

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BITUMINOUS )  
ENERGY CORPORATION FOR A ) CASE NO. 9055  
CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY )

O R D E R

On May 7, 1984, the Bituminous Energy Corporation ("Bituminous") filed an application for a Certificate of Convenience and Necessity to construct and operate a natural gas utility in Knox County, Kentucky. In order for the Commission to determine if a certificate should be issued to Bituminous, additional information is required.

IT IS THEREFORE ORDERED that Bituminous provide the following information on or before July 13, 1984.

1. Specify the individual(s) who will actually operate the proposed natural gas system. The individual(s) specified should include the manager of the utility and all field/maintenance personnel presently identified, and all office personnel anticipated. If positions are not presently filled, identify the positions which will be on the payroll of the proposed utility.
2. Specify the qualifications of the individuals mentioned above. Specification should include

previous natural gas operations experience, familiarity with and knowledge of applicable federal and state regulations, and any other pertinent information regarding education and experience.

3. Provide surveys or other applicable studies indicating a desire and commitment on the part of potential customers for natural gas service.
4. Indicate estimated numbers of customers expected to be connected to natural gas service during construction of the utility and reasons for the expected growth in Knox County.
5. Specify the expected natural gas demand by month for the first year after completion of construction.
6. Detail the estimated natural gas demand during the first 5 years of operation (by year) and the estimated peak daily demand for each year.
7. Provide all available geological studies which detail the reserves available to and production capability of ARGO Energy Company. Include production estimates for 5 years, peak demand capability, and all records to substantiate the data. Also include general field data and future production expansion data.

8. Detail the ownership of ARGO Energy Company and provide any preliminary agreements or contracts for the purchase of natural gas.
9. Detail any agreements or negotiations made regarding natural gas supply from alternate source(s) should ARGO be unable to meet the demand of Bituminous' customers.
10. Specify the rates to be charged by ARGO (both wellhead and production related costs separately) and the justification for paying that rate. Reference any Natural Gas Policy Act well determinations granted.
11. Specify any arrangements made and monies allocated for the acquisition of private rights-of-way prior to construction.
12. Specify who has/will design the proposed natural gas transmission/distribution system including the designer's qualifications and experience in natural gas system design.
13. