

CASE

NUMBER:

99-312

KY. PUBLIC SERVICE COMMISSION

Index for Case: 1999-00312

AS OF : 07/31/02

Millennium Energy, Inc.

Initial Operations, Rates

Regular

GAS DISTRIBUTION UTILITY - PHASE II CONSTRUCTION

IN THE MATTER OF A PETITION OF MILLENNIUM ENERGY, INCORPORATED FOR APPROVAL OF AN INITIAL RATE SCHEDULE FOR SERVING CUSTOMERS FROM AN EXISTING GAS SUPPLY LINE

SEQ NBR	Date	Remarks
1	07/23/99	Application.
2	07/29/99	Acknowledgement letter
3	(M) 08/04/99	MOTION TO INTERVENE (WESTERN KY GAS JOHN HUGHES)
4	08/11/99	Order granting Western KY Gas intervention
5	08/20/99	Order entered; info due 9/6
6	(M) 08/26/99	RESPONSE TO APPENDIX A (GARY DILLARD MILLENNIUM ENERGY)
7	(M) 08/27/99	EXHIBIT 1.1 MAPS FOR PHASE 2 EXTENSIONS (MILLENNIUM ENERGY INC)
8	(M) 09/08/99	RESPONSE TO FILING DEFICIENCY ITEM 7 KAR 5:001 SECTION 11 (1)B (GARY DILLARD MILLENNIUM ENERGY INC)
9	(M) 09/15/99	RESPONSE TO FILING DEF ITEM 7 SECTION 11 1-B (GARY DILLARD MILLENNIUM ENERGY INC)
10	09/16/99	Def. cured letter
11	09/20/99	Order issuing data request; response due 10/7
12	(M) 10/08/99	RESPONSE TO FILING DEFICIENCIES ISSUES ON SEPT 20,99 (MICHAEL LANE MILLENIUM ENERGY)
13	(M) 10/15/99	ADDENDUM TO FILING OF OCT 7,99 IN RESP TO PSC ORDER OF SEPT 20,99 (GARY DILLARD MILLENNIUM ENERGY)
14	10/27/99	Order entered; request for hearing due 11/8 or case stands submitted
15	(M) 11/02/99	RESPONSE TO ORDER OF OCT 27 (JOHN HUGHES WESTERN KY GAS)
16	11/04/99	Order entered; extends financing 60 days
17	11/08/99	Interim Order; grants construction; proposed financing plan continued generally
18	12/02/99	FINAL ORDER APPROVING RATES

99-312



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

Phone: (270)842-6541

Fax: (270)701-3299 393-2620

MESSAGE TRANSMISSION SHEET

Date: 7-29-02

TO: Fax Number: 502-564-1582

Attention: ARON GREENWELL

Company/Dept.: _____

Pages following cover sheet: 1

FROM:

Name: GARY K DILLARD

Fax Number: 270-393-2620

Telephone Number: 270-842-5214 EXT 2225

Other Number: _____

Comments:

AS REQUESTED,



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

CERTIFICATE OF SERVICE

RE: Case No. 1999-312
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 December 2, 1999.

Parties of Record:

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

Hon. John N. Hughes
124 W. Todd Street
Frankfort, KY. 40601

Hon. Mark R. Hutchinson
SHEFFER HUTCHINSON KINNEY
115 E. Second Street
Owensboro, KY. 42303

Stephanie J. Bell

Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A PETITION OF MILLENNIUM ENERGY,)	
INC. FOR APPROVAL OF AN INITIAL)	
RATE SCHEDULE TO CHARGE)	
CUSTOMERS THAT WILL BE SERVED)	CASE NO. 99-312
FROM AN EXISTING GAS SUPPLY LINE)	
IN SIMPSON COUNTY, KENTUCKY)	

ORDER

On July 23, 1999, Millennium Energy, Inc. ("Millennium") tendered this application requesting that the Commission (1) modify the final Order in Case No. 99-075,¹ (2) approve initial rates, and (3) approve additional financing in order to construct facilities and serve new residential and commercial customers. On August 20, 1999, the Commission rejected the petition and ordered Millennium to file information required to cure the deficiencies within 15 days. Millennium's filing of September 8, 1999 cured its deficiencies so that the application met the minimum filing requirements pursuant to the Commission's regulations.

On August 11, 1999, the Commission granted Western Kentucky Gas Company's motion for full intervention in this matter. On November 4, 1999, the Commission issued an Order continuing the financing beyond the statutory 60-day period and establishing a 10-day time limitation for parties to the case to request a hearing. No hearing was requested; therefore, the case stands submitted.

¹ Case No. 99-075, The Petition of Millennium Energy, Inc. for a Certificate of Convenience and Necessity to Construct and Operate a Natural Gas Supply Line.

On November 8, 1999, the Commission entered an Interim Order that granted Millennium a Certificate of Public Convenience and Necessity to install lateral distribution lines from its existing pipelines to serve four locations in Simpson County, Kentucky. The estimated cost of construction is \$60,124. The proposed additional financing of \$64,000 would be under the same terms and conditions as the financing approved in Case No. 99-075. The \$64,000 of additional financing would be used for construction in the amount of \$60,124, and funds for working capital and debt service reserve in the amount of \$3,876. The proposed financing would be obtained from the National Cooperative Service Corporation ("NCSC"), an affiliate of the National Rural Utilities Cooperative Finance Corporation ("CFC").

OPERATING REVENUES AND EXPENSES

Millennium submitted financial projections for its first three years of operations and averaged the projected operating and maintenance expenses in support of its revenue requirement determination. The Commission has determined that the first year of operations, including projected sales revenues and estimated operating expenses, with minor adjustments, should be used for rate-making purposes.

Millennium projected that its customer base for year one would include two existing special contract customers plus sixteen residential customers and four commercial customers and used this customer base to make its projections.² The Commission uses the estimated operating expenses for the first year because the number of customers Millennium will serve that year is the same as the number of

² Millennium's projection of revenue and usage from base rates is at "Rate Design Considerations," Exhibit 1, page 2 of 2 from its response to the Commission's September 20, 1999 Order.

customers that will be served over the first three years of operation.³ Millennium's research on other potential customers shows that other than those individuals and businesses requesting natural gas service, the potential customers in its area have electric heating equipment that was installed within the last 15 years. Therefore, Millennium does not expect conversions of any additional customers in the next three years.

Total Revenues

Millennium projects total revenues of \$238,493 comprised of \$102,736 in revenues from base rates and \$135,757 in gas cost revenues under the Gas Cost Adjustment ("GCA") included in its proposed tariffs. The revenues from base rates are computed based on the estimated number of customers and estimated MCF sales volume for year one of Millennium's projected operations. Revenues under the GCA mechanism are solely for the recovery of Millennium's wholesale gas cost.

Purchased Gas

Millennium projects purchased gas cost of \$135,757 during year one, based on its estimated sales volume applied to its existing wholesale contract rate of \$2.98 per MCF, with Woodward Marketing, LLC. The sales volume estimate is based on the expected usage for Millennium's two special contract customers and the additional 16 residential and four commercial customers. The Commission finds this level of gas cost to be reasonable based on Millennium's projections.

³ Millennium's estimated operating and maintenance expenses for FY 2000 are from its response to the Commission's September 20, 1999 Order at Exhibit 2.

Operations, Maintenance, Customer Accounts, Administrative and General

Millennium projected these significant operating expenses primarily on contract services for supervision, maintenance, meter-reading labor, accounting and billing labor. The amounts are based on projected hours of service required at the contract rates and applicable costs of benefits for employees that Millennium will share with its parent company, Warren Rural Electric Cooperative Corporation ("Warren RECC").

Depreciation Expense

According to its pro forma depreciation schedule, Millennium proposes to depreciate organizational costs over 10 years; services and measuring and regulating station equipment over 30 years; and mains over 50 years.⁴ The Commission finds these depreciable lives to be within acceptable ranges. This results in an annual depreciation expense of \$9,573.

Interest Expense

Millennium's interest rate on long-term debt may vary depending on the interest rates in effect at the time of draw downs of the funds or the conversion of withdrawals into a single loan with a 10-year maturity. The rate projected for the withdrawals in this application was 6.55 percent per annum. The Commission finds this reasonable for rate-making purposes. Applying the 6.55 percent interest rate to total long-term debt with NCSC produces a projected annual interest expense of \$24,170.

Uncollectible Accounts

Millennium estimates that uncollectible accounts would be 0.4 percent of net operating revenue. Although the 0.4 percent factor is reasonable, the factor should be

⁴ Millennium's response to the Commission's September 20, 1999 Order, at Exhibit 6.

applied to gross operating revenue. Accordingly, the amount computed by applying the 0.4 percent to Millennium's initial year projected gross operating revenue equals \$954.

PSC Assessment Fee

The annual PSC Assessment Fee for 1999-2000 is 1.667 cents per \$1,000 of revenue. Applying this current rate to Millennium's initial year projected operating revenues results in a total annual fee of \$397.

Federal and State Income Taxes

Millennium proposed federal and state income taxes at the marginal rates for the projected level of operating income before income taxes. This assumption has been accepted as reasonable by the Commission. The amount of income tax has changed due to the change in operating income before income taxes resulting from using the initial year of operations. The adjusted operating income will result in total Federal and State Income Tax expense of \$3,548.⁵

REVENUE REQUIREMENTS

The Commission has determined that Millennium's revenue requirements should be calculated using the Times Interest Earned Ratio ("TIER") method. In determining the required revenue, Millennium proposes a TIER of 1.6, since its parent company, Warren RECC, determines its revenue requirements using the same methodology and TIER level. The TIER methodology is commonly accepted for utilities with financing through the Rural Utilities Service ("RUS") and CFC. The Commission believes the

⁵ Net Operating Income		\$19,280
State Income Tax Rate	4.0 %	
Federal Rate (net of State benefit)	<u>14.4 %</u>	
Combined Income Tax Rate		<u>18.4 %</u>
Federal and State Income Taxes		\$ 3,548

TIER approach is reasonable since Millennium's assets are security under Warren RECC's restated RUS/CFC mortgage.

The utility's cost of service is based upon the full complement of customers, a complete draw down of the debt, and completion of the construction. Based on Millennium's projections of its initial year of operations, and the modifications approved herein, the pro forma operating statement is as follows:

Revenues from Base Rates	\$	102,736
Revenue from GCA		135,757
Total Revenues	\$	<u>238,493</u>
Purchased Gas	\$	135,757
Operations		5,125
Maintenance		5,125
Customer Accounts		8,000
Uncollectible Accounts		954
Administrative and General		28,000
Depreciation		9,573
Taxes Other Than Income Taxes		2,112
PSC Assessment Fee		397
Interest		24,170
Total Expenses		<u>219,213</u>
Net Operating Income		19,280
Federal and State Income Taxes		<u>3,548</u>
Net Income	\$	<u><u>15,732</u></u>

The TIER resulting from the pro forma "projected initial year operations adjusted" is 1.650848. This TIER is approximately the same as the TIER level requested by Millennium. Furthermore, the TIER is within the level normally authorized by the Commission for utilities capitalized with RUS and CFC financing. Accordingly, the

Commission finds the projection acceptable for rate-making purposes in this initial rates determination. Therefore, the proposed revenue of \$238,493 is reasonable.

This level of revenues should allow Millennium to meet its operating expense and provide for reasonable equity growth. Projected net operating income resulting from this approach is \$19,280. After provision for federal and state income taxes in the amount of \$3,548, the projected net income is \$15,732.

RATE DESIGN AND RATES

Millennium's proposed rates are as follows:

<u>Residential</u>	
Customer Charge	\$ 6.00
Local Distribution Charge	\$ 4.00

<u>Commercial/Industrial</u>	
Customer Charge	\$20.00
Local Distribution Charge	\$ 3.00

The company has used the terms "Local Distribution Charge" and "Commodity Charge" interchangeably in describing its proposed rates. In informal discussions with Staff, Millennium clarified its use of these terms. The proposed "local distribution charge" is comparable to what is usually referred to as a volumetric charge, or commodity charge. Millennium will be recovering its actual gas cost from customers through its GCA clause included in its proposed tariffs. The proposed rates are comparable to the rates of other gas utilities in the area.

ADDITIONAL FINANCING REQUESTED

Funding for the construction, debt service reserve and working capital will be provided through a loan from NCSC that will not exceed \$64,000. The loan will be

amortized over 10 years, with principal payments deferred for the first two years at the interest rate in effect at the time of a draw down. The rate projected by Millennium in the preparation of the projected pro forma income statement was 6.55 percent.

SUMMARY

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. The rates proposed by Millennium should produce annual revenues of \$238,493, which is sufficient to cover all operating costs and provide a reasonable return.

2. The rates in Appendix A approved herein are the fair, just and reasonable rates for Millennium.

3. The loan from NCSC in the amount of \$64,000 is for lawful objects within the corporate purposes of Millennium, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes.

4. Millennium is capable of executing its notes as security for the loan as stated herein.

5. The proceeds from the proposed loan should be used only for the lawful purposes set out in Millennium's application as stated herein.

IT IS THEREFORE ORDERED that:

1. The rates set out in Appendix A are approved for service rendered on and after the date of this Order.

2. Millennium is authorized to issue additional indebtedness to NCSC in an amount not to exceed \$64,000, with advances from the loan bearing interest at varying rates dependent upon interest rates in effect at the time of each advance. Ultimately, all advances from the loan shall be converted to a 10-year loan. If Millennium chooses to issue its evidence of indebtedness at a fixed rate, it shall select the interest rate that will result in the lowest cost over the term of the financing.

3. Within 10 days of each loan withdrawal, Millennium shall notify the Commission of the interest rate, conditions, and terms of the financing.

4. Within 10 days of the conversion of the withdrawals to a 10-year loan, Millennium shall notify the Commission of the interest rate, conditions, and terms of the loan.

5. The proceeds from the proposed loan should be used only for the lawful purposes set out in Millennium's application as stated herein.

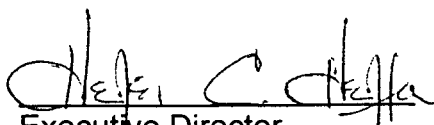
6. Within 20 days of the date of this Order, Millennium shall file with the Commission its tariffs setting out the rates approved herein containing the date of issuance and the statement that they were issued by authority of this Order of the Commission.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 2nd day of December, 1999.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 99-312 DATED DECEMBER 2, 1999

The following rates and charges are prescribed for the customers in the area served by Millennium Energy, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

Residential Rates

Customer Charge	\$ 6.00
Local Distribution Charge	\$ 4.00
Gas Cost Adjustment	Subject to Gas Cost Adjustment Tariff

Commercial/Industrial

Customer Charge	\$20.00
Local Distribution Charge	\$ 3.00
Gas Cost Adjustment	Subject to Gas Cost Adjustment Tariff



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-312
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 November 8, 1999.

Parties of Record:

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

Hon. John N. Hughes
124 W. Todd Street
Frankfort, KY. 40601

Hon. Mark R. Hutchinson
SHEFFER HUTCHINSON KINNEY
115 E. Second Street
Owensboro, KY. 42303

Stephanie D. Bell

Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A PETITION OF MILLENNIUM ENERGY,)	
INC. FOR APPROVAL OF AN INITIAL)	
RATE SCHEDULE TO CHARGE)	
CUSTOMERS THAT WILL BE SERVED)	CASE NO. 99-312
FROM AN EXISTING GAS SUPPLY LINE)	
IN SIMPSON COUNTY, KENTUCKY)	

INTERIM ORDER

On July 23, 1999, Millennium Energy, Inc. ("Millennium") filed an application requesting to modify the final Order in Case No. 99-075,¹ for approval of additional financing and initial rates in order to construct facilities and serve potential new residential and commercial customers. The Commission rejected the petition on August 20, 1999 and ordered Millennium to cure its deficiencies within 15 days. On September 16, 1999, the Commission determined that Millennium's responses of September 8, 1999, cured the deficiencies and the petition had met the minimum filing requirements set by the Commission's regulations. On August 4, 1999, Western Kentucky Gas Company filed a motion for full intervention in this matter which was granted on August 11, 1999, pursuant to 807 KAR 5:001, Section 8.

After review of the authorization granted in Case No. 99-075, the Commission has determined that the proposed construction is subject to KRS 278.020 and requires a Certificate of Public Convenience and Necessity. Millennium is proposing to install

¹ Case No. 99-075, The Petition of Millennium Energy, Inc. for a Certificate of Convenience and Necessity to Construct and Operate a Natural Gas Supply Line.

lateral 3-inch and 2-inch distribution pipelines from its 4-inch and 3-inch existing pipelines to serve four locations in Simpson County, Kentucky. Millennium estimates it will serve 16 residential customers and five commercial customers. Millennium expects to add an additional ten residential customers and three commercial customers in three years. The estimated cost of construction will be \$64,000. After review of the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Millennium should be granted a certificate of convenience and necessity to construct the proposed extension to its system.
2. The proposed rates and funding for the construction should be addressed in the final order of this case.
3. Millennium should file with the Commission the construction schedule and a copy of the construction drawings no later than one week prior to construction.
4. Within 90 days from the completion of the contract, Millennium should file as-built drawing for the extension of service and the actual cost of the project.
5. Prior to providing service to its customers, Millennium should file with the Commission the operating and maintenance manual of its distribution system.

IT IS THEREFORE ORDERED that:

1. Millennium is hereby granted a Certificate of Convenience and Necessity to construct its natural gas distribution system and extend its service to provide gas to the additional customers in the record.
2. Millennium shall comply with the requirements set forth in Findings No. 2 through 5 as if they were individually so ordered.
3. The financing plan proposed by Millennium is continued generally.

4. Millennium's application for initial natural gas rates is continued generally.
5. Nothing contained herein shall be construed as constituting approval of any other portion of Millennium's application.

Done at Frankfort, Kentucky, this 8th day of November, 1999.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

November 4, 1999

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

Hon. John N. Hughes
124 W. Todd Street
Frankfort, KY. 40601

Hon. Mark R. Hutchinson
SHEFFER HUTCHINSON KINNEY
115 E. Second Street
Owensboro, KY. 42303

RE: Case No. 99-312

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

RECEIVED
NOV - 2 1999
PUBLIC SERVICE
COMMISSION

In the Matter of:

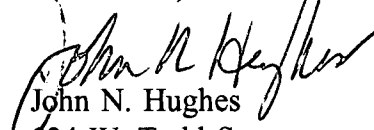
Petition of Millennium Energy,)
Inc. for Approval of an Initial)
Rate Schedule for Customers that) Case No. 99-312
will be served from an existing)
Gas Supply Line in Simpson County,)
Kentucky)

RESPONSE TO ORDER OF OCTOBER 27

Western Kentucky Gas Company, by counsel, gives notice that it will not request a hearing in this matter.

Submitted By:

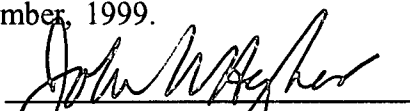
Mark R. Hutchinson
SHEFFER HUTCHINSON KINNEY
115 E. Second St.
Owensboro, KY. 42303


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

Attorneys for Western
Kentucky Gas Company

Certificate:

I certify that a copy of this notice was served on Gary Dillard, Box 1118, Bowling Green, KY 42102 by first class mail the 2nd day of November, 1999.


John N. Hughes

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF MILLENNIUM ENERGY, INC.)
FOR APPROVAL OF AN INITIAL RATE) CASE NO. 99-312
SCHEDULE FOR SERVING CUSTOMERS)
FROM AN EXISTING GAS SUPPLY LINE)

O R D E R

On September 8, 1999, Millennium Energy, Inc. ("Millennium") filed an application for initial rates and for approval of additional financing. Western Kentucky Gas Company was granted intervention in this case. The construction and financing of the facilities was approved in a prior case.¹ The present case was filed for the purpose of setting initial rates for service to residential customers of Millenium. As a part of its application, Millennium requested additional financing of \$64,000 under the same terms and conditions as those specified in Case 99-075.

The Commission issued an Order dated September 20, 1999 containing a procedural schedule to which no response has been received. On October 27, 1999, the Commission ordered this case submitted for a decision unless a party requests a public hearing within 10 days. The time needed to complete this case should a hearing be necessary will likely exceed the time requirement of KRS 278.300. Accordingly, the Commission finds good cause to continue this application beyond the 60-day period specified in KRS 278.300(2).

¹ Case No. 99-075, Petition of Millenium Energy, Inc. for a Certificate of Convenience and Necessity to Construct and Operate a Natural Gas Supply Line.

The Commission, on its own motion, HEREBY ORDERS that:

1. This application for additional financing shall be continued beyond the initial statutory 60-day period specified in KRS 278.300(2).

2. If no public hearing is requested, this case shall stand submitted to the Commission for a decision on initial rates and additional financing.

Done at Frankfort, Kentucky, this 4th day of November, 1999.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

October 27, 1999

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

Hon. John N. Hughes
124 W. Todd Street
Frankfort, KY. 40601

Hon. Mark R. Hutchinson
SHEFFER HUTCHINSON KINNEY
115 E. Second Street
Owensboro, KY. 42303

RE: Case No. 99-312

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

Sincerely,

Stephanie Bell
Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF MILLENNIUM ENERGY, INC.)
FOR APPROVAL OF AN INITIAL RATE)
SCHEDULE FOR SERVING CUSTOMERS)
FROM AN EXISTING GAS SUPPLY LINE) CASE NO. 99-312

O R D E R

On September 20, 1999, the Commission issued an Order which contained a procedural schedule, as Appendix A, that required both Millennium Energy, Inc. ("Millennium") and the intervenor, Western Kentucky Gas Company ("Western"), to serve an information request upon each other. Neither Millennium nor Western filed an information request within the prescribed time. The purpose of an information request is to enable each party to define and prepare for the issues at any subsequent public hearing that may be held.

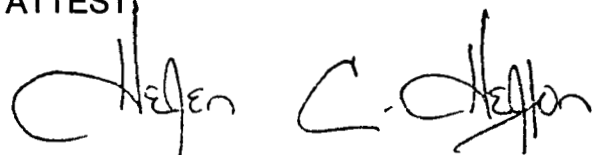
The Commission, on its own motion, HEREBY ORDERS that:

1. No public hearing shall be held in this case unless a party requests a hearing by motion filed within 10 days from the date of this Order.
2. If no public hearing is requested, this case shall stand submitted to the Commission upon the record.

Done at Frankfort, Kentucky, this 27th day of October, 1999.

By the Commission

ATTEST,

A handwritten signature in cursive script, appearing to read "Stephen C. Coffey". The signature is written in dark ink and is positioned above a horizontal line.

Executive Director



Millennium Energy, Inc.

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

October 14, 1999

Ms. Helen Helton, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RECEIVED
OCT 15 1999
PUBLIC SERVICE
COMMISSION

Dear Ms. Helton:

CASE NO. 99-312

At the request of the commission staff, the following information is being provided as an addendum to the filing of October 7, 1999, in response to the commission order dated September 20, 1999. We are submitting the original, ten copies and a return copy.

Question 3. Has Millennium performed a feasibility study or survey to estimate the level of likely conversions to natural gas service in this area?

- a. If yes, provide a copy of the study and a summary of the results.
- b. If not, explain why Millennium has not undertaken a study or survey.

Response: Yes, See Exhibit 1 of Millenniums Original Petition, Case 99-312, filed with the Commission on July 20, 1999. Exhibit 1 is a summary of the residents and businesses that have indicated their intent to convert.

Addendum Response: Some members of the Commission staff have noted that the engineering drawing (topographical map for Case no. 99-312) shows a number of dwellings along the gas route that may not be listed on the survey, Exhibit 1 (enclosure).

Those residents, businesses and church listed on the survey are currently served by propane gas. The remaining dwellings along the route are served by electricity. The commission staff requested that Millennium project the number of potential customers that could be utilizing natural gas within the next three years. Existing electric customers may switch to natural gas, but due to economic considerations, will not until their electric furnace requires replacement. Thus, we are estimating the number of potential customers within the three-year period.

If we can answer any other questions, please feel free to contact us.

Sincerely,

Gary K. Dillard
Executive Vice President

Millennium Energy, Inc.
Case No. 99-312
Exhibit 2.5 (b) Natural Gas Survey/Study
South Simpson County, Kentucky 7/99

Name	Address	Approx. Annual Usage
Robert Stone	1576 Lake Springs Road Franklin, KY 42134	91 MCF
Lake Springs Baptist Church	1429 Lake Springs Road Franklin, KY 42134	200 MCF
John Pitt	1108 Butts Road Franklin, KY 42134	91 MCF
Charles Zeager	340 Butts Road Franklin, KY 42134	91 MCF
McDonalds Restaurant	110 Butts Road Franklin, KY 42134	1000 MCF
Waffle House	3833 Nashville Road Franklin, KY 42134	800 MCF
Holiday Inn Express	3811 Nashville Road Franklin, KY 42134	600 MCF
James E. Fleming, Jr.	2809 Nashville Road Franklin, KY 42134	91 MCF
James E. Fleming, Sr.	2775 Nashville Road Franklin, KY 41234	91 MCF
Barry Hall	3415 Nashville Road Franklin, KY 42134	91 MCF
Granville Hall	3405 Nashville Road Franklin, KY 42134	91 MCF
J.P. Estep	2597 Nashville Road Franklin, KY 42134	91 MCF
William Thurman	366 Lake Springs Road Franklin, KY 42134	91 MCF
David Pedigo	183 Hawthorne Street Franklin, KY 42134	91 MCF
Foy Keith	175 Hawthorne Street Franklin, KY 42134	91 MCF
William Gann	123 Hawthorne Street Franklin, KY 42134	91 MCF
Jacob D. Johnson	177 Lake Springs Road Franklin, KY 42134	91 MCF
J. R. Freeman	176 Hawthorne Street Franklin, KY 42134	91 MCF
Charles White	313 Honeysuckle Street Franklin, KY 42134	91 MCF
Marie Mayes	201 Honeysuckle Road Franklin, KY 42134	91 MCF



October 7, 1999

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

Subject: Case No. 99-312

Dear Ms. Helton:

RECEIVED
OCT 08 1999
PUBLIC SERVICE
COMMISSION

The enclosed document is in response to the Commission's order on filing deficiencies issued on September 20, 1999 concerning Millennium Energy's petition for approval of an initial rate schedule, which was filed as Case No. 99-312 on July 20, 1999. In addition to the original, ten copies have been provided.

Please feel free to contact us if there are any further questions.

Sincerely,

R. W. BECK, INC.

Michael Lane
Consultant

MGL:bb
Enclosure

c: Gary Dillard, Millennium Energy, Inc.



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

**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**

TABLE OF CONTENTS

**RESPONSE TO KPSC ORDER ON FILING DEFICIENCIES FOR
CASE 99-312, Dated September 20, 1999**

Exhibit 1

Purchase Gas Agreement
Rate Design Considerations

Exhibit 2

Calculation of Estimated Operating Expenses
Cost Comparison Study

Exhibit 3

Adjusted Pro Forma Income Statement
Operating Ratio Revenue Requirements

Exhibit 4

Tax Rate Computation

Exhibit 5

Gross Revenue Conversion Factor

Exhibit 6

Depreciation Schedule

Exhibit 7

Revenue Requirements by TIER

RECEIVED
OCT 08 1999
**PUBLIC SERVICE
COMMISSION**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

A PETITION OF MILLENNIUM ENERGY,)
INC. FOR APPROVAL OF AN INITIAL)
RATE SCHEDULE TO CHARGE)
CUSTOMERS THAT WILL BE SERVED) CASE NO. 99-312
FROM AN EXISTING GAS SUPPLY LINE)
IN SIMPSON COUNTY, KENTUCKY)

RESPONSE

Millennium Energy's response to the Commission's September 20, 1999
Order on filing deficiencies

1 **Question 1.** Identify the other fuel sources that are currently in use in the area to be served by
2 Millennium.

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

5
6 **Response:** Several residents and businesses use propane gas provided by various
7 marketers. Western Kentucky Gas provides natural gas service in the area north of
8 Millennium's service area.

9
10
11 **Question 2.** Provide the number of additional customers Millennium estimates it will add to its
12 system over the next 3 years and provide a thorough explanation of how that estimate was
13 developed.

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

16
17 **Response:** Millennium expects to add an additional ten residential and three
18 commercial customers. This is based on existing homes and businesses in the area.

21 **Question 3.** Has Millennium performed a feasibility study or survey to estimate the level of
22 likely conversions to natural gas service in this area?

- 23
- 24 a. If yes, provide a copy of the study or survey and a summary of the results.
- 25
- 26 b. If not, explain why Millennium has not undertaken such a study or survey.
- 27

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

29

30 **Response:** Yes. See Exhibit 1 of Millennium's Original Petition, Case 99-312, filed with
31 the Commission on July 20, 1999. Exhibit 1 is a summary of the residents and businesses
32 that have indicated their intent to convert.

33

34

35 **Question 4.** Provide the basis, or support, for the proposed rates included in Millennium's
36 application.

37

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

39

40 **Response:** Millennium Energy's local distribution charges shall include a customer
41 charge and commodity charge. In addition to the local distribution charges, there shall be
42 a Gas Cost Adjustment (GCA). The GCA will be based on Millennium Energy's
43 Purchase Agreement with Woodward Marketing (included as Exhibit 1 page 1 of 2). An
44 illustration of the expected consumption and an applied rate is included as Exhibit 1 page
45 2 of 2. Projected consumption is based on Exhibit 1 of Millennium's Original Petition,
46 Case 99-312 filed with the Commission on July 20, 1999. Rate Revenue as calculated in
47 Financial Exhibit 2.5 Pro Forma Income Statement of Millennium's Original Petition,
48 Case 99-312, was \$102,736. This is comparable to required revenue requirements of
49 \$105,389 for a TIER of 1.6 (as shown in this response as Exhibit 7 page 1 of 1), and
50 \$98,531 for an operating ratio of 88% (as shown in this response as Exhibit 3 page 2 of
51 2).

52

53

54 **Question 5.** The proposed rates do not include non-recurring charges such as disconnect fees,
55 reconnect fees, bad check fees, and late payment penalties. Has Millennium considered adding
56 these items as part of its tariff?

57

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

59

60 **Response:** See the Rates, Rules, and Administrative Regulations for Furnishing Natural
61 Gas in Millennium's Original Petition, Case 99-312, filed with the Commission on July
62 20, 1999. Millennium does not intend to include a disconnect fee at this time.

63

64

65 **Question 6.** Does Millennium intend to include a description of the terms of its Gas Supply
66 Contract in the Gas Cost Adjustment ("GCA") clause in its tariff to track changes in its gas
67 costs?

68 *[This question was changed to reflect the original intent of the question as communicated*
69 *to Millennium by the PSC.]*
70

71 **Witness:** Michael Lane; R.W. Beck, Inc.
72

73 **Response:** Millennium does not intend to include the terms of its gas supply contract in
74 this tariff. The GCA will be applied in accordance with 807 KAR 5:011.
75
76

77 **Question 7.** Provide the "cost study" used for estimating operating and maintenance expenses
78 based on comparable gas utilities referred to in Item 4 of Millennium's response to the
79 Commission's August 20, 1999 Order on filing deficiencies. Include expenses detailed by
80 Uniform System of Accounts ("USoA") account number if available.
81

82 **Witness:** Michael Lane; R.W. Beck, Inc.
83

84 **Response:** The cost study referenced in Item 4 of Millennium's response to the
85 Commission's August 20, 1999 Order on filing deficiencies was based on public records
86 and was only used to establish the reasonableness of Millennium's expense estimates.
87 This information is included as Exhibit 2 page 3 of 3. The USoA detail was not
88 available. See Exhibit 2, pages 1 and 2 of 3 for Millennium's determination of estimated
89 O & M expenses.
90
91

92 **Question 8.** Refer to "Financial Exhibit 2.5 – Pro Forma Income Statement (Rev. 2)" in
93 Millennium's response to the Commission's August 20, 1999 Order on filing deficiencies.
94

95 a. Provide a revenue requirement determination based on the 3-year average
96 of utility operations. Prepare the schedule computing the revenue requirement per Mcf, net of
97 customer charges using the gross income conversion factor from "c" below and an operating
98 ratio of 88 percent.
99

100 b. Provide a computation of the 28 percent tax rate used in this exhibit. In
101 addition to the federal corporate income tax rate, include the state corporate income tax, net of
102 the federal benefit.
103

104 c. Provide a computation of the gross revenue conversion factor for the
105 average period of operations used in the revenue requirement determination.
106

107 d. Provide a schedule detailing estimated "operations" expenses by
108 individual USoA account number with a brief explanation of the expected expenses by account,
109 i.e., an average of \$200 per month, totaling \$2,400, for mains and services expense.
110

111 **Question 8. (cont.)**

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e. Provide a schedule detailing estimated "maintenance" expenses by individual USoA account number with a brief explanation of the expected expenses by account, i.e., \$5.00 per hour for labor at an average of 15 hours per week times 52 weeks equals \$3,900 annually, for maintenance supervision and engineering.

f. Provide a schedule detailing estimated "customer account" expenses by individual USoA account number with a brief explanation of the expected expenses by account, i.e., 5 hours monthly at \$10 per hour, totaling \$600 annually for meter reading expenses.

g. Provide a schedule detailing estimated "administrative and general" expenses by individual USoA account number with a brief explanation of the expected expenses by account, i.e., an estimate of \$1,000 annually for accounting services in the preparation of the annual report and income tax returns, to support outside services employed.

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

Response:

8(a). The 3-year average from Exhibit 2.5 Pro Forma Income Statement (Rev. 2) is included, with appropriate adjustments, in Exhibit 3, page 1 of 2. The revenue requirements computed using the gross revenue conversion factor and an operating ratio of 88% is included in Exhibit 3, page 2 of 2.

Witness: Gary Dillard, Millennium Energy, Inc.

Response:

8(b). The computation of the tax rate, as supplied by Millennium's accountants has been changed from the 28% estimate to the actual projected effective income tax rate as shown in Exhibit 4, page 1 of 1.

8(c). See Exhibit 5, page 1 of 1.

8(d-g). See Exhibit 2, pages 1 and 2 of 3.

Question 9. Provide itemized depreciation rates for each depreciable category of gas utility plant in Millennium's system.

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

Response: See Exhibit 6, pages 1-5.

155 **Question 10.** Historically, jurisdictional electric distribution cooperatives have used a Times
156 Interest Earned Ratio ("TIER") for their revenue requirement determination. This is because the
157 cooperatives have a minimal equity investment from membership fees, debt capital (primarily
158 from governmental sources and non-profit entities) and earned reserves ("capital credits"). Since
159 Millennium is capitalized with primarily debt capital and the debt is guaranteed by its parent
160 company, the Commission requests that Millennium provide a revenue requirement calculation
161 based on TIER, debt service coverage of some method other than return on equity. Provide a
162 complete explanation of the method selected and the basis for the required level of return.

163

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

164

165

166

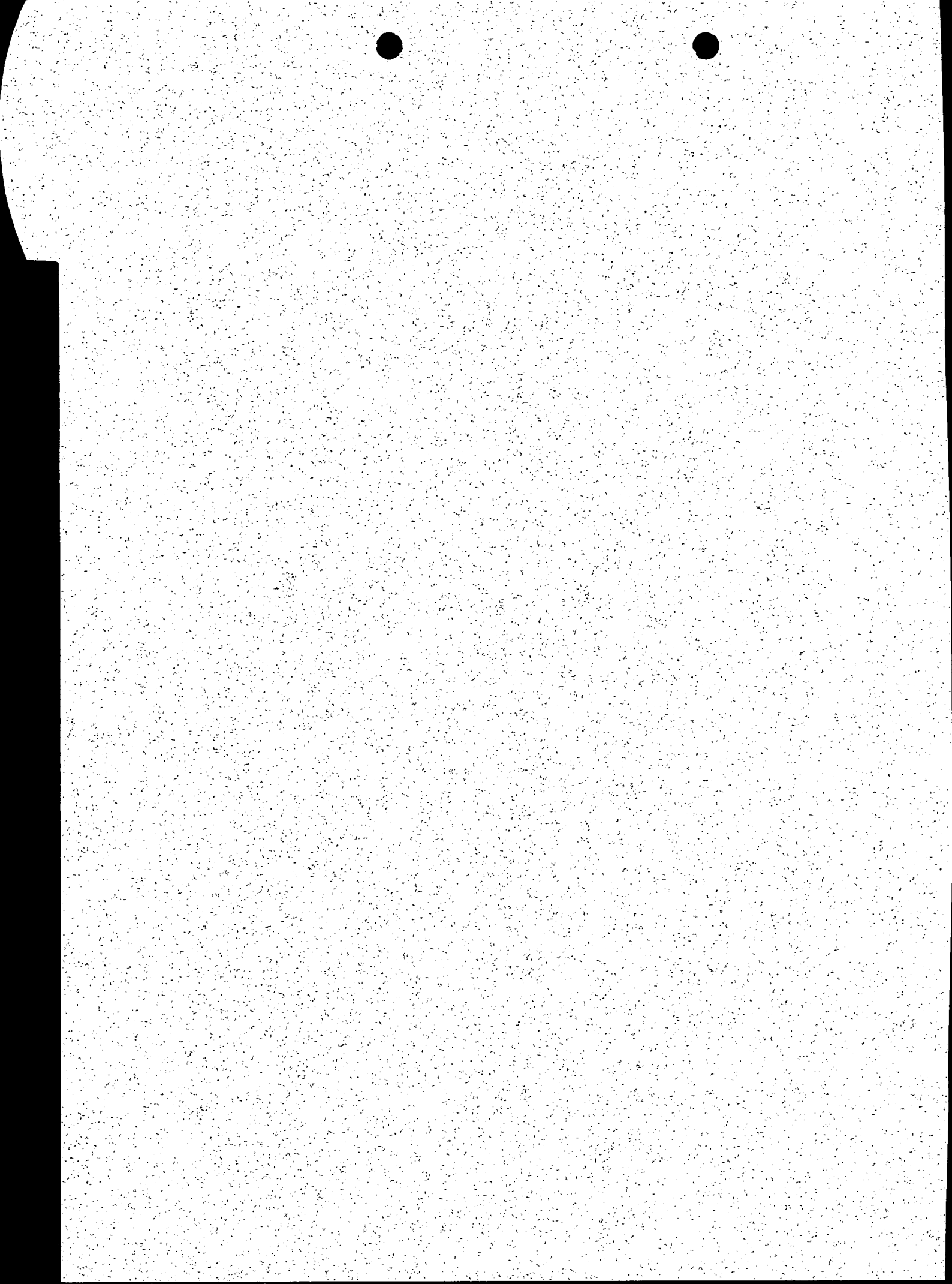
Response: A computation of the revenue requirements, as required by 7CFR 1710.114,
167 is included in Exhibit 7, page 1 of 1. Warren RECC's contract with RUS stipulates that
168 WRECC must maintain a TIER of 1.5. Warren RECC's Board of Directors has
169 established a TIER goal of 1.6. In order to support Warren RECC's financial goals,
170 Millennium believes that a goal of maintaining a TIER of 1.6 is appropriate.

167

168

169

170



Millennium Energy, Inc.
Case No. 99-312
Rate Design Considerations

Line No.	Customer Class	Retail Rates	Billing Units	Revenue From Rates
Residential				
1	Customer Charge	(\$/mo.) \$ 6.00	192	\$ 1,152
2	Commodity Charge	(\$/MCF) \$ 4.00	1,456	5,824
Commercial/Industrial				
5	Customer Charge	(\$/mo.) \$ 20.00	48	960
6	Commodity Charge	(\$/MCF) \$ 3.00	2,600	7,800
7	Contract Rates		41,500	87,000
8	Projected Total Consumption (Mcf)		45,556	
9	Total Revenue From Rates			\$ 102,736
10	Total Avg. Rate			\$ 2.26

Calculations of Estimated Operating Expenses by UsaA

	FY 2000	FY 2001	FY 2002	3-Year Avg.
8(d). Operating Expenses:	5,125	6,650	6,650	6,142
870 Operation Supervision & Engineering -50 hrs @ \$30 + benefits @ 35% (7% increase annually)	2,025	2,170	2,320	2,172
874 Mains & Services Expense -Miscellaneous	200	400	300	300
877 Measuring & Regulating Station Expenses- City Gate Check Stations -100 hrs @ \$20 + benefits @ 35% (7% increase annually) -Miscellaneous	2,700	2,890	3,090	2,893
878 Meter Expenses -Miscellaneous		200	200	133
879 Customer Installations Expense -Miscellaneous	200	400	300	300
880 Other Expenses -Miscellaneous		190	140	110
	<u>5,125</u>	<u>6,650</u>	<u>6,650</u>	<u>6,142</u>
8(e). Maintenance Expenses:	5,125	6,650	6,650	6,142
885 Maintenance Supervision & Engineering -50 hrs @ \$30 + benefits @ 35% (7% increase annually)	2,025	2,170	2,320	2,172
887 Maintenance of Mains -Miscellaneous Contractor Expense	1,600	1,780	1,780	1,720
891 Maintenance of Measuring & Regulating Station Equipment-City Gate Check Station -Miscellaneous Contractor Expense	500	900	850	750
892 Maintenance of Services -Miscellaneous Contractor Expense	500	900	850	750
893 Maintenance of Meters -Miscellaneous Contractor Expense	500	900	850	750
	<u>5,125</u>	<u>6,650</u>	<u>6,650</u>	<u>6,142</u>
8(f). Customer Accounts Expenses:	8,000	10,000	12,000	10,000
901 Supervision -50 hrs @ \$30 + benefits @ 35% (7% increase annually) -25 hrs @ \$20 + benefits @ 35% (7% increase annually)	2,025	2,170	2,320	2,172
902 Meter Reading Expenses -36 hrs @ \$15 + benefits @ 35% (7% increase annually) -Miscellaneous	730	780	835	782
903 Customer Records & Collection Expenses -250 hrs @ \$12 + benefits @ 35% (7% increase annually) -Billing Supplies/Postage -Software -Miscellaneous	4,050	4,335	4,640	4,342
904 Uncollectible Accounts		500	500	333
	<u>8,000</u>	<u>10,000</u>	<u>12,000</u>	<u>10,000</u>
8(g). Administrative Expenses:	28,000	30,000	32,000	30,000
920 Administrative & General Salaries -50 hrs @ \$30 + benefits @ 35% (7% increase annually) -250 hrs @ \$25 + benefits @ 35% (7% increase annually) -100 hrs @ \$25 + benefits @ 35% (7% increase annually) -250 hrs @ \$15 + benefits @ 35% (7% increase annually)	2,025	2,170	2,320	2,172
921 Office Supplies & Expenses	8,440	9,030	9,660	9,043
	3,375	3,610	3,860	3,615
	5,060	5,415	5,795	5,423

Calculations of Estimated Operating Expenses by UsaA

		FY 2000	FY 2001	FY 2002	3-Year Avg.
8(g) Cont.	-Supplies	500	500	500	500
	-Software	250	250	250	250
	-Training/Educational	3,500	3,225	3,215	3,313
	923 Outside Services Employed				
	-Legal	1,000	1,000	1,200	1,067
	-Consulting	1,000	1,000	1,000	1,000
	924 Property Insurance	1,500	1,600	1,800	1,633
	930.1 General Advertising Expenses	1,000	1,200	1,200	1,133
	930.2 Miscellaneous General Expenses	350	1,000	1,200	850
		<u>28,000</u>	<u>30,000</u>	<u>32,000</u>	<u>30,000</u>

MILLENNIUM ENERGY
Gas Project Assistance
Cost Comparisons to Other Gas Utilities

Line No.	Description	Jackson Utility Dist. [1]	Hartsell Utilities [2]	United Cities Tenn. Total [3]	Clay Gas District [4]	Upper Cumb. Gas Dist. [5]	Millennium Energy Inc. [6]
1	Number of Customers	21,130	2,657	102,416	511	1,814	1
2	Gross Plant	\$ 38,322,727	\$ 2,874,737	\$ 218,490,204	\$ 2,553,698	\$ 3,708,050	\$ 225,000
3	Gross Plant per Cust.	1,814	1,082	2,133	4,997	2,044	225,000
4	Operations Expenses	\$ 5,542,994	\$ 908,082	\$ 36,592,987	\$ 300,364	\$ 745,467	\$ 61,600
5	Ops. as % of Gross Plnt.	14%	32%	17%	12%	20%	27%

[1] Based on 12 months ended March 31 1996 as reported in Jackson Utility District Income Statement.

[2] Based on fiscal year ended June 30 1997 (Operations Expenses includes an undetermined amount of margin)

[3] Based on United Cities Gas company 1997 annual ad valorem tax report for the State of TN.

[4] Based on Clay Gas Utility District Engineers report.

[5] Based on Upper Cumberland Engineers Report.

[6] Based on estimations provided by Millennium Energy Inc.



Millennium Energy, Inc.
Case No. 99-312
Pro Forma Income Statement

Line No.	Account No. / Description	3-Yr. Avg. [1]	Adjustments	Adjusted Average	Comments
1	481 Revenue	\$ 226,648	\$ 12,224	\$ 238,872	Calculated: Line 2 plus Line 3.
2	804 Purchased Gas (@2.98 \$/MCF)	123,912	16,429	140,341	Adjusted to reflect contract rate of \$2.98/Mcf.
3	Revenue less Purchased Gas	\$ 102,736	2,653	\$ 105,389	See Exhibit 7 page 1 of 1 (TIER of 1.6)
4	Operating Expenses				
5	871-881 Operations	6,142	-	6,142	
6	885-894 Maintenance	6,142	-	6,142	
7	901-905 Customer Accounts	10,000	-	10,000	
8	920-931 Administrative and General	30,000	-	30,000	
9		\$ 52,283	-	\$ 52,283	
10	Other Expenses				
11	403 Depreciation	11,423	(1,850)	9,573	Adjusted to reflect PSC suggested Depreciation periods
12	408 Taxes	2,112	-	2,112	Property
13	427 Interest	23,811	-	23,811	
14	Total Expenses	\$ 37,346	\$ (1,850)	\$ 35,496	
15	Net Income (before inc. taxes)	\$ 89,630	\$ -	\$ 89,630	Line 3 less Line 14.
16	409 Income Taxes	\$ 13,106	\$ 2,653	\$ 15,759	Adjusted to reflect actual tax rates.
17	Net Income	3,670	(1,641)	2,029	
		\$ 9,436	\$ 4,293	\$ 13,730	

[1] From Exhibit 2.5 Pro Forma Income Statement, as filed in original petition no. 99-312 on July 20, 1999.

Millennium Energy, Inc.
Case No. 99-312
88% Operating Ratio Revenue Requirements

Line No.	Description (a)	Exhibit Reference (b)	Amount (c)	Comments (d)
1	Calculation of Projected Income Tax Expense			
2	Adjusted Operating Expenses (less interest)	Exhibit 3 (1of 2)	\$ 63,968	Line 14 less Line 13.
3	Divide by operating ratio		<u>0.88</u>	PSC Guideline
4	Required Operating Revenue Before Interest		\$ 72,691	Line 2/Line 3
5	Plus: Interest	Exhibit 3 (1of 2)	<u>23,811</u>	
6	Required Operating Revenue		\$ 96,502	
7	Less: Adjusted Operating Expenses	Exhibit 3 (1of 2)	<u>63,968</u>	
8	Earnings Before Interest & Taxes		\$ 32,534	
9	Plus: Other Income (Interest)		-	
10	Less: Interest Expense	Exhibit 3 (1of 2)	<u>23,811</u>	
11	Net Income		\$ 8,723	
12	Gross Revenue Conversion Factor	Exhibit 5 (1 of 1)	1.23	
13	Required Net Income Before Taxes		\$ 10,752	Line 11 X Line 12
14	Less: Taxable Income		<u>8,723</u>	
15	Projected Income Tax Expense		2,029	
16	Calculation of Revenue Requirements		Amount	
17	Operating Expenses (less interest)	Exhibit 3 (1of 2)	\$ 63,968	
18	Plus: Net Income		8,723	Line 11
19	Plus: Interest Expense	Exhibit 3 (1of 2)	23,811	
20	Plus: Income Tax Expense		<u>2,029</u>	Line 15
21	Total Revenue Requirement		\$ 98,531	
22	Less: Interest Income		-	
23	Less: Other Operating Income		-	
24	Revenue Required From Rates		\$ 98,531	
25	Total Projected Consumption (Mcf)	Exhibit 1 (2 of 2)	45,556	
26	Purchased Gas Rate (\$/Mcf)	Exhibit 1 (1 of 2)	\$ 2.98	
27	Projected Purchased Gas Cost (\$/Mcf)		\$ 135,757	Line 25 X Line 28
28	Total Revenue Requirements		\$ 234,288	Line 24 Plus Line 29
29	Total Required Rate Revenue per Mcf (Total Avg. Rate)		\$ 2.16	Line 24/Line25



Millennium Energy, Inc.
Case No. 99-312
Tax Rate Computation

Line No.	Description	1999-2000	2000-2001	2001-2002
1	Pre-tax Income	\$ 18,780	\$ 11,730	\$ 8,800
2	Less:Kentucky Income Tax (0- \$25,000 @ 4%)	<u>751</u>	<u>469</u>	<u>352</u>
		\$ 18,029	\$ 11,261	\$ 8,448
5	Less Federal Income Tax	2,704	1,689	1,267
6	(1- \$50,000 @ 15%)			
7	Total Income Tax	<u>3,456</u>	<u>2,158</u>	<u>1,619</u>
8	Net Income	<u>\$ 15,324</u>	<u>\$ 9,572</u>	<u>\$ 7,181</u>
9	Effective Income Tax Rate	<u>18.40%</u>	<u>18.40%</u>	<u>18.40%</u>



Millennium Energy, Inc.
Case No. 99-312
Gross Revenue Conversion Factor

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.
Case No. 99-312

Exhibit 6 - Depreciation Schedule [1]

Line No.	Acct. #	Item Description (b)	Dep. Period	Total Amount (d)	Estimated Installation (e)	Balance 1999 (g)	Balance 2000 (h)	Balance 2001 (i)	Balance 2002 (i)
1	301	Organization	10	\$ 15,000	1999	\$ 15,000	\$ 13,500	\$ 12,000	\$ 10,500
2	375	Structures and Improvements	30	2,500	1999	2,500	2,417	2,333	2,250
3	376	Mains	50	213,803	1999	213,803	209,527	205,251	200,975
4	379	Measuring and Regulating Station Equip.	30	78,000	1999	78,000	75,400	72,800	70,200
5	380	Services	30	13,800	1999	13,800	13,340	12,880	12,420
6	385	Industrial Measuring and Regulating Station Equip.	30	19,600	1999	19,600	18,947	18,293	17,640
7		Total Utility Plant		\$ 342,703		\$ 342,703	\$ 333,130	\$ 323,557	\$ 313,985
8		Depreciation Expense					9,573	9,573	9,573
9		Accumulated Depreciation					9,573	19,145	28,718

[1] Depreciation schedule assumes 30-year useful life with a straightline depreciation method; any salvage value is assumed to be offset by the cost of removal.

Millennium Energy, Inc.
Case No. 99-312

Exhibit 6 - Depreciation Schedule [1]

Line No.	Acct. #	(a)	(b)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)
			Item Description	Balance 2003	Balance 2004	Balance 2005	Balance 2006	Balance 2007	Balance 2008	Balance 2009	Balance 2010
1	301	Organization		\$ 9,000	\$ 7,500	\$ 6,000	\$ 4,500	\$ 3,000	\$ 1,500	\$ -	\$ -
2	375	Structures and Improvements		2,167	2,083	2,000	1,917	1,833	1,750	1,667	1,583
3	376	Mains		196,699	192,423	188,147	183,870	179,594	175,318	171,042	166,766
4	379	Measuring and Regulating Station Equip.		67,600	65,000	62,400	59,800	57,200	54,600	52,000	49,400
5	380	Services		11,960	11,500	11,040	10,580	10,120	9,660	9,200	8,740
6	385	Industrial Measuring and Regulating Station Equip.		16,987	16,333	15,680	15,027	14,373	13,720	13,067	12,413
7		Total Utility Plant		\$ 304,412	\$ 294,839	\$ 285,267	\$ 275,694	\$ 266,121	\$ 256,548	\$ 246,976	\$ 238,903
8		Depreciation Expense		9,573	9,573	9,573	9,573	9,573	9,573	9,573	8,073
9		Accumulated Depreciation		38,291	47,864	57,436	67,009	76,582	86,155	95,727	103,800

[1] Depreciation schedule assumes 30-year useful life with a straightline depreciation method; any salvage value is assumed to be offset by the cost of removal.

Millennium Energy, Inc.
Case No. 99-312

Exhibit 6 - Depreciation Schedule [1]

Line No.	Acct #	Item Description	Balance 2011	Balance 2012	Balance 2013	Balance 2014	Balance 2015	Balance 2016	Balance 2017	Balance 2018
	(a)	(b)	(s)	(t)	(u)	(v)	(w)	(x)	(y)	(z)
1	301	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	375	Structures and Improvements	1,500	1,417	1,333	1,250	1,167	1,083	1,000	917
3	376	Mains	162,490	158,214	153,938	149,662	145,386	141,110	136,834	132,558
4	379	Measuring and Regulating Station Equip.	46,800	44,200	41,600	39,000	36,400	33,800	31,200	28,600
5	380	Services	8,280	7,820	7,360	6,900	6,440	5,980	5,520	5,060
6	385	Industrial Measuring and Regulating Station Equip.	11,760	11,107	10,453	9,800	9,147	8,493	7,840	7,187
7		Total Utility Plant	\$ 230,830	\$ 222,757	\$ 214,685	\$ 206,612	\$ 198,539	\$ 190,467	\$ 182,394	\$ 174,321
8		Depreciation Expense	8,073	8,073	8,073	8,073	8,073	8,073	8,073	8,073
9		Accumulated Depreciation	111,873	119,945	128,018	136,091	144,164	152,236	160,309	168,382

[1] Depreciation schedule assumes 30-year useful life with a straightline depreciation method; any salvage value is assumed to be offset by the cost of removal.

Millennium Energy, Inc.
Case No. 99-312
Exhibit 6 - Depreciation Schedule [1]

Line No.	Acct. #	Item Description	Balance 2019	Balance 2020	Balance 2021	Balance 2022	Balance 2023	Balance 2024	Balance 2025	Balance 2026
	(a)	(b)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)	(ah)
1	301	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	375	Structures and Improvements	833	750	667	583	500	417	333	250
3	376	Mains	128,282	124,006	119,730	115,454	111,177	106,901	102,625	98,349
4	379	Measuring and Regulating Station Equip.	26,000	23,400	20,800	18,200	15,600	13,000	10,400	7,800
5	380	Services	4,600	4,140	3,680	3,220	2,760	2,300	1,840	1,380
6	385	Industrial Measuring and Regulating Station Equip.	6,533	5,880	5,227	4,573	3,920	3,267	2,613	1,960
7		Total Utility Plant	\$ 166,248	\$ 158,176	\$ 150,103	\$ 142,030	\$ 133,957	\$ 125,885	\$ 117,812	\$ 109,739
8		Depreciation Expense	8,073	8,073	8,073	8,073	8,073	8,073	8,073	8,073
9		Accumulated Depreciation	176,454	184,527	192,600	200,673	208,745	216,818	224,891	232,964

[1] Depreciation schedule assumes 30-year useful life with a straightline depreciation method; any salvage value is assumed to be offset by the cost of removal.

Millennium Energy, Inc.
Case No. 99-312
Exhibit 6 - Depreciation Schedule [1]

Line No.	Acct. # (a)	Item Description (b)	Balance		Balance	
			2027 (ai)	2028 (aj)	2027 (ai)	2028 (ak)
1	301	Organization	\$ -	\$ -	\$ -	\$ -
2	375	Structures and Improvements	167	83	-	-
3	376	Mains	94,073	89,797	85,521	85,521
4	379	Measuring and Regulating Station Equip.	5,200	2,600	-	-
5	380	Services	920	460	-	-
6	385	Industrial Measuring and Regulating Station Equip.	1,307	653	-	-
7		Total Utility Plant	\$ 101,667	\$ 93,594	\$ 85,521	\$ 85,521
8		Depreciation Expense	8,073	8,073	8,073	8,073
9		Accumulated Depreciation	241,036	249,109	257,182	257,182

[1] Depreciation schedule assumes 30-year useful life with a straightline depreciation method; any salvage value is assumed to be offset by the cost of removal.

Millennium Energy, Inc.
Case No. 99-312

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 3 (1 of 2)	\$ 23,811	Expenses less interest
3	TIER Requirement	RUS 1710	1.60	
4	Required Total Margin		\$ 14,286	= (Line 3 X Line 2) - Line 2
5	Gross Revenue Conversion Factor	Exhibit 5 (1 of 1)	1.23	
6	Taxable Income		\$ 17,609	= Line 4 X Line 5
7	Less: Net Income		14,286	Line 4
8	Tax Expense		\$ 3,323	
9	Calculation of Revenue Requirements			
10	Operating Expenses (less interest)	Exhibit 3 (1 of 2)	\$ 63,968	Line 14 less Line 13.
11	Margin		14,286	Line 4
12	Interest Expense	Exhibit 3 (1 of 2)	23,811	
13	Income Tax Expense		3,323	Line 8
14	Total Revenue Requirement		\$ 105,389	
15	Less: Interest Income		-	
16	Less: Other Operating Income		-	
17	Revenue Required From Rates		\$ 105,389	
18	Projected Purchased Gas Cost		\$ 135,757	
19	Total Revenue Requirements		\$ 241,145	



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

September 20, 1999

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

Hon. John N. Hughes
124 W. Todd Street
Frankfort, KY. 40601

Hon. Mark R. Hutchinson
SHEFFER HUTCHINSON KINNEY
115 E. Second Street
Owensboro, KY. 42303

RE: Case No. 99-312

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

Sincerely,

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

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A PETITION OF MILLENNIUM ENERGY,)
INC. FOR APPROVAL OF AN INITIAL)
RATE SCHEDULE TO CHARGE)
CUSTOMERS THAT WILL BE SERVED) CASE NO. 99-312
FROM AN EXISTING GAS SUPPLY LINE)
IN SIMPSON COUNTY, KENTUCKY)

O R D E R

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

1. Identify the other fuel sources that are currently in use in the area to be served by Millennium.
2. Provide the number of additional customers Millennium estimates it will add to its system over the next 3 years and provide a thorough explanation of how that estimate was developed.

3. Has Millennium performed a feasibility study or survey to estimate the level of likely conversions to natural gas service in this area?

a. If yes, provide a copy of the study or survey and a summary of the results.

b. If not, explain why Millennium has not undertaken such a study or survey.

4. Provide the basis, or support, for the proposed rates included in Millennium's application.

5. The proposed rates do not include non-recurring charges such as disconnect fees, reconnect fees, bad check fees, and late payment penalties. Has Millennium considered adding these items as part of its tariff?

6. Does Millennium intend to include a Gas Cost Adjustment ("GCA") clause in its tariff to track changes in its gas costs?

7. Provide the "cost study" used for estimating operating and maintenance expenses based on comparable gas utilities referred to in Item 4 of Millennium's response to the Commission's August 20, 1999 Order on filing deficiencies. Include expenses detailed by Uniform System of Accounts ("USoA") account number if available.

8. Refer to "Financial Exhibit 2.5 – Pro Forma Income Statement (Rev. 2)" in Millennium's response to the Commission's August 20, 1999 Order on filing deficiencies.

a. Provide a revenue requirement determination based on the 3-year average of utility operations. Prepare the schedule computing the revenue requirement

per Mcf, net of customer charges, using the gross income conversion factor from "c" below and an operating ratio of 88 percent.

b. Provide a computation of the 28 percent tax rate used in this exhibit. In addition to the federal corporate income tax rate, include the state corporate income tax, net of the federal benefit.

c. Provide a computation of the gross revenue conversion factor for the average period of operations used in the revenue requirement determination.

d. Provide a schedule detailing estimated "operations" expenses by individual USoA account number with a brief explanation of the expected expenses by account, i.e., an average of \$200 per month, totaling \$2,400, for mains and services expense.

e. Provide a schedule detailing estimated "maintenance" expenses by individual USoA account number with a brief explanation of the expected expenses by account, i.e., \$5.00 per hour for labor at an average of 15 hours per week times 52 weeks equals \$3,900 annually, for maintenance supervision and engineering.

f. Provide a schedule detailing estimated "customer account" expenses by individual USoA account number with a brief explanation of the expected expenses by account, i.e., 5 hours monthly at \$10 per hour, totaling \$600 annually for meter reading expenses.

g. Provide a schedule detailing estimated "administrative and general" expenses by individual USoA account number with a brief explanation of the expected expenses by account, i.e., an estimate of \$1,000 annually for accounting services in the

preparation of the annual report and income tax returns, to support outside services employed.

9. Provide itemized depreciation rates for each depreciable category of gas utility plant in Millennium's system.

10. Historically, jurisdictional electric distribution cooperatives have used a Times Interest Earned Ratio ("TIER") for their revenue requirement determination. This is because the cooperatives have a minimal equity investment from membership fees, debt capital (primarily from governmental sources and non-profit entities) and earned reserves ("capital credits"). Since Millennium is capitalized with primarily debt capital and the debt is guaranteed by its parent company, the Commission requests that Millennium provide a revenue requirement calculation based on TIER, debt service coverage or some method other than return on equity. Provide a complete explanation of the method selected and the basis for the required level of return.

IT IS FURTHER ORDERED that the procedural schedule in Appendix A, which is attached hereto and incorporated herein, shall be followed in this case.

Done at Frankfort, Kentucky, this 20th day of September, 1999.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-312 DATED SEPTEMBER 20, 1999

All requests for information to Millennium
shall be filed no later than 9/24/99

Millennium shall file responses to all
requests for information no later than10/7/99

All requests for information to Intervenors
shall be filed no later than 10/15/99

Intervenors shall file responses to requests for
information no later than 10/22/99

A Public Hearing, if necessary, will be scheduled at a later date.



Millennium Energy, Inc.

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

August 31, 1999

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

RECEIVED

SEP 15 1999

PUBLIC SERVICE
COMMISSION

RE: CASE No. 99-312

Dear Ms. Helton:

Upon request from your staff on this date, we are providing a second reply to a filing deficiency in Case # 99-312, Item #7, KAR 5:001, Section 11(1)(b). The reply is on the accompanying page. In addition to the original, ten copies are being provided.

If we can be of any further assistance, please feel free to contact us.

Sincerely,

A handwritten signature in dark ink, appearing to read "Gary K. Dillard", written over a white background.

Gary K. Dillard
Executive Vice President

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

Millennium Energy, Inc.

Case No. 99-312

RECEIVED

SEP 15 1999

PUBLIC SERVICE
COMMISSION

The information below is being provided in response to the Commission Staff request of August 31, 1999 for a further information on item seven. (Re: Case No. 99-312, Filing Deficiencies). Item number seven below corresponds to the deficiencies as listed in the Commission's original letter of August 10, 1999.

Item 7 – Filing deficiencies pursuant to 807 KAR 5:001, Section 11(1)(b):

If bonds or notes or other indebtedness is proposed: a full description of all terms of the indebtedness and whether the debt is to be secured and, if so, a description of how it's secured.

Second Requested Response:

Since this case is being handled as a new case, (Case #99-312) Millennium Energy is requesting additional financing for the amount of \$64,000 under the same terms and conditions that were approved in Case # 99-075.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

September 16, 1999

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

Hon. John N. Hughes
124 W. Todd Street
Frankfort, KY. 40601

Hon. Mark R. Hutchinson
SHEFFER HUTCHINSON KINNEY
115 E. Second Street
Owensboro, KY. 42303

RE: Case No. 99-312
MILLENNIUM ENERGY, INC.

The Commission staff has reviewed your response of September 8, 1999 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 J. Bell
Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure



Millennium Energy, Inc.

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

July 20, 1999

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

FILED

SEP 08 1999

PUBLIC SERVICE
COMMISSION

RECEIVED
PUBLIC SERVICE

JUL 23 1999

RECEIVED

Dear Ms. Helton:

Re: CASE NO. ~~99-075~~ 99-312

As per our conversation with the commission staff, we would like to file a petition to modify the final case number 99-075. We are enclosing an original, a return copy and eleven copies of a petition requesting approval for a rate to serve customers along an existing gas supply line.

This gas supply line was installed for the primary purpose to supply a large industrial customer; Cagle's Keystone Foods and a new super Wal-Mart store under construction at this time.

Information included in the petition responds to your letter dated June 22, 1999 requesting documentation in order to establish service and rates to any customers other than those services under special contracts.

The assistance of you and your Commission Staff in helping us get under way with this new venture of supplying natural gas to industrial users and other customers is greatly appreciated.

Sincerely,

Gary K. Dillard
Executive Vice President

Enclosures



Millennium Energy, Inc.

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

August 31, 1999

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

RECEIVED
SEP 08 1999
PUBLIC SERVICE
COMMISSION

RE: CASE No. 99-312

Dear Ms. Helton:

Upon request from your staff on this date, we are providing a second reply to a filing deficiency in Case # 99-312, Item #7, KAR 5:001, Section 11(1)(b). The reply in on the accompanying page. In addition to the original, ten copies are being provided.

If we can be of any further assistance, please feel free to contact us.

Sincerely,

Gary K. Dillard
Executive Vice President

RE SUBMITTED 9/7/99 GKD

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

Millennium Energy, Inc.

Case No. 99-312

RECEIVED
SEP 08 1999
PUBLIC SERVICE
COMMISSION

The information below is being provided in response to the Commission Staff request of August 31, 1999 for a further information on item seven. (Re: Case No. 99-312, Filing Deficiencies). Item number seven below corresponds to the deficiencies as listed in the Commission's original letter of August 10, 1999.

Item 7 – Filing deficiencies pursuant to 807 KAR 5:001, Section 11(1)(b):

If bonds or notes or other indebtedness is proposed: a full description of all terms of the indebtedness and whether the debt is to be secured and, if so, a description of how it's secured.

Second Requested Response:

Since this case is being handled as a new case, (Case #99-312) Millennium Energy is requesting additional financing for the amount of \$64,000 under the same terms and conditions that were approved in Case # 99-075.



Millennium Energy, Inc.

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

August 25, 1999

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

RECEIVED

AUG 26 1999

PUBLIC SERVICE
COMMISSION

RE: CASE No. 99-312

Dear Ms. Helton:

As stipulated in the commission's letter of August 20, 1999, Millennium Energy, Inc. is responding to Appendix A, which explains the filing deficiencies for Case No. 99-312.

If we can be of any further assistance, please feel free to call.

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

Millennium Energy, Inc.

Case No. 99-312

RECEIVED

AUG 26 1999

PUBLIC SERVICE
COMMISSION

The information below is being provided in response to the Commission's August 10, 1999 letter (Re: Case No. 99-312, Filing Deficiencies). Each item number below corresponds to the deficiencies as listed in the Commission's letter.

Item 1 – Filing deficiencies pursuant to 807 KAR 5.001, Section 9 (2)(c):

A full description of the proposed location, route, or routes of the new construction or extension, including a description of the manner in which same will be constructed, and also the names of all public utilities, corporations, or persons with whom the proposed new construction or extension is likely to complete.

Response:

The primary route will be same as submitted in Case No. 99-075. Three feeder distribution lines will be installed to provide natural gas to residents and businesses along the original route. Feeder #1 (500' of three-inch down to two-inch line) will run from the original four-inch distribution line under U.S. Highway 31W to businesses on the east of 31W and north of Interstate 65. Feeder #2 (500' of two-inch line) will service businesses on the west side of US Highway 31W and north of Interstate 65. Feeder #3 (1700' of three-inch and two inch) will run from the original three-inch distribution line and provide service to the Lake Springs Subdivision and Lake Springs Road. Millennium does not intend to compete with any other public utility or corporation in this specific area.

Item 2 – Filing deficiencies pursuant to 807 KAR 5:001, Section 9 (2) (d):

Three (3) maps to suitable scale (preferably not more than (2) miles per inch) showing the location or route of the proposed new construction or extension, as well as the location to scale of any like facilities owned by others located anywhere within the map area with adequate identification as to the ownership of such other facilities.

Response:

- Exhibit 1.1 Engineering Drawing Phase II Maps, prepared by Caddum, Inc. (Accompanying map documents in a map tub labeled, "Millennium Energy #99-312, Exhibit 1.1 8/26/99)

NOTICE OF LATE EXHIBIT

The certified engineering drawings for Millennium Energy, Inc. Case #99-312, will be sent from Caddum, Inc., an engineering firm in Nashville, Tennessee.

The maps will be mailed on Thursday, August 26, 1999 by overnight mail arriving at the Public Service Commission on Friday, August 27, 1999.

The drawings will be sent to the care of Faud Sharifi.

**The mailing tub will be labeled,
"Millennium Energy, Inc. #99-312, Exhibit
1.1"**

**Thank You,
Gary K. Dillard**

Item 3 – Filing deficiencies pursuant to KRS 322.340:

At least one copy of a preliminary and final engineering report signed, sealed, and dated by a registered professional engineer.

Response:

Exhibits 1.1 Engineering Drawing Phase II Maps - See Item 2, Response

Item 4 – Filing deficiencies pursuant to 807 KAR 5:001, Section 10(6)(a):

A complete description and quantified explanation for proposed adjustments with proper support for changes in price or activity levels, and any other factors which may affecting the adjustment;

Response:

Millennium is requesting an initial rate, therefore no adjustments are being requested. The initial cost estimates are based on expected staffing levels for Millennium and cost comparisons to gas utilities of similar size and customer density. The utilities used in the comparison included Jackson TN Utility District, United Cities Gas (TN only), Clay Gas Utility District in Celina, TN, and Upper Cumberland Gas District in Crossville, TN. The cost study revealed a range of operating and maintenance expenses of between 12% and 20% of total utility plant. The 3-year average operating and maintenance expenses projected for Millennium amount to 15% of total utility plant, which we believe to be a reasonable estimate.

Item 5 – Filing deficiencies pursuant to 807 KAR 5:001, Section 10(6)(g):

Analysis of Customers' bills in such detail that revenues from proposed rates can be readily determined for each customer class.

Response:

Millennium has no customer billing history. The projections of revenue by customer class were calculated based on the rates and consumption estimates listed in Exhibit 2.5(a) – Estimated Customers, Consumption, and Revenue. The estimate of customer number and consumption for all customer classes, not including industrial customers, is based on a survey of potential customers included as Exhibit 2. The consumption estimates and rates for the industrial customer class is as noted in previously approved case number 99-075.

- Exhibit 2.5 (a) - Estimated Customers, Consumption and Revenue
- Exhibit 2.5 (b) - Exhibit 2.5(b) - Natural Gas Survey

Item 6 – Filing deficiencies pursuant to 807 KAR 5:001, Section 10(6)(n):

A summary of the utility's latest depreciation study with schedules by major plant accounts, except that telecommunications utilities that have adopted the commission's average depreciation rates shall provide a schedule that identifies the current and test period depreciation rates used by major plant accounts. If the required information has been filed in another commission case a reference to that case's number and style will be sufficient.

Response:

The depreciation calculation is based on the estimated construction costs of Phase I plus the estimated construction costs of Phase II depreciated over a 30-year depreciation period using the straight line depreciation method. Any salvage value is assumed to be offset by the cost of removal.

- Exhibit 2.8 – Depreciation Schedule.

Item 7 – Filing deficiencies pursuant to 807 KAR 5:071, Section 11(1)(b):

If bonds or notes or other indebtedness is proposed: a full description of all terms of the indebtedness and whether the debt is to be secured and, if so, a description of how it's secured.

Response:

Please refer to Case # 99-075, Exhibit 1, of the original petition dated March 1, 1999.

Item 8 – Filing deficiencies pursuant to 807 KAR 5:001, Section 11 (2)(b):

Copies of trust deeds or mortgages, if any, unless they have already been file with the commission, in which case reference should be made, by style and case number, to the proceeding in which the trust deeds or mortgages have been filed.

Response:

There are no trust deeds or mortgages in this case.

Millennium Energy, Inc.
Case No. 99-312
Financial Exhibit 2.5 – Pro Forma Income Statement (Rev. 2)

Line No.	Account No. / Description	Fiscal Years Ending June 30th			
		2000 (b)	2001 (c)	2002 (d)	3-Year Avg. (e)
1	481 Revenue	\$ 226,648	\$ 226,648	\$ 226,648	\$ 226,648
2	804 Purchased Gas (@2.72 \$/MCF)	123,912	123,912	123,912	123,912
3	Revenue less Purchased Gas	\$ 102,736	\$ 102,736	\$ 102,736	\$ 102,736
4	Operating Expenses				
5	871-881 Operations	5,125	6,650	6,650	6,142
6	885-894 Maintenance	5,125	6,650	6,650	6,142
7	901-905 Customer Accounts	8,000	10,000	12,000	10,000
8	920-931 Administrative and General	28,000	30,000	32,000	30,000
9		\$ 46,250	\$ 53,300	\$ 57,300	\$ 52,283
10	Other Expenses				
11	403 Depreciation	11,423	11,423	11,423	11,423
12	408 Taxes	2,112	2,112	2,112	2,112
13	427 Interest	24,170	24,170	23,093	23,811
		\$ 37,705	\$ 37,705	\$ 36,629	\$ 37,346
14	Total Expenses	\$ 83,955	\$ 91,005	\$ 93,929	\$ 89,630
15	Net Income (before inc. taxes)	\$ 18,781	\$ 11,731	\$ 8,807	\$ 13,106
16	409 Income Taxes (28%)	5,259	3,285	2,466	3,670
17	Net Income	\$ 13,522	\$ 8,446	\$ 6,341	\$ 9,436
18	Operating Ratio	83%	89%	92%	88%

Millennium Energy, Inc.

Case No. 99-312

Exhibit 2.5(a) - Estimated Customers, Consumption and Revenue

Line No.	Customer Class	Distribution Price	Annual Units	Number of Customers	FY 8/1999 thru 7/2000	
					Revenue less Gas Cost	Consumption (MCF)
Residential						
1	Customer Charge (\$/mo)	\$ 6.00	12	16	\$ 1,152	
2	Commodity Charge (\$/mcf)	\$ 4.00	91 [1]	16	\$ 5,824	1,456
3	Total Residential				\$ 6,976	
Small Commercial						
4	Customer Charge (\$/mo)	\$ 20.00	12	4	\$ 960	
5	Commodity Charge (\$/mcf)	\$ 3.00	650 [2]	4	\$ 7,800	2,600
6	Total Small Commercial				\$ 8,760	
LargeCommercial						
7	Customer Charge (\$/mo)	\$ 50.00	12	1	\$ 600	
8	Commodity Charge (\$/mcf)	\$ 2.40	5,500 [2]	1	\$ 13,200	5,500
9	Total Large Commercial				\$ 13,800	
10	Total Industrial				\$ 73,200	36,000
11	Total Revenue From Rates				\$ 102,736	45,556

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

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

[3] Contract rates previously approved in Case No. 99-075

Millennium Energy, Inc.
Case No. 99-312
Exhibit 2.5 (b) Natural Gas Survey/Study
South Simpson County, Kentucky 7/99

Name	Address	Approx. Annual Usage
Robert Stone	1576 Lake Springs Road Franklin, KY 42134	91 MCF
Lake Springs Baptist Church	1429 Lake Springs Road Franklin, KY 42134	200 MCF
John Pitt	1108 Butts Road Franklin, KY 42134	91 MCF
Charles Zeager	340 Butts Road Franklin, KY 42134	91 MCF
McDonalds Restaurant	110 Butts Road Franklin, KY 42134	1000 MCF
Waffle House	3833 Nashville Road Franklin, KY 42134	800 MCF
Holiday Inn Express	3811 Nashville Road Franklin, KY 42134	600 MCF
James E. Fleming, Jr.	2809 Nashville Road Franklin, KY 42134	91 MCF
James E. Fleming, Sr.	2775 Nashville Road Franklin, KY 41234	91 MCF
Barry Hall	3415 Nashville Road Franklin, KY 42134	91 MCF
Granville Hall	3405 Nashville Road Franklin, KY 42134	91 MCF
J.P. Estep	2597 Nashville Road Franklin, KY 42134	91 MCF
William Thurman	366 Lake Springs Road Franklin, KY 42134	91 MCF
David Pedigo	183 Hawthorne Street Franklin, KY 42134	91 MCF
Foy Keith	175 Hawthorne Street Franklin, KY 42134	91 MCF
William Gann	123 Hawthorne Street Franklin, KY 42134	91 MCF
Jacob D. Johnson	177 Lake Springs Road Franklin, KY 42134	91 MCF
J. R. Freeman	176 Hawthorne Street Franklin, KY 42134	91 MCF
Charles White	313 Honeysuckle Street Franklin, KY 42134	91 MCF
Marie Mayes	201 Honeysuckle Road Franklin, KY 42134	91 MCF

Millennium Energy, Inc.
Case No. 99-312
Financial Exhibit 2.6 – Pro Forma Balance Sheet (Rev. 2)

Line No.	Acct. #	Item Description	Phase I Amount	Phase II Amount
	(a)	(b)	(d)	(c)
1	ASSETS			
2	301	Organization	\$ 10,000	\$ 5,000
3	375	Structures and Improvements	2,500	-
4	376	Mains	172,079	41,724
5	379	Measuring and Regulating Station Equip. - City Gate Check Stations	78,000	-
6	380	Services	10,000	3,800
7	385	Industrial Measuring and Regulating Station Equipment	<u>10,000</u>	<u>9,600</u>
8				
9		Total Utility Plant	\$ 282,579	\$ 60,124
10				
11	131	Cash (Working Capital - 45 days)	22,421	3,876
12				
13		TOTAL ASSETS (Individual Phases)	<u>\$ 305,000</u>	<u>\$ 64,000</u>
14		TOTAL ASSETS	369,000	
15				
16	LIABILITIES			
17	224	Long-Term Debt	\$ 369,000	
18				
19		TOTAL LIABILITIES	<u>\$ 369,000</u>	

Millennium Energy, Inc.
Case No. 99-312
Financial Exhibit 2.7 – Cash Flow Summary (Rev. 2)

Line No.	Description (a)	Fiscal Years Ending June 30th			
		1999 (b)	2000 (c)	2001 (d)	2002 (e)
1	Working Capital (BOY)	\$ -	\$ 26,297	\$ 51,242	\$ 71,112
2	Plus: Net Income (after tax)	-	13,522	8,446	6,341
3	Plus: Depreciation	-	11,423	11,423	11,423
4	Less: Principal Payment	-	-	-	30,631
5	Plus: New Borrowing	<u>369,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
6	Funds Available for Capital				
7	Improvements and Additions	369,000	51,242	71,112	58,246
8	Less: Capital Requirements	342,703	-	-	-
9	Working Capital (EOY)	\$ 26,297	\$ 51,242	\$ 71,112	\$ 58,246
10	Change in Working Capital	NA	\$ 24,945	\$ 19,869	\$ (12,866)

Millennium Energy, Inc.
Case No. 99 -312

<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

Millennium Energy, Inc.

Case No. 99-312

Financial Exhibit 2.8 - Depreciation Schedule [1]

Line No.	Acct. # (a)	Item Description (b)	Phase I Amount (d)	Phase II Amount (c)	Total Amount (d)	Estimated Installation (e)	Balance 1999 (e)
1	301	Organization	\$ 10,000	\$ 5,000	\$ 15,000	1999	\$ 15,000
2	375	Structures and Improvements	2,500	-	2,500	1999	2,500
3	376	Mains	172,079	41,724	213,803	1999	213,803
4	379	Measuring and Regulating Station Equip.	78,000	-	78,000	1999	78,000
5	380	Services	10,000	3,800	13,800	1999	13,800
6	385	Industrial Measuring and Regulating Station Equip.	10,000	9,600	19,600	1999	19,600
7		Total Utility Plant	\$ 282,579	\$ 60,124	\$ 342,703		\$ 342,703
8		Depreciation Expense					
9		Accumulated Depreciation					

[1] Depreciation schedule assumes 30-year useful life with a straightline depreciation method; any salvage value is assumed to be offset by the cost of removal.

Millennium Energy, Inc.
Case No. 99-312
Financial Exhibit 2.8 – Depreciation Sched

Line No.	Acct. #	Item Description	Balance 2000	Balance 2001	Balance 2002	Balance 2003	Balance 2004
	(a)	(b)	(h)	(i)	(j)	(k)	(l)
1	301	Organization	\$ 14,500	\$ 14,000	\$ 13,500	\$ 13,000	\$ 12,500
2	375	Structures and Improvements	2,417	2,333	2,250	2,167	2,083
3	376	Mains	206,676	199,549	192,423	185,296	178,169
4	379	Measuring and Regulating Station Equip.	75,400	72,800	70,200	67,600	65,000
5	380	Services	13,340	12,880	12,420	11,960	11,500
6	385	Industrial Measuring and Regulating Station Equip.	18,947	18,293	17,640	16,987	16,333
7		Total Utility Plant	\$ 331,279	\$ 319,856	\$ 308,433	\$ 297,009	\$ 285,586
8		Depreciation Expense	11,423	11,423	11,423	11,423	11,423
9		Accumulated Depreciation	11,423	22,847	34,270	45,694	57,117

[1] Depreciation schedule assumes 30-year useful life with a straightline depreciation method; any salvage value is assumed to be offset by the cost of removal.

Millennium Energy, Inc.
Case No. 99-312
Financial Exhibit 2.8 – Depreciation Sched

Line No.	Acct. #	Item Description (b)	Balance				
			2005 (m)	2006 (n)	2007 (o)	2008 (p)	2009 (q)
1	301	Organization	\$ 12,000	\$ 11,500	\$ 11,000	\$ 10,500	\$ 10,000
2	375	Structures and Improvements	2,000	1,917	1,833	1,750	1,667
3	376	Mains	171,042	163,916	156,789	149,662	142,535
4	379	Measuring and Regulating Station Equip.	62,400	59,800	57,200	54,600	52,000
5	380	Services	11,040	10,580	10,120	9,660	9,200
6	385	Industrial Measuring and Regulating Station Equip.	15,680	15,027	14,373	13,720	13,067
7		Total Utility Plant	\$ 274,162	\$ 262,739	\$ 251,315	\$ 239,892	\$ 228,469
8		Depreciation Expense	11,423	11,423	11,423	11,423	11,423
9		Accumulated Depreciation	68,541	79,964	91,387	102,811	114,234

[1] Depreciation schedule assumes 30-year useful life with a straightline depreciation method; any salvage value is assumed to be offset by the cost of removal.

Millennium Energy, Inc.
Case No. 99-312
Financial Exhibit 2.8 – Depreciation Sched

Line No.	Acct. #	Item Description	Balance				
			2010	2011	2012	2013	2014
	(a)	(b)	(r)	(s)	(t)	(u)	(v)
1	301	Organization	\$ 9,500	\$ 9,000	\$ 8,500	\$ 8,000	\$ 7,500
2	375	Structures and Improvements	1,583	1,500	1,417	1,333	1,250
3	376	Mains	135,408	128,282	121,155	114,028	106,901
4	379	Measuring and Regulating Station Equip.	49,400	46,800	44,200	41,600	39,000
5	380	Services	8,740	8,280	7,820	7,360	6,900
6	385	Industrial Measuring and Regulating Station Equip.	12,413	11,760	11,107	10,453	9,800
7		Total Utility Plant	\$ 217,045	\$ 205,622	\$ 194,198	\$ 182,775	\$ 171,351
8		Depreciation Expense	11,423	11,423	11,423	11,423	11,423
9		Accumulated Depreciation	125,658	137,081	148,505	159,928	171,351

[1] Depreciation schedule assumes 30-year useful life with a straightline depreciation method; any salvage value is assumed to be offset by the cost of removal.

Millennium Energy, Inc.
Case No. 99-312
Financial Exhibit 2.8 – Depreciation Sched

Line No.	Acct. #	Item Description	Balance				
			2015	2016	2017	2018	2019
	(a)	(b)	(w)	(x)	(y)	(z)	(aa)
1	301	Organization	\$ 7,000	\$ 6,500	\$ 6,000	\$ 5,500	\$ 5,000
2	375	Structures and Improvements	1,167	1,083	1,000	917	833
3	376	Mains	99,775	92,648	85,521	78,394	71,268
4	379	Measuring and Regulating Station Equip.	36,400	33,800	31,200	28,600	26,000
5	380	Services	6,440	5,980	5,520	5,060	4,600
6	385	Industrial Measuring and Regulating Station Equip.	9,147	8,493	7,840	7,187	6,533
7		Total Utility Plant	\$ 159,928	\$ 148,505	\$ 137,081	\$ 125,658	\$ 114,234
8		Depreciation Expense	11,423	11,423	11,423	11,423	11,423
9		Accumulated Depreciation	182,775	194,198	205,622	217,045	228,469

[1] Depreciation schedule assumes 30-year useful life with a straightline depreciation method; any salvage value is assumed to be offset by the cost of removal.

Millennium Energy, Inc.
Case No. 99-312
Financial Exhibit 2.8 – Depreciation Sched

Line No.	Acct. #	Item Description	Balance 2020		Balance 2021		Balance 2022		Balance 2023		Balance 2024		Balance 2025	
			(ab)	(ac)	(ad)	(ae)	(af)	(ag)	(ah)	(ai)	(aj)	(ak)		
1	301	Organization	\$ 4,500	\$ 4,000	\$ 3,500	\$ 3,000	\$ 2,500	\$ 2,000	\$ 1,500	\$ 1,000	\$ 500	\$ 500	\$ 500	\$ 500
2	375	Structures and Improvements	750	667	583	500	417	333	250	167	83	0	0	0
3	376	Mains	64,141	57,014	49,887	42,761	35,634	28,507	21,380	14,254	7,127	0	0	0
4	379	Measuring and Regulating Station Equip.	23,400	20,800	18,200	15,600	13,000	10,400	7,800	5,200	2,600	0	0	0
5	380	Services	4,140	3,680	3,220	2,760	2,300	1,840	1,380	820	360	0	0	0
6	385	Industrial Measuring and Regulating Station Equip.	5,880	5,227	4,573	3,920	3,267	2,613	1,960	1,307	654	0	0	0
7		Total Utility Plant	\$ 102,811	\$ 91,387	\$ 79,964	\$ 68,541	\$ 57,117	\$ 45,694	\$ 34,261	\$ 22,811	\$ 11,423	\$ 5,713	\$ 5,713	\$ 5,713
8		Depreciation Expense	11,423	11,423	11,423	11,423	11,423	11,423	11,423	11,423	11,423	11,423	11,423	11,423
9		Accumulated Depreciation	239,892	251,315	262,739	274,162	285,586	297,009	308,432	319,855	331,278	342,701	354,124	365,547

[1] Depreciation schedule assumes 30-year useful life with a straightline depreciation method; any salvage value is assumed to be offset by the cost of removal.

Millennium Energy, Inc.
Case No. 99-312
Financial Exhibit 2.8 – Depreciation Sched

Line No.	Acct. #	Item Description	Balance 2026		Balance 2027		Balance 2028		Balance 2029	
			(ah)	(aj)	(ai)	(aj)	(ak)	(ak)		
1	301	Organization	\$ 1,500	\$ 1,000	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -
2	375	Structures and Improvements	250	167	83	-	-	-	-	-
3	376	Mains	21,380	14,254	7,127	-	-	-	-	-
4	379	Measuring and Regulating Station Equip.	7,800	5,200	2,600	-	-	-	-	-
5	380	Services	1,380	920	460	-	-	-	-	-
6	385	Industrial Measuring and Regulating Station Equip.	1,960	1,307	653	-	-	-	-	-
7		Total Utility Plant	\$ 34,270	\$ 22,847	\$ 11,423	\$ -	\$ -	\$ -	\$ -	\$ -
8		Depreciation Expense	11,423	11,423	11,423	11,423	11,423	11,423	11,423	11,423
9		Accumulated Depreciation	308,433	319,856	331,279	342,703	342,703	342,703	342,703	342,703

[1] Depreciation schedule assumes 30-year useful life with a straightline depreciation method; any salvage value is assumed to be offset by the cost of removal.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A PETITION OF MILLENNIUM ENERGY,)
INC. FOR APPROVAL OF AN INITIAL)
RATE SCHEDULE TO CHARGE)
CUSTOMERS THAT WILL BE SERVED) CASE NO. 99-312
FROM AN EXISTING GAS SUPPLY LINE)
IN SIMPSON COUNTY, KENTUCKY)

O R D E R

On July 23, 1999, Millennium Energy, Inc. ("Millenium") filed a petition with the Commission seeking approval of construction, financing, and initial rates necessary to serve the general public from a gas supply line it is constructing in Simpson County. Construction of the supply line, for the purpose of serving two customers under special contracts, had been approved in Case No. 99-075.¹ Millennium's petition failed to meet certain of the Commission's filing requirements for construction, financing, and rate applications. After thorough review of its administrative regulations governing such applications and Millennium's petition, the Commission finds that certain requirements are not applicable to a filing for initial rates such as Millennium's. The Commission, on its own motion, finds that it should permit Millennium to deviate from some specific filing requirements as a condition of having its petition accepted as filed. However, the Commission will reserve the right to require that the information included in those filing requirements be filed prior to making a final decision on Millennium's application.

¹ Case No. 99-075, Petition of Millennium Energy for a Certificate of Convenience and Necessity to Construct and Operate a Natural Gas Supply Line.

The filing requirements not applicable to Millennium's petition are not identified herein. The filing requirements from which the Commission finds that Millennium should be permitted to deviate are as follows: 807 KAR 5:001, Sections 6(4), 6(5), 6(6), and 6(7); Sections 10(6)(i), 10(6)(j), 10(6)(p), 10(6)(t), and 10(7)(e). The filing requirements for which Millennium's petition is found deficient are listed in the attached Appendix with the regulation cite along with an explanation, where necessary, of the filing requirement. The Commission finds that Millennium's petition should not be accepted as filed until those deficiencies are cured by the information being filed with the Commission.

Nothing in this Order shall be construed to mean that Millennium has met the filing requirements for its application at this time

IT IS THEREFORE ORDERED that:

1. The petition of Millennium shall not be accepted as filed until its filing deficiencies have been cured and all filing requirements cited herein have been met.
2. Millennium shall file 10 copies of the information necessary to meet the minimum filing requirements within 15 days from the date of this Order.

Done at Frankfort, Kentucky, this 20th day of August, 1999.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 99-312 DATED AUGUST 20, 1999

The following explanations of the filing deficiencies that must be cured prior to the petition of Millennium being accepted as filed are intended to facilitate and assist in curing those deficiencies. This appendix is issued solely for that purpose.

Deficiencies, Millennium Energy, Case No. 99-312

1. KAR 5:001, Section 9(2)(c). *A full description of the proposed location, route, or routes of the new construction or extension, including a description of the manner in which same will be constructed, and also the names of all public utilities, corporations, or persons with whom the proposed new construction is likely to compete.*
2. KAR 5:001, Section 9(2)(d). *Three (3) maps to suitable scale (preferably not more than two (2) miles per inch) showing the location or route of the proposed new construction or extension, as well as the location to scale of any like facilities owned by others located anywhere within the map area with adequate identification as to the ownership of such other facilities.*
3. KRS 322.340. *At least one copy of a preliminary and final engineering report signed, sealed, and dated by a registered professional engineer.*
4. KAR 5:001, Section 10(6)(a). *Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment. Millennium included no descriptions or quantified explanations for its initial expected costs and expenses, or any basis for future increases reflected in its 3-year forecast (projection) of revenues and expenses.*

While there is no historical basis for comparison of the forecasted (projected) amounts, the petition must include documentation and explanations justifying those amounts.

5. KAR 5:001, Section 10(6)(g). *Analysis of customers' bills in such detail that revenues from proposed rates can be readily determined for each customer class.* While there are no historical customers' bills for purposes of analysis, the petition must include a schedule, or supporting workpapers, which show the derivation of the projected revenues for each customer class in each year included in Financial Exhibit 2.5. This should be based on the proposed rates, projected customer levels, and projected volumes for gas sales and/or transportation.

6. KAR 5:001, Section 10(6)(n). *Summary of the latest depreciation study.* Since depreciation has been estimated as part of Millennium's pro forma expenses, a schedule with a detailed calculation of depreciation expense by asset, including the associated cost, estimated date placed in service, useful life, salvage value (if any), and the rate of depreciation must be filed to satisfy this requirement.

7. KAR 5:001, Section 11(1)(b). *If bonds or notes or other indebtedness is proposed: a full description of all terms of the indebtedness and whether the debt is to be secured and, if so, a description of how it's secured.*

8. KAR 5:001, Section 11(2)(b). *Copies of all trust deeds or mortgages. If previously filed, state case number.*



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

August 11, 1999

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

Hon. John N. Hughes
124 W. Todd Street
Frankfort, KY. 40601

Hon. Mark R. Hutchinson
SHEFFER HUTCHINSON KINNEY
115 E. Second Street
Owensboro, KY. 42303

RE: Case No. 99-312

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:

PETITION OF MILLENNIUM ENERGY, INC.)	
FOR APPROVAL OF AN INITIAL RATE)	
SCHEDULE FOR CUSTOMERS THAT WILL)	CASE NO.
BE SERVED FROM AN EXISTING GAS)	99-312
SUPPLY LINE IN SIMPSON COUNTY,)	
KENTUCKY)	

O R D E R

This matter arising upon the motion of Western Kentucky Gas Company ("Western"), filed August 4, 1999, for full intervention, and it appearing to the Commission that Western has a special interest which is not otherwise adequately represented, and that such intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings, and this Commission being otherwise sufficiently advised,

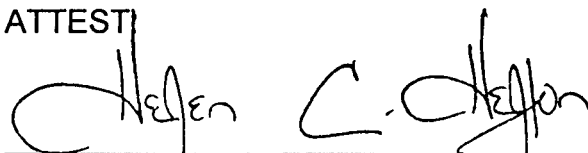
IT IS HEREBY ORDERED that:

1. The motion of Western to intervene is granted.
2. Western shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order.
3. Should Western file documents of any kind with the Commission in the course of these proceedings, it shall also serve a copy of said documents on all other parties of record.

Done at Frankfort, Kentucky, this 11th day of August, 1999.

By the Commission

ATTEST

A handwritten signature in cursive script, appearing to read "Helen C. Coffey". The signature is written over a horizontal line.

Executive Director

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

AUG 04 1999
PUBLIC SERVICE
COMMISSION

In the Matter of:

Petition of Millennium Energy,)
Inc. for Approval of an Initial)
Rate Schedule for Customers that) Case No. 99-312
will be served from an existing)
Gas Supply Line in Simpson County,)
Kentucky)

MOTION TO INTERVENE

Western Kentucky Gas Company, by counsel, moves for full intervention in this matter pursuant to 807 KAR 5:001(8).

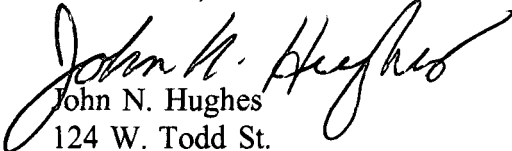
1. Western is a regulated natural gas distribution utility.
2. It operates under Commission approved tariffs providing for service to residential and commercial customers in the general vicinity of the proposed gas system of Millennium Energy, Inc.
3. It has gas distribution facilities in the general area of the proposed construction, which may be affected by the service, installation and expansion of facilities operated by Millennium Energy.
4. Western is also concerned that any new LDC certificated by the Commission operates under the same regulatory, safety, service and ratemaking standards as Western.
5. No other party to this action can represent the interest of Western.
6. Western 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, Western requests that it be granted full intervention in this matter.

Submitted By:

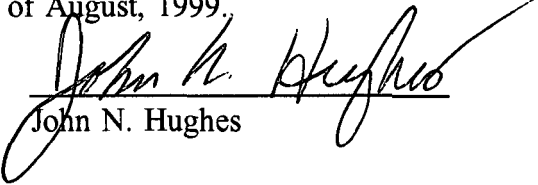
Mark R. Hutchinson
SHEFFER HUTCHINSON KINNEY
115 E. Second St.
Owensboro, KY. 42303

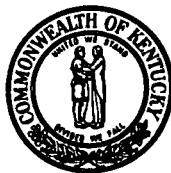

John N. Hughes
124 W. Todd St.
Frankfort, KY 40601
(502) 227-7270

Attorneys for Western
Kentucky Gas Company

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 4th day of August, 1999.


John N. Hughes



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

July 29, 1999

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

RE: Case No. 99-312
MILLENNIUM ENERGY, INC.
(Operate, Rates) (Construct, Financing) PHASE II CONSTRUCTION

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received July 23, 1999 and has been assigned Case No. 99-312. 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



Millennium Energy, Inc.

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

July 20, 1999

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

FILED

SEP 08 1999
PUBLIC SERVICE
COMMISSION

RECEIVED
JUL 23 1999
PUBLIC SERVICE
COMMISSION

Dear Ms. Helton:

Re: CASE NO. ~~99-075~~ 99-312

As per our conversation with the commission staff, we would like to file a petition to modify the final case number 99-075. We are enclosing an original, a return copy and eleven copies of a petition requesting approval for a rate to serve customers along an existing gas supply line.

This gas supply line was installed for the primary purpose to supply a large industrial customer; Cagle's Keystone Foods and a new super Wal-Mart store under construction at this time.

Information included in the petition responds to your letter dated June 22, 1999 requesting documentation in order to establish service and rates to any customers other than those services under special contracts.

The assistance of you and your Commission Staff in helping us get under way with this new venture of supplying natural gas to industrial users and other customers is greatly appreciated.

Sincerely,

Gary K. Dillard
Executive Vice President

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

A PETITION OF MILLENNIUM ENERGY, INCORPORATED)
FOR APPROVAL OF AN INITIAL RATE SCHEDULE FOR) CASE # ~~99-075~~ 99-312
SERVING CUSTOMERS FROM AN EXISTING GAS SUPPLY)
LINE.)

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

This petition is a request for an ORDER granting approval for an initial rate schedule to charge customer that will be served from and existing gas supply line owned by Millennium Energy, Inc. in Simpson 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 (LDM) which is regulated by the Kentucky Public Service Commission.

Information and documentation to support the requested initial rate schedule is enclosed as;

- Exhibit 1 Customer Survey/Study
- Exhibit 2.2a Original Construction Costs - Phase I
- Exhibit 2.2b Construction Costs - Phase II
- Exhibit 2.3 Use of Loan Proceeds
- Exhibit 2.4 Amortization Schedule
- Financial Exhibit 2.5 Pro Forma Income Statement
- Financial Exhibit 2.6 Pro Forma Balance Sheet
- Financial Exhibit 2.7 Cash Flow Summary, Rate
- Rates, Rules, and Administrative Regulations for Furnishing Natural Gas

Additional information will be furnished of and when needed by the commission staff during their review of this petition.

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 27th day of July, 1999.

Nancy J. Huffman
Notary Public
State-at-Large

My commission expires: 11-3-2001

MILLENNIUM ENERGY, INC.

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

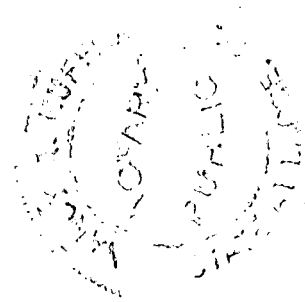


EXHIBIT 1**MILLENNIUM ENERGY, INC.
Natural Gas Survey/Study
South Simpson County, Kentucky**

Name	Address	Annual Usage
Robert Stone	1576 Lake Springs Road Franklin, KY 42134	91 MCF
Lake Springs Baptist Church	1429 Lake Springs Road Franklin, KY 42134	200 MCF
John Pitt	1108 Butts Road Franklin, KY 42134	91 MCF
Charles Zeager	340 Butts Road Franklin, KY 42134	91 MCF
McDonalds Restaurant	110 Butts Road Franklin, KY 42134	1000 MCF
Waffle House	3833 Nashville Road Franklin, KY 42134	800 MCF
Holiday Inn Express	3811 Nashville Road Franklin, KY 42134	600 MCF
James E. Fleming, Jr.	2809 Nashville Road Franklin, KY 42134	91 MCF
James E. Fleming, Sr.	2775 Nashville Road Franklin, KY 41234	91 MCF
Barry Hall	3415 Nashville Road Franklin, KY 42134	91 MCF
Granville Hall	3405 Nashville Road Franklin, KY 42134	91 MCF
J.P. Estep	2597 Nashville Road Franklin, KY 42134	91 MCF
William Thurman	366 Lake Springs Road Franklin, KY 42134	91 MCF
David Pedigo	183 Hawthorne Street Franklin, KY 42134	91 MCF
Foy Keith	175 Hawthorne Street Franklin, KY 42134	91 MCF
William Gann	123 Hawthorne Street Franklin, KY 42134	91 MCF
Jacob D. Johnson	177 Lake Springs Road Franklin, KY 42134	91 MCF
J. R. Freeman	176 Hawthorne Street Franklin, KY 42134	91 MCF
Charles White	313 Honeysuckle Street Franklin, KY 42134	91 MCF
Marie Mayes	201 Honeysuckle Road Franklin, KY 42134	91 MCF

Millennium Energy, Inc.
Case No. 99-075
Financial Exhibit 2.2a – Estimated Construction Costs
Phase I Construction

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			\$ 43,500
3	379 Meter Station, Valves, Odor Unit			34,500
4	375 Chain Link Fence & Site Work			2,500
5	Sub-Total Gas Supply			\$ 80,500
6	Gas Distribution Mains - Materials			
7	376 6" Main Valve	1	1,000	1,000
8	376 4" Main Valves	9	400	3,600
9	376 2" Valve	2	200	400
10	376 6" SDR11 PE Pipe	9,000	3.14	28,260
11	376 4" SDR11 PE Pipe	12,000	1.41	16,920
12	376 Fittings 2", 4", 6"			1,700
13	376 Tracer Wire #14	25,500	0.04	1,020
14	376 Line Markers	26	50	1,300
15	376 Valve Boxes	12	50	600
16	Sub-Total Valves/ Lines			\$ 54,800
17	Customers			
18	385 Riser, Meter and Reg. (2")	5,000	2	10,000
19	380 2" Service Line (B. Stone)	2,500	2	5,000
20	380 Easement Connections	25	200	5,000
21	Sub-Total Customers			\$ 20,000
22	Other Construction Costs			
23	376 Pipe Line Installation (Clearfork Cont.)	20,500	3	61,500
24	(Trenching, Rock Esc., Stream Crossing,			
25	Fusing, Install Valves, Valve Boxes, Tees,			
26	Boring- Butts, Lake Spring, Access Rds.)			
27	376 2- 4" Street Bore- 31W (Utility Services)	200'	35	7,000
28	376 Lease Trencher (Vermeer)	2 Weeks	1,600	3,200
29	376 Lease Rock Saw (Vermeer)	2 Weeks	2,000	4,000
30	376 Rock Saw Teeth (Vermeer)			1,200
31	376 Lease Backhoe (Clearfork Const.)	5 Weeks	400	2,000
32	376 Crushed Stone (tons)	282.5	10	2,825
33	Sub-Total Other Construction Costs			\$ 81,725
34	Total Construction Costs			\$ 237,025
35	Other Project Costs			
36	301 Project Guidance (R W Beck)			5,000
37	301 Legal Counsel			5,000
38	376 Contingency Allowance (15%)			35,554
39	Sub-Total Other Costs			\$ 45,554
40	Total Estimated Costs			\$ 282,579

Millennium Energy, Inc.
Case No. 99-075
Financial Exhibit 2.2b – Estimated Construction Costs
Phase II Construction

