky 42102

Re: Case No. 1999-115
Filing Deficiencies

Dear Mr. Dillard:

The Commission staff has reviewed your application in the above case. This filing is rejected pursuant to 807 KAR 5:001, Section 2, for the reasons set forth below. These items are either required to be filed with the application or to be referenced in the application if they are already on file in another case or will be filed at a later date.

1. Filing deficiencies pursuant to 807 KAR 5:001, Section 6:

- (1) Amount and types of stock authorized.
- (2) Amount and types of stock issued and outstanding.
- (3) Detail of preference terms of preferred stock.
- (4) Date of execution of mortgages; amount of indebtedness secured; sinking fund provisions of mortgages.
- (6) Notes Outstanding: date of issue, amount, maturity date, rate of interest, interest paid in last fiscal year.
- (7) Other Indebtedness: description of each class, how secured, description of any assumption of indebtedness by outside party (i.e., any transfer), interest paid in last fiscal year.
- (8) Rate and amount of dividends paid during the five previous fiscal years.
- (9) Detailed income statement and balance sheet.

2. Filing deficiencies pursuant to 807 KAR 5:001, Section 11(2)(b):

Copies of all trust deeds or mortgages. If previously filed, state case number.



3. Filing deficiencies pursuant to 807 KAR 5:071, Section 3(3)(a):

A full and complete explanation of any corporate or business relationships between applicant and parent or brother-sister corporation, subsidiary(ies), a development corporation(s), or any other party or business to afford the PSC a full understanding of the situation.

The statutory time period in which the Commission must process this case will not commence until the above-mentioned information is filed with the Commission. You are requested to file five copies of this information (unless otherwise noted) within 15 days of this letter. If you need further information, please contact John Williams of my staff at 502-564-3940, extension 442.

Sincerely,



Stephanie Bell
Secretary of the Commission

hv





COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 4, 2000

Gary Dillard
Millennium Energy, Inc.
P. O. Box 1118
Bowling Green, KY. 42102

RE: Case No. 1999-115
MILLENNIUM ENERGY, INC.
(Construct, Financing)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received December 30, 1999 and has been assigned Case No. 1999-115. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/jc

FILED

FEB 15 2000

PUBLIC SERVICE
COMMISSION

RECEIVED

DEC 30 1999

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

**BEFORE THE PUBLIC SERVICE
COMMISSION**

CASE 99-115

**A PETITION OF MILLENNIUM ENERGY, INC.
FOR A CERTIFICATE OF CONVENIENCE AND
NECESSITY TO CONSTRUCT A NATURAL GAS
LINE, APPROVAL OF FUNDING, AND THE
OPERATION OF A NATURAL GAS LINE IN OHIO
COUNTY, KENTUCKY**

DECEMBER 30, 1999



Millennium Energy, Inc.

P.O. Box 1118 951 Fairview Avenue
Bowling Green, KY 42102
Phone: (502)842-6541
Fax: (502)781-3299

December 30, 1999

Ms. Helen Helton, Executive Director
Public Service Commission
730 Schenkel Lane
Frankfort, KY 40602

RE: REQUEST FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY IN
OHIO COUNTY

For the past several months, preliminary work has been moving forward on the feasibility for providing natural gas to the Green River Regional Industrial Park in Ohio County. We have been working with the Judge Executive, Dudley Cooper and the regional industrial park board of directors.

Having natural gas available for prospective tenants is critical and necessary for the industrial park to attain its potential.

It is desired to have this additional system become a part of Millennium Energy's existing Certificate of Convenience and Necessity and tariff granted in case number 99-312 on December 2, 1999. Cost of the proposed natural gas system is \$761,375. It is our request that this be an addition pursuant to 807 KAR 5:001 9(3), as an extension in the ordinary course of business. Funding for the project will be borrowed as in our case numbers 99-075 and 99-312 projects from the National Cooperative Service Corporation, a subsidiary of the National Rural Utilities Finance Cooperation.

In addition to the original document, we are enclosing eleven copies (one a return copy) of this document and project site plans for the staff's consideration. We are also enclosing three detailed project drawings for Engineering. Your assistance in helping Millennium Energy to provide natural gas for this economic development project in Ohio County is very much needed and appreciated.

If additional information is required, please let us know.

Sincerely,

A handwritten signature in dark ink, appearing to read "Gary K. Dillard", written in a cursive style.

Gary K. Dillard
Executive Vice President

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

**A PETITION OF MILLENNIUM
ENERGY, INC. FOR A CERTIFICATE
OF CONVENIENCE AND NECESSITY
TO CONSTRUCT AND OPERATION
A NATURAL GAS LINE**

Table of Contents

**A PETITION TO INSTALL A NATURAL GAS LINE IN OHIO COUNTY KENTUCKY
FOR AN INDUSTRIAL PARK AND LOCAL COMMUNITY**

Letter to Ms. Helen Helton

Project Scope and Objectives and Affidavit

Tab No.

1	Exhibit 1	Survey of Potential Customers
2	Exhibit 2	Financial Exhibit - Estimated Construction Costs
3	Exhibit 3	Financial Exhibit - Cash Flow
4	Exhibit 4	Financial Exhibit – Proforma Balance Sheet
4	Exhibit 5	Financial Exhibit – Projected Revenue and Consumption
4	Exhibit 6	Proforma Income Statement
5	Exhibit 7	Projected Depreciation Schedule
6	Exhibit 8	Gross Revenue Conversion Factor
6	Exhibit 9	Revenue Requirements By TIER Method
7	Exhibit 10	Amortization Schedule
7	Exhibit 11	Tax Computation
8	Exhibit 12	Project Site Map

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 AND OPERATION) CASE NO. 99-312
A NATURAL GAS LINE)

PETITION OF MILLENNIUM ENERGY, INC.
FOR A CERTIFICATE OF CONVENIENCE AND
NECESSITY TO CONSTRUCT A GAS SUPPLY
LINE, APPROVAL OF FUNDING, AND THE OPERATION
OF A NATURAL SUPPLY LINE FOR AN INDUSTRIAL
PARK IN OHIO COUNTY, KENTUCKY

This petition is a request for an ORDER granting approval for a Certificate of Public Convenience and Necessity (CCN) to construct a natural gas supply line, approval of funding a natural gas distribution system in Ohio County, Kentucky

Millennium Energy, Inc. is a Kentucky Corporation with a mailing address of:

Millennium Energy, Inc.
P.O. Box 1118
Bowling Green, KY 42102

Millennium Energy, Inc is a Local Distribution Company (LDC) that is regulated by the Kentucky Public Service Commission.

Objective:

To install and operate a natural gas distribution system with the primary purpose of supplying the 1300-acre Green River Regional Industrial Park. This park will be by far the largest in this region of Kentucky and attractive strategically due to its location at the intersection of U.S. 231, Western Kentucky Parkway and the William Natcher Parkway.

The secondary purpose of the gas system is to serve a public school, commercial users and residential customers along the route of the natural gas supply line. As the industrial park develops there is a potential for rapid commercial development in the area.

Benefits:

The industrial park will have natural gas available which is a requirement for most companies seeking to build or locate in this area.

Year 2000 will be a most important time for the Green River Industrial Development Authority in attracting industry and jobs to help alleviate the loss of coal mining and textile jobs. During the past several years an enormous amount of time and effort has been devoted by elected officials, board members and dozens of volunteers for the economic development of the area. The result is an industrial park with the location and magnitude equal to or superior to any area in America.

In time, the economic benefits and jobs for the area will exceed those lost from coal mining and textiles. Millennium Energy welcomes the opportunity to be a partner in the economic progress and creation of jobs in the area.

Implementation:

Installation of the gas distribution system will begin in the spring of 2000 and be hopefully completed by the end of the year. Estimated customers in addition to the Industrial Park will be over one hundred residential customers, six commercial customers and one school.

AFFIDAVIT OF GARY K. DILLARD
OF MILLENNIUM, ENERGY, INC.

Commonwealth of Kentucky
County of Warren

Gary K. Dillard personally appearing before me and, after being duly sworn, state that his is an officer of Millennium Energy, Inc., and that the statements contained in this petition to the Kentucky Public Service Commission for approval of a rate schedule to serve customers are true and correct to the best of his knowledge and information.

Subscribed and sworn to before me by Gary K. Dillard on this 30 day of DECEMBER 1999.

Carolyn C. Myatt
Notary Public
State-at-Large

My commission expires: 12-8-2001

MILLENNIUM ENERGY, INC.

Gary K. Dillard
Gary K. Dillard, Executive Vice President

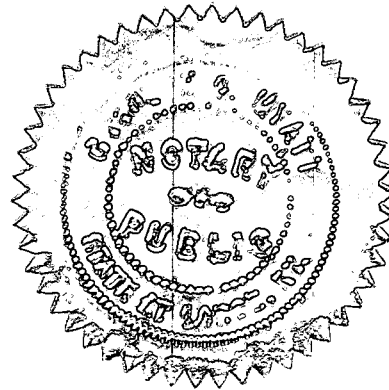


Exhibit 1

Natural Gas Survey/Study
South Ohio County, Kentucky

Type	Location	Number	Usage (Annually)
Residential	Along US Highway 231 between Hwy 403 and Morris Road	50	9100 Mcf
Estimated units to be connected by year end 2000		50	4550 Mcf
Residential	Sub-divisions within the distance of the distribution mains		
	River Road, Water Street	15	1365 Mcf
	City View, Placid, Lee Land	15	1365
	Patterson Street off Hwy. 269	10	910
	White Street	10	910
	Total	50	4550
Estimated units to be connected by year end 2000		50	4550 Mcf
Total Estimated Residential	During year 2000	100	9,100 Mcf
Commercial	Commercial or public facilities along the main route		
	Southern Elementary School	1	4000 Mcf
	Days Inn	1	1000
	Wendys Restaurant	1	1000
	Beaver Dam Health Care Center	1	1000
	NAPA Service Center	1	500
	Minit Mart	1	500
Total Estimated Commercial	During year 2000	6	8,000 Mcf
Proposed Industrial		2	66,000 Mcf
	Anticipated annual Mcf over a three year period		83,000 Mcf

MILLENNIUM ENERGY, INC.
OHIO COUNTY LDS
FINANCIAL EXHIBIT 2.2A – ESTIMATED CONSTRUCTION COSTS

Line No.	Acct. No. / Item Description (a)	Feet/Units (b)	Average Unit Cost (c)	Estimated Cost (d)
1	Gas Supply- Materials & Installation			
2	379 Hot Tap and Permits			\$ 44,000
3	379 Meter Station, Valves, Odor Unit			68,000
4	375 Chain Link Fence & Site Work			4,000
5	Sub-Total Gas Supply			\$ 116,000
6	Gas Distribution Mains - Materials			
7	376 8" Main Valve	2	1,050	2,100
8	376 6" Main Valve	2	700	1,400
9	376 4" Main Valve	3	375	1,125
10	376 2" Main Valve	12	115	1,380
11	376 8" SDR11 PE Pipe	18000	9.00	162,000
12	376 6" SDR11 PE Pipe	3000	7.00	21,000
13	376 4" SDR11 PE Pipe	6000	4.00	24,000
14	376 2" SDR11 PE Pipe	27000	1.00	27,000
15	376 Fittings, taps, reducers, tees 2", 4", 6", 8"			10,000
16	376 Tracer Wire #14	60000	0.04	2,400
17	376 Line Markers	50	25	1,250
18	376 Valve Boxes	19	60	1,140
19	Sub-Total Valves/ Lines			\$ 254,795
20	Customers			
21	385 Riser, Meter and Reg. (2")- School	1	2,000	2,000
22	385 Riser, Meter and Reg. (1")- Commercial	6	1,200	7,200
23	385 Risers, Meters and Reg. (1/2")- Residential	263	200	52,600
24	380 1" Service Lines- Commercial	1000	0.25	250
25	380 1/2" Service Lines- Residential	5000	0.12	600
26	380 1/2", 1" Fittings, taps, tees etc			2,000
27	Sub-Total Customers			\$ 64,650
28	Other Construction Costs			
29	376 Street Bores- 8"	500	22	11,000
30	376 Street Bores- 6"- Under WK Parkway			5,000
31	376 Street Bores- 4"	200	14	2,800
32	376 Street Bores- 2"	1000	15	15,000
33	376 Street Bores- 1/2"	400	3	1,200
34	376 8" Pipe Installation, reclamation	18000	4.15	74,700
35	376 6" Pipe Installation, reclamation	3000	3.50	10,500
36	376 4" Pipe Installation, reclamation	6000	3.10	18,600
37	376 2" Pipe Installation, reclamation	27000	2.40	64,800
38	376 1" Pipe Installation, reclamation	1000	1.75	1,750
39	376 1/2" Pipe Installation, reclamation	6000	1.75	10,500
40	376 Crushed Stone	200	10	2,000
41	376 Road Repairs			5,000
42	376 Crop Damage			2,000
43	376 Seed, fertilizer, straw			1,500
44	Sub-Total Other Construction Costs			\$ 226,350
45	Total Construction Costs			\$ 661,795
46	Other Project Costs			
47	301 Project Engineering			15,000
48	301 Legal Counsel			10,000
49	301 Administration 240 hrs @35			8,400
50	376 Contingency Allowance (10%)			66,180
51	Sub-Total Other Costs			\$ 99,580
52	Total Estimated Costs			\$ 761,375

MILLENNIUM ENERGY, INC.
OHIO COUNTY LDS

FINANCIAL EXHIBIT 2.2B – ESTIMATED CONSTRUCTION COSTS BY USOA ACCOUNT

Line No.	USOA Acct. #	Item Description	Amount
	(a)	(b)	(c)
1	301	Organization	\$ 33,400
2	375	Structures and Improvements	4,000
3	376	Mains	547,325
4	379	Meas. and Reg. Station Equip. - City Gate Check Stations	112,000
5	380	Services	2,850
6	385	Measuring and Regulating Equipment	<u>61,800</u>
7		Total Utility Plant	\$ 761,375

MILLENNIUM ENERGY, INC.
OHIO COUNTY LDS
FINANCIAL EXHIBIT 2.3 – USE OF LOAN PROCEEDS

Line No.	Description	Amount
	(a)	(b)
1	Initial Loan Amount (CFC)	\$ 761,335
2	Less: Construction Fund	695,155
3	Less: Working Capital and Debt Reserve Fund	<u>66,180</u>
4	Balance	<u>\$ -</u>

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 3(A) – ESTIMATED CONSTRUCTION COSTS

Line No.	Acct. No. / Item Description (a)	Feet/Units (b)	Average Unit Cost (c)	Estimated Cost (d)
1	Gas Supply- Materials & Installation			
2	379 Hot Tap and Permits			\$ 44,000
3	379 Meter Station, Valves, Odor Unit			68,000
4	375 Chain Link Fence & Site Work			4,000
5	Sub-Total Gas Supply			\$ 116,000
6	Gas Distribution Mains - Materials			
7	376 8" Main Valve	2	1,050	2,100
8	376 6" Main Valve	2	700	1,400
9	376 4" Main Valve	3	375	1,125
10	376 2" Main Valve	12	115	1,380
11	376 8" SDR11 PE Pipe	18000	9.00	162,000
12	376 6" SDR11 PE Pipe	3000	7.00	21,000
13	376 4" SDR11 PE Pipe	6000	4.00	24,000
14	376 2" SDR11 PE Pipe	27000	1.00	27,000
15	376 Fittings, taps, reducers, tees 2", 4", 6", 8"			10,000
16	376 Tracer Wire #14	60000	0.04	2,400
17	376 Line Markers	50	25	1,250
18	376 Valve Boxes	19	60	1,140
19	Sub-Total Valves/ Lines			\$ 254,795
20	Customers			
21	385 Riser, Meter and Reg. (2")- School	1	2,000	2,000
22	385 Riser, Meter and Reg. (1")- Commercial	6	1,200	7,200
23	385 Risers, Meters and Reg. (1/2")- Residential	263	200	52,600
24	380 1" Service Lines- Commercial	1000	0.25	250
25	380 1/2" Service Lines- Residential	5000	0.12	600
26	380 1/2", 1" Fittings, taps, tees etc			2,000
27	Sub-Total Customers			\$ 64,650
28	Other Construction Costs			
29	376 Street Bores- 8"	500	22	11,000
30	376 Street Bores- 6"- Under WK Parkway			5,000
31	376 Street Bores- 4"	200	14	2,800
32	376 Street Bores- 2"	1000	15	15,000
33	376 Street Bores- 1/2"	400	3	1,200
34	376 8" Pipe Installation, reclamation	18000	4.15	74,700
35	376 6" Pipe Installation, reclamation	3000	3.50	10,500
36	376 4" Pipe Installation, reclamation	6000	3.10	18,600
37	376 2" Pipe Installation, reclamation	27000	2.40	64,800
38	376 1" Pipe Installation, reclamation	1000	1.75	1,750
39	376 1/2" Pipe Installation, reclamation	6000	1.75	10,500
40	376 Crushed Stone	200	10	2,000
41	376 Road Repairs			5,000
42	376 Crop Damage			2,000
43	376 Seed, fertilizer, straw			1,500
44	Sub-Total Other Construction Costs			\$ 226,350
45	Total Construction Costs			\$ 661,795
46	Other Project Costs			
47	301 Project Engineering			15,000
48	301 Legal Counsel			10,000
49	301 Administration 240 hrs @35			8,400
50	376 Contingency Allowance (10%)			66,180
51	Sub-Total Other Costs			\$ 99,580
52	Total Estimated Costs			\$ 761,375

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION

EXHIBIT 3(B) – ESTIMATED CONSTRUCTION COSTS BY USOA ACCOUNT

<u>Line No.</u>	<u>USOA Acct. #</u>	<u>Item Description</u>	<u>Amount</u>
	(a)	(b)	(c)
1	301	Organization	\$ 33,400
2	375	Structures and Improvements	4,000
3	376	Mains	547,325
4	379	Meas. and Reg. Station Equip. - City Gate Check Stations	112,000
5	380	Services	2,850
6	385	Measuring and Regulating Equipment	<u>61,800</u>
7		Total Utility Plant	\$ 761,375

Millennium Energy, Inc.
Ohio County LDS
Financial Exhibit 3.7 – Cash Flow Summary (Rev. 2)

Line No.	Description (a)	Fiscal Years Ending June 30th		
		1999 (b)	2000 (c)	2001 (d)
1	Working Capital (BOY)	\$ -	\$ 26,297	\$ 39,720
2	Plus: Net Income (after tax)	-	2,000	58,619
3	Plus: Depreciation	-	11,423	31,731
4	Less: Principal Payment	-	-	-
5	Plus: New Borrowing	<u>369,000</u>	<u>-</u>	<u>761,375</u>
6	Funds Available for Capital			
7	Improvements and Additions	369,000	39,720	891,445
8	Less: Capital Requirements	342,703	-	695,195
9	Working Capital (EOY)	\$ 26,297	\$ 39,720	\$ 196,250
10	Change in Working Capital	NA	\$ 13,423	\$ 156,530

Millennium Energy, Inc.
Ohio County LDS
Exhibit 3.8

<u>Line No.</u>	<u>Customer Class</u>	<u>Customer Charge</u>	<u>Distribution Rate</u>
	(a)		
1	Residential	\$ 6.00	\$ 4.00
2	Commercial	20.00	3.00
3	Industrial	100.00	2.00 (a)

(a) Negotiated customer charge and distribution rate.

Millennium Energy, Inc.
Ohio County Expansion
Exhibit 4 – Pro Forma Balance Sheet

Line No.	Acct. # (a)	Item Description (b)	Existing System	Ohio Co. Expansion (d)
1		ASSETS		
2	301	Organization	\$ 15,000	\$ 33,400
3	375	Structures and Improvements	2,500	4,000
4	376	Mains	213,803	481,145
5	379	Measuring and Regulating Station Equip. - City Gate Check Stations	78,000	112,000
6	380	Services	13,800	2,850
7	385	Measuring and Regulating Equipment	<u>19,600</u>	<u>61,800</u>
8				
9		Total Utility Plant	\$ 342,703	\$ 695,195
10				
11	131	Cash (Working Capital - 45 days)	26,297	66,180
12				
13		TOTAL ASSETS	<u>\$ 369,000</u>	<u>\$ 761,375</u>
14		TOTAL ASSETS	369,000	761,375
15				
16		LIABILITIES		
17	224	Long-Term Debt	\$ 369,000	\$ 761,375
18				
19		TOTAL LIABILITIES	<u>\$ 369,000</u>	<u>\$ 761,375</u>

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 5 RATE DESIGN CONSIDERATIONS

LINE No.	CUSTOMER CLASS		RETAIL RATES	BILLING UNITS	REVENUE FROM RATE
RESIDENTIAL					
1	Customer Charge	(\$/mo.)	\$ 6.00	150	\$ 900
2	Distribution Charge	(\$/MCF)	\$ 4.00	13,650	54,600
COMMERCIAL/INDUSTRIAL					
5	Customer Charge	(\$/mo.)	\$ 20.00	10	\$ 200
6	Distribution Charge	(\$/MCF)	\$ 3.00	10,600	31,800
7	INDUSTRIAL	(\$/mo.)	\$ 100.00	2	\$ 200
8		(\$/MCF)	\$ 2.00	72,000	144,000
9	PROJECTED TOTAL CONSUMPTION (MCF)			96,250	
10	TOTAL REVENUE FROM RATES				\$ 231,700
11	TOTAL AVG. RATE				\$ 2.41

MILLENNIUM ENERGY, INC.
Ohio County Expansion
ESTIMATED CUSTOMERS, CONSUMPTION AND REVENUE
EXHIBIT 5

LINE NO.	CUSTOMER CLASS	Distribution PRICE	Annual UNITS	TOTAL CUSTOMERS	Projected Revenue		
					REVENUE LESS GAS COST	CONSUMPTION (MCF)	
RESIDENTIAL							
1	Customer Charge (\$/mo)	\$ 6.00	12	150	\$ 10,800		
2	Distribution Charge (\$/mcf)	\$ 4.00	91 [1]		\$ 54,600		13,650
3	Total Residential				\$ 65,400		
SMALL COMMERCIAL							
4	Customer Charge (\$/mo)	\$ 20.00	12	1	\$ 240		
5	Distribution Charge (\$/mcf)	\$ 3.00	4,000 [2]		\$ 12,000		4,000
1	Customer Charge (\$/mo)	\$ 20.00	12	3	\$ 720		
2	Distribution Charge (\$/mcf)	\$ 3.00	1,000 [2]		\$ 9,000		3,000
6	Customer Charge (\$/mo)	\$ 20.00	12	4	\$ 960		
7	Distribution Charge (\$/mcf)	\$ 3.00	650 [2]		\$ 7,800		2,600
6	Customer Charge (\$/mo)	\$ 20.00	12	2	\$ 480		
7	Distribution Charge (\$/mcf)	\$ 3.00	500 [2]		\$ 3,000		1,000
6	Total Small Commercial				\$ 34,200		10,600
LARGE COMMERCIAL							
7	Customer Charge (\$/mo)	\$ -	-	-	\$ -		
8	Distribution Charge (\$/mcf)	\$ -	- [2]		\$ -		-
9	Total Large Commercial				\$ -		
INDUSTRIAL							
8	Customer Charge (\$/mo)	\$ 100.00	12	2	\$ 2,400		
9	Commodity Charge (\$/mcf)	\$ 2.00	36,000		\$ 144,000		72,000
10	TOTAL INDUSTRIAL			-	\$ 146,400		
11	Total Revenue From Rates				\$ 246,000		106,850

[1] Residential usage is based on average Kentucky residential usage.