Line No.	Acct. No. / Item Description (a)	Feet/Units (b)	Average Unit Cost (c)	Estimated Cost (d)
1	Gas Distribution Mains - Materials			
2	376 4" Main Valve	1	330	330
3	376 3" Main Valves	3	240	720
4	376 2" Valve	3	106	318
5	376 3" SDR11 PE Pipe	1,000	0.90	900
6	376 2" SDR11 PE Pipe	1,800	0.50	900
7	376 Fittings 2", 3"	-	-	1,100
8	376 Tracer Wire #14	3,400	0.04	136
9	376 Line Markers	20	50	1,000
10	376 Valve Boxes	7	50	350
12	Sub-Total Valves/ Lines			\$ 5,754
13				
14	Customers			
15	385 Commercial Riser, Meter, Reg., Stops (1")	4	2,000	8,000
16	385 Residential Risers, Meters, Reg., Stops (3/4")	16	100	1,600
17	380 1" Commercial Service Line	800	1.0	800
18	380 3/4" Residential Service Line	6000	0.5	3,000
19	Sub-Total Customers			\$ 13,400
20				
21	Other Construction Costs			
22	376 Pipe Line Installation (Clearfork Cont.)	10,200	1.90	19,380
23	(Trenching, Rock Esc., Stream Crossing,			
24	Fusing, Install Valves, Valve Boxes, Tees,			
25	Boring- Access Rds.)			
26	376 Lease Trencher (Vermeer) per week	3	1,600	4,800
27	376 Lease Rock Saw (Vermeer) per week	1	2,000	2,000
28	376 Rock Saw Teeth (Vermeer)	-	-	500
29	376 Lease Backhoe (Clearfork Const.) per week	4	400	1,600
30	376 Crushed Stone (tons)	50.0	10	500
31	Sub-Total Other Construction Costs			\$ 28,780
32	Total Construction Costs			\$ 47,934
33	Other Project Costs			
34	301 Administration/Engineering			5,000
32	376 Contingency Allowance (15%)			7,190
33	Sub-Total Other Costs			\$ 12,190
34	Total Estimated Costs			\$ 60,124

Millennium Energy, Inc.
Case No. 99-075
Financial Exhibit 2.3 – Use of Loan Proceeds

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)
1	Initial Loan Amount (CFC)	\$ 369,000
2	Less: Construction Fund - Phase I	282,579
3	Less: Working Capital and Debt Reserve Fund	22,421
5	Less: Construction Fund - Phase II	60,124
6	Less: Working Capital & Debt Reserve Fund- Phase II	<u>3,876</u>
4	Balance	<u>\$ -</u>

Millennium Energy, Inc.
Case No. 99-075
Financial Exhibit 2.4 – Amortization Schedule

Beginning Balance	\$ 369,000
Deferred Principal Payment Period	2 years
Term	10 years
Interest Rate (compounded monthly)	6.55% per year

<u>Line No.</u>	<u>Period</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>	<u>Loan Balance</u>
	(a)	(b)	(c)	(d)	(e)
1	Year 1	\$ -	\$ 24,170	\$ 24,170	\$ 369,000
2	Year 2	-	24,170	24,170	369,000
3	Year 3	36,290	23,093	59,383	332,710
4	Year 4	38,740	20,643	59,383	293,969
5	Year 5	41,355	18,028	59,383	252,614
6	Year 6	44,147	15,237	59,383	208,468
7	Year 7	47,127	12,257	59,383	161,341
8	Year 8	50,308	9,075	59,383	111,033
9	Year 9	53,704	5,679	59,383	57,329
10	Year 10	57,329	2,054	59,383	(0)

Millennium Energy, Inc.
Case No. 99-075
Financial Exhibit 2.5 – Pro Forma Income Statement (Rev. 2)

Line No.	Account No. / Description	Fiscal Years Ending June 30th			
		2000 (b)	2001 (c)	2002 (d)	3-Year Avg.
1	481 Revenue	\$ 226,648	\$ 226,648	\$ 226,648	\$ 226,648
2	804 Purchased Gas (@2.72 \$/MCF)	123,912	123,912	123,912	123,912
3	Revenue less Purchased Gas	\$ 102,736	\$ 102,736	\$ 102,736	\$ 102,736
4	Operating Expenses				
5	871-881 Operations	5,125	6,650	6,650	6,142
6	885-894 Maintenance	5,125	6,650	6,650	6,142
7	901-905 Customer Accounts	8,000	10,000	12,000	10,000
8	920-931 Administrative and General	28,000	30,000	32,000	30,000
9		\$ 46,250	\$ 53,300	\$ 57,300	\$ 52,283
10	Other Expenses				
11	403 Depreciation	11,423	11,423	11,423	11,423
12	408 Taxes	2,112	2,112	2,112	2,112
13	427 Interest	24,170	24,170	23,093	23,811
		\$ 37,705	\$ 37,705	\$ 36,629	\$ 37,346
14	Total Expenses	\$ 83,955	\$ 91,005	\$ 93,929	\$ 89,630
15	Net Income (before inc. taxes)	\$ 18,781	\$ 11,731	\$ 8,807	\$ 13,106
16	409 Income Taxes (28%)	5,259	3,285	2,466	3,670
17	Net Income	\$ 13,522	\$ 8,446	\$ 6,341	\$ 9,436
18	Operating Ratio	83%	89%	92%	88%

Millennium Energy, Inc.
Case No. 99-075
Financial Exhibit 2.6 – Pro Forma Balance Sheet (Rev. 2)

Line No.	Acct. #	Item Description	Phase I Amount	Phase II Amount
	(a)	(b)	(d)	(e)
1	ASSETS			
2	301	Organization	\$ 10,000	\$ 5,000
3	375	Structures and Improvements	2,500	-
4	376	Mains	172,079	41,724
5	379	Measuring and Regulating Station Equip. - City Gate Check Stations	78,000	-
6	380	Services	10,000	3,800
7	385	Industrial Measuring and Regulating Station Equipment	<u>10,000</u>	<u>9,600</u>
8				
9		Total Utility Plant	\$ 282,579	\$ 60,124
10				
11	131	Cash (Working Capital - 45 days)	22,421	3,876
12				
13		TOTAL ASSETS (Individual Phases)	<u>\$ 305,000</u>	<u>\$ 64,000</u>
14				
15		TOTAL ASSETS	369,000	
16	LIABILITIES			
17	224	Long-Term Debt	\$ 369,000	
18				
19		TOTAL LIABILITIES	<u>\$ 369,000</u>	

Millennium Energy, Inc.
Case No. 99-075
Financial Exhibit 2.7 – Cash Flow Summary (Rev. 2)

Line No.	Description	Fiscal Years Ending June 30th		
		1999	2000	2001
	(a)	(b)	(c)	(d)
1	Working Capital (BOY)	\$ -	\$ 26,297	\$ 51,242
2	Plus: Net Income (after tax)	-	13,522	8,446
3	Plus: Depreciation	-	11,423	11,423
4	Less: Principal Payment	-	-	-
5	Plus: New Borrowing	<u>369,000</u>	<u>-</u>	<u>-</u>
6	Funds Available for Capital			
7	Improvements and Additions	369,000	51,242	71,112
8	Less: Capital Requirements	342,703	-	-
9	Working Capital (EOY)	\$ 26,297	\$ 51,242	\$ 71,112
10	Change in Working Capital	NA	\$ 24,945	\$ 19,869

<u>2002</u>	
(e)	
\$	71,112
	6,341
	11,423
	30,631
	<u>-</u>
	58,246
	-
\$	58,246
\$	(12,866)

Millennium Energy, Inc.
Case No. 99 -

<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

Millennium Energy, Inc.

Bowling Green, KY
Rates, Rules, and Administrative Regulations for Furnishing

Natural Gas

for the

Entire Service Area of the Company, which consists of portions of Simpson County in
the State of Kentucky.

FILED WITH PUBLIC SERVICE COMMISSION

OF KENTUCKY

Date of Issue: _____ Effective Date _____

Issued by: Gary K. Dillard, Executive Vice President

Gary K. Dillard

Issued by authority of an order of the Public Service Commission in Case No. _____

Dated _____.

Millennium Energy, Inc.

RULES & ADMINISTRATIVE REGULATIONS

Applying for Service:

Application for service may be made at Millennium Energy offices located at 698 Morgantown Road, Franklin, KY, between the hours of 7:30 and 4:30, Monday through Friday. The applicant's spouse or parent may also apply for service on behalf of the applicant; however, he or she will be considered a co-signer and must also accept responsibility for the bill. Applicants must provide a social security number and the address of the location for which service is desired.

Deposit:

New customers will be required to pay a deposit of 2/12th of an estimated annual usage prior to the connection of service. Interest will be accrued at 6% and credited to the account annually. New customers who provide a favorable credit report, from another utility, or provide a letter of credit, or a non-cash surety will not be required to submit a cash deposit. The deposit will be applied to the final bill. If there is a credit, it will be refunded. If there is a balance due, it will be billed. A portion of the deposit is subject to refund after one year of good payment history and will be refunded, regardless of payment history, after two years.

Returned Check Charge:

A service charge of \$10.00 will be imposed on any customer whose check is returned due to insufficient funds. A \$25.00 fee will be charged for a returned check on a closed account.

Connection Charge:

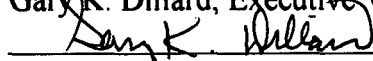
A \$25.00 connection charge will be assessed to all customers prior to commencement of service. Customers who contribute to the aid-in-construction costs for new construction are exempt from this charge.

Reconnection Charge:

There will be a \$15.00 charge for reconnection service, during working hours (7:30-4:30, Monday-Friday). A \$55.00 fee will be charged for reconnection after hours. The company may refuse to connect or may discontinue service for non-payment of bills, non-compliance with the application for service or contract, or evidence of meter tampering. Discontinuance of service does not release a customer from any prior obligations to Millennium Energy.

Date of Issue: _____ Effective Date _____

Issued by: Gary K. Dillard, Executive Vice President



Issued by authority of an order of the Public Service Commission in Case No. _____

Dated _____.

Millennium Energy, Inc.

RULES & ADMINISTRATIVE REGULATIONS

Customers Responsibility for Millennium Energy Property

All meters, services connections and other equipment furnished by Millennium Energy, are the property of the company. Customers provide a space and protection for the property. In the event of loss or damage due to neglect, the costs to repair the equipment will be paid by the customer.

Right of Access to the Customer's Property

The company's employees or agent need access to the customer's premises at all times for the purpose of reading the meter, inspecting, repairing, removing, or exchanging the equipment belong to the company. This includes safe, clear access to the gas meter and other Millennium Energy equipment.

Billing:

Customer bills become due within 15 days of issuance and become delinquent if not paid by the due date on the bill. A late fee of 5% of the current month's gas charge or 5% of the unpaid balance, whichever is less, will be added to an unpaid bill one day after the due date. The service may be discontinued if not paid 30 days from the date of issuance.

Meter Reading and Billing:

Meters will be read monthly with a bill for the gas consumed during the billing period mailed to the customer the following working day after the reading. The bill rendered will be based on the applicable rate schedule or existing contracts between the customer and the Company.

Paying Your Bill:

You may pay in person at the Millennium Energy office at 698 Morgantown Road, Franklin, at 951 Fairview Avenue, Bowling Green, Kentucky between 7:30 and 4:30, Monday through Friday.

Payment may also be made by mailing the bill to, Millennium Energy, Inc. P.O. Box 1118, Bowling Green, Kentucky 42102 or to P.O. Box 526, Franklin, Kentucky 42135.

Date of Issue: _____ **Effective Date** _____

Issued by: Gary K. Dillard, Executive Vice President

Gary K. Dillard

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Dated _____.

Levelized Billing:

This is a convenient, budget-wise way to pay your gas bill. You receive an "averaged" bill each month, thus avoiding the budget strain of paying larger bills that occur during the winter (heating) season. To participate in Levelized Billing, you must have lived in the same location for 12 months and have a zero balance on your bill. The levelized bill will be calculated as follows:

Bill = The total 12 months' previous bills ÷ 12 +/- 1/12th of the account balance

Auto-Pay

Auto-Pay is a plan that allows the customer to authorize his/her bank to pay the gas bill automatically from their checking account each month. The statement is sent to the customer on the regular billing schedule. The net amount due is deducted from the bank account on the date due.

Line Extension Policy:

A normal service line extension will be installed free of charge up to 100 feet from an existing gas main to a permanent dwelling. The Company will determine the service line riser location. Service lines of more than 100 feet may entail an extra charge for labor and material.

Denial of Service:

Millennium Energy, Inc. reserves the right to deny service to any customer in the event that there is reasonable doubt as to the safety of the customers' gas lines or appliances until such time that sufficient repairs are made and the appliance/line is returned to a safe operating condition.

Excess Flow Valve Waiver

The gas customer has the right under Department of Transportation "DOT" 49 CFR Part 192 to request the installation of an Excess Flow Valve "EFV". This is done at the customer's expense and is completed when the gas service is installed or the service line is repaired, moved or replaced. If emergency repair is necessary, notification does not have to be made, but will be attempted. The price of the EFV device is \$100.

The customer has the right to waive the installation of the EFV and must do so before the line installation is made. If the customer does not waive the installation of the EFV device, the device will be installed at the price previously noted.

Date of Issue: _____ **Effective Date** _____

Issued by: Gary K. Dillard, Executive Vice President

Gary K. Dillard

Issued by authority of an order of the Public Service Commission in Case No. _____

Dated _____.

Millennium Energy, Inc.

CLASSIFICATION OF SERVICE

APPLICABILITY: General Residential Service (GSR)

AVAILABILITY OF SERVICE: Available to all residential customers located within the service area of Millennium Energy, Inc.

RATES:

Customer Charge:	\$ 6.00/month
Local Distribution Charge:	\$ 4.00/Mcf
Purchased Gas:	Subject to the Purchased Gas Adjustment

MINIMUM CHARGE: The minimum monthly charge shall consist of the monthly customer charge.

Date of Issue: _____ **Effective Date** _____

Issued by: Gary K. Dillard, Executive Vice-President

Gary K. Dillard

Issued by authority of an order of the Public Service Commission in Case No. _____

Dated _____

Millennium Energy, Inc.

CLASSIFICATION OF SERVICE

APPLICABILITY: General Commercial Service (GSC)

AVAILABILITY OF SERVICE: Available to all Commercial customers located within the service area of the company.

RATES:

Customer Charge:	\$ 20.00/month
Local Distribution Charge:	\$ 3.00/Mcf
Purchased Gas:	Subject to the Purchased Gas Adjustment

MINIMUM CHARGE: The minimum monthly charge shall consist of the monthly customer charge.

Date of Issue: _____ **Effective Date** _____

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Gary K. Dillard

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Dated _____.

Millennium Energy, Inc.

Purchased Gas Adjustment:

Millennium Energy will charge its customers a direct pass-through of its costs to purchase Natural Gas from its gas supplier. The price will be based on actual gas costs, adjusted for heat rate and local distribution losses of up to 5%.

Millennium Energy, Inc. will file a Quarterly Report of Gas Cost Recovery Rate Calculation as required by the Kentucky Public Service Commission.

Date of Issue: _____ **Effective Date** _____

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Dated _____.