[2] Small and large commercial usages are based on customer projections

MILLENNIUM ENERGY, INC.
Ohio County Expansion
EXHIBIT 6 PRO FORMA INCOME STATEMENT

Line No.	Account No. / Description	Existing System [1]	Ohio Co. Expansion	Total System	Comments
1	481 Revenue	\$ 226,648	\$ 564,413	\$ 791,061	Calculated: Line 2 plus Line 3.
2	804 Purchased Gas (@2.98 \$/MCF)	123,912	318,413	442,325	
3	Revenue less Purchased Gas	\$ 102,736	246,000	\$ 348,736	See Exhibit 9 Revenue Requirements, Line 17
4	Operating Expenses				
5	871-881 Operations	6,142	12,459	18,600	Based on KPSC Case 99-312 Expense to Utility Plant Ratio
6	885-894 Maintenance	6,142	12,459	18,600	Based on KPSC Case 99-312 Expense to Utility Plant Ratio
7	901-905 Customer Accounts	10,000	23,945	33,945	Based on KPSC Case 99-312 Expense to Revenue Ratio
8	920-931 Administrative and General	30,000	71,835	101,835	Based on KPSC Case 99-312 Expense to Revenue Ratio
9		\$ 52,283	\$ 120,697	\$ 172,980	
10	Other Expenses				
11	403 Depreciation	11,423	20,308	31,731	See Exhibit 7, Depreciation Schedule
12	408 Taxes	2,112	4,285	6,398	Property Taxes
13	427 Interest	23,811	55,197	79,007	See Exhibit 10, Amortization Schedule
		\$ 37,346	\$ 79,790	\$ 117,136	
14	Total Expenses	\$ 89,630	\$ 200,487	\$ 290,117	
15	Net Income (before inc. taxes)		-	\$ 58,619	Line 3 less Line 14.
16	Income Taxes		-	10,786	See Exhibit 11, Tax Calculation
17	Net Income			\$ 47,833	

[1] From the adjusted average in KPSC Case No. 99-312 filed on October 7, 1999, Exhibit 3: 1 of 2.



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Wilson Jones®

Quick Reference Index System

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 7 – DEPRECIATION SCHEDULE

Line No.	Acct. #	Item Description	Cost Estimate	Estimated Installation	Depreciation Period	Balance 2001	Balance 2002
(a)	(a)	(b)	(c)	(d)	(e)	(g)	(h)
1	301	Organization	\$ 33,400	2001	10	\$ 33,400	\$ 30,060
2	375	Structures and Improvements	4,000	2001	30	4,000	3,867
3	376	Mains	547,325	2001	50	547,325	536,379
4	379	Measuring and Regulating Station Equip.	112,000	2001	30	112,000	108,267
5	380	Services	2,850	2001	30	2,850	2,755
6	385	Measuring and Regulating Equipment	61,800	2001	30	61,800	59,740
7		Total Utility Plant	\$ 761,375			\$ 761,375	\$ 741,067
8		Depreciation Expense					20,308
9		Accumulated Depreciation					20,308

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 7 – DEPRECIATION SCHEDULE

Line No.	Acct. #	Item Description	Balance 2003 (i)	Balance 2004 (j)	Balance 2005 (k)	Balance 2006 (l)	Balance 2007 (m)	Balance 2008 (n)
1	301	Organization	\$ 26,720	\$ 23,380	\$ 20,040	\$ 16,700	\$ 13,360	\$ 10,020
2	375	Structures and Improvements	3,733	3,600	3,467	3,333	3,200	3,067
3	376	Mains	525,432	514,486	503,539	492,593	481,646	470,700
4	379	Measuring and Regulating Station Equip.	104,533	100,800	97,067	93,333	89,600	85,867
5	380	Services	2,660	2,565	2,470	2,375	2,280	2,185
6	385	Measuring and Regulating Equipment	57,680	55,620	53,560	51,500	49,440	47,380
7		Total Utility Plant	\$ 720,759	\$ 700,451	\$ 680,142	\$ 659,834	\$ 639,526	\$ 619,218
8		Depreciation Expense	20,308	20,308	20,308	20,308	20,308	20,308
9		Accumulated Depreciation	40,616	60,925	81,233	101,541	121,849	142,157

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 7 – DEPRECIATION SCHEDULE

Line No.	Acct. #	Item Description	Balance 2009	Balance 2010	Balance 2011	Balance 2012	Balance 2013	Balance 2014
	(a)	(b)	(o)	(p)	(q)	(r)	(s)	(t)
1	301	Organization	\$ 6,680	\$ 3,340	\$ -	\$ -	\$ -	\$ -
2	375	Structures and Improvements	2,933	2,800	2,667	2,533	2,400	2,267
3	376	Mains	459,753	448,807	437,860	426,914	415,967	405,021
4	379	Measuring and Regulating Station Equip.	82,133	78,400	74,667	70,933	67,200	63,467
5	380	Services	2,090	1,995	1,900	1,805	1,710	1,615
6	385	Measuring and Regulating Equipment	45,320	43,260	41,200	39,140	37,080	35,020
7		Total Utility Plant	\$ 598,910	\$ 578,602	\$ 558,293	\$ 541,325	\$ 524,357	\$ 507,389
8		Depreciation Expense	20,308	20,308	20,308	16,968	16,968	16,968
9		Accumulated Depreciation	162,465	182,774	203,082	220,050	237,018	253,986

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 7 – DEPRECIATION SCHEDULE

Line No.	Acct. #	Item Description	Balance 2015 (u)	Balance 2016 (v)	Balance 2017 (w)	Balance 2018 (x)	Balance 2019 (y)	Balance 2020 (z)
		(a)						
		(b)						
1	301	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	375	Structures and Improvements	2,133	2,000	1,867	1,733	1,600	1,467
3	376	Mains	394,074	383,128	372,181	361,235	350,288	339,342
4	379	Measuring and Regulating Station Equip.	59,733	56,000	52,267	48,533	44,800	41,067
5	380	Services	1,520	1,425	1,330	1,235	1,140	1,045
6	385	Measuring and Regulating Equipment	32,960	30,900	28,840	26,780	24,720	22,660
7		Total Utility Plant	\$ 490,421	\$ 473,453	\$ 456,484	\$ 439,516	\$ 422,548	\$ 405,580
8		Depreciation Expense	16,968	16,968	16,968	16,968	16,968	16,968
9		Accumulated Depreciation	270,954	287,923	304,891	321,859	338,827	355,795

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 7 – DEPRECIATION SCHEDULE

Line No.	Acct. #	Item Description	Balance 2021 (aa)	Balance 2022 (ab)	Balance 2023 (ac)	Balance 2024 (ad)	Balance 2025 (ae)	Balance 2026 (af)
1	301	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	375	Structures and Improvements	1,333	1,200	1,067	933	800	667
3	376	Mains	328,395	317,449	306,502	295,556	284,609	273,663
4	379	Measuring and Regulating Station Equip.	37,333	33,600	29,867	26,133	22,400	18,667
5	380	Services	950	855	760	665	570	475
6	385	Measuring and Regulating Equipment	20,600	18,540	16,480	14,420	12,360	10,300
7		Total Utility Plant	\$ 388,612	\$ 371,644	\$ 354,675	\$ 337,707	\$ 320,739	\$ 303,771
8		Depreciation Expense	16,968	16,968	16,968	16,968	16,968	16,968
9		Accumulated Depreciation	372,763	389,732	406,700	423,668	440,636	457,604

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 7 – DEPRECIATION SCHEDULE

Line No.	Acct. #	Item Description	Balance				
			(ag) 2027	(ah) 2028	(ai) 2029	(aj) 2030	(ak) 2031
1	301	Organization	\$ -	\$ -	\$ -	\$ -	\$ -
2	375	Structures and Improvements	533	400	267	133	-
3	376	Mains	262,716	251,770	240,823	229,877	218,930
4	379	Measuring and Regulating Station Equip.	14,933	11,200	7,467	3,733	-
5	380	Services	380	285	190	95	-
6	385	Measuring and Regulating Equipment	8,240	6,180	4,120	2,060	-
7		Total Utility Plant	\$ 286,803	\$ 269,835	\$ 252,866	\$ 235,898	\$ 218,930
8		Depreciation Expense	16,968	16,968	16,968	16,968	16,968
9		Accumulated Depreciation	474,572	491,541	508,509	525,477	542,445



MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 8 GROSS REVENUE CONVERSION FACTOR

<u>Line No.</u>	<u>Description</u> (a)	<u>Basis</u> (b)
1	Operating Revenue	100.00%
2	Less: Uncollectable Accounts	0.40%
3	Less: PSC Assesment Fee	0.15%
4	Less: Ky. Income Tax Rate	<u>4.00%</u>
5	Income before Federal Tax	95%
6	Less: Federal Income Tax @ 15%	<u>14.32%</u>
7	Operating Income Ratio	81.1%
8	Gross Revenue Conversion Factor (1/Operating Income Ratio)	1.23

MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 9 REVENUE REQUIREMENTS BY TIER

Line No.	Description (a)	Exhibit Reference (b)	Amount (c)	Comments (d)
1	Calculation of Projected Income Tax Expense			
2	Interest Expense	Exhibit 6	\$ 79,007	
3	TIER Requirement	RUS 1710	1.60	
4	Required Total Margin		\$ 47,404	= (Line 3 X Line 2) - Line 2
5	Gross Revenue Conversion Factor	Exhibit 8	1.23	
6	Taxable Income		\$ 58,431	= Line 4 X Line 5
7	Less: Net Income		47,404	Line 4
8	Tax Expense		\$ 11,026	= Line 6 - Line 7

Line No.	Description	Exhibit Reference	Amount	Comments
9	Calculation of Revenue Requirements			
10	Operating Expenses (less interest)	Exhibit 6	\$ 211,110	Line 14 less Line 13.
11	Margin		47,404	Line 4
12	Interest Expense	Exhibit 6	79,007	
13	Income Tax Expense		11,026	Line 8
14	Total Revenue Requirement		\$ 348,548	
15	Less: Interest Income		-	
16	Less: Other Operating Income		-	
17	Revenue Required From Rates		\$ 348,548	
18	Projected Purchased Gas Cost		\$ 442,325	
19	Total Revenue Requirements		\$ 790,873	



MILLENNIUM ENERGY, INC.
OHIO COUNTY EXPANSION
EXHIBIT 1 1 TAX RATE COMPUTATION

Line No.	Description	Estimated Taxes
1	Pre-tax Income	\$ 58,619
2	Less: Kentucky Income Tax (0- \$25,000 @ 4%)	<u>2,345</u>
		\$ 56,274
5	Less Federal Income Tax	8,441
6	(1- \$50,000 @ 15%)	
7	Total Income Tax	<u>10,786</u>
8	Net Income	<u><u>\$ 47,833</u></u>
9	Effective Income Tax Rate	<u><u>18.40%</u></u>

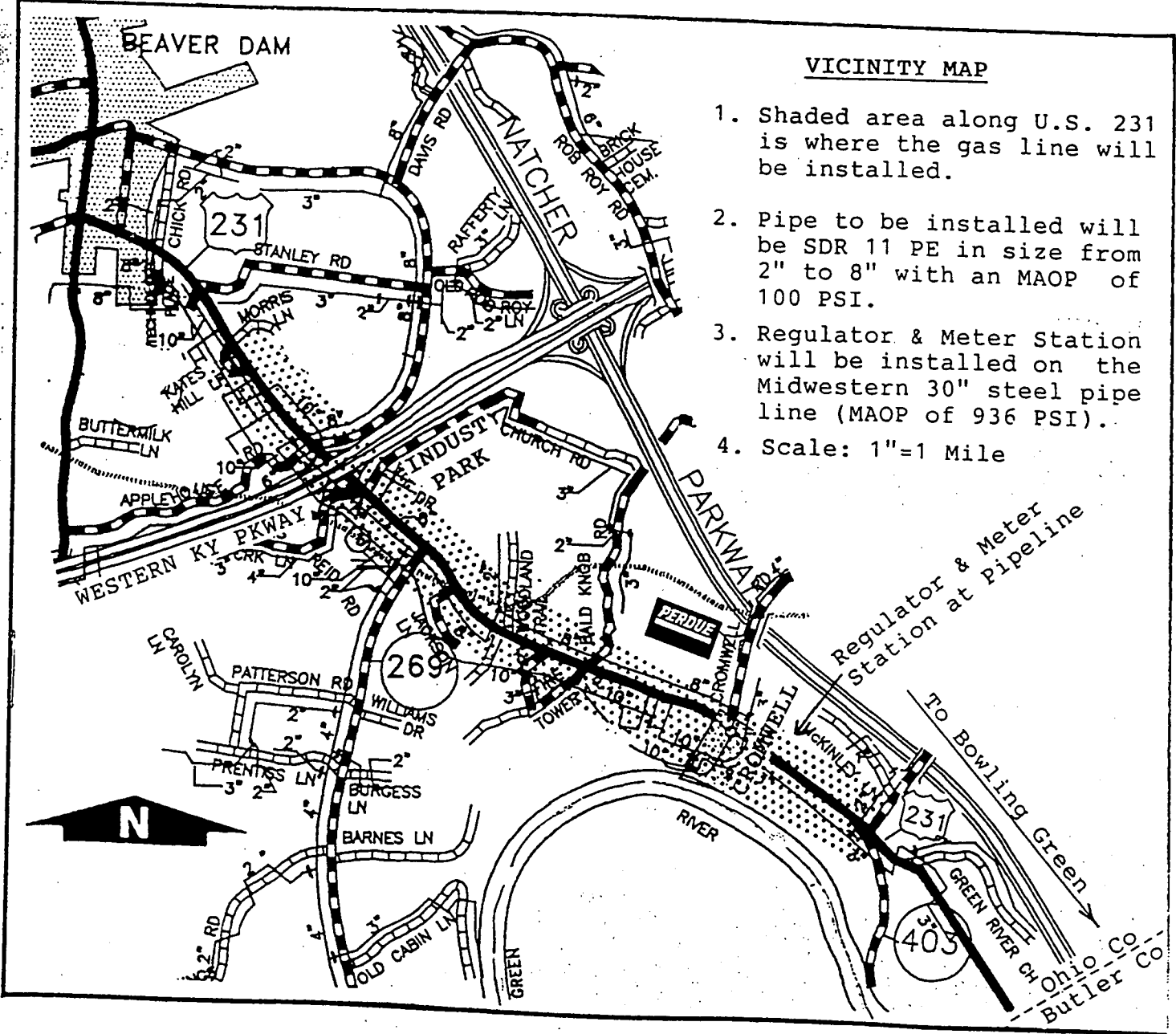


Wilson Jones®

Quick Reference Index System

VICINITY MAP

1. Shaded area along U.S. 231 is where the gas line will be installed.
2. Pipe to be installed will be SDR 11 PE in size from 2" to 8" with an MAOP of 100 PSI.
3. Regulator & Meter Station will be installed on the Midwestern 30" steel pipe line (MAOP of 936 PSI).
4. Scale: 1"=1 Mile



Regulator & Meter Station at Pipeline

TO Bowling Green

Ohio Co Co
Butler Co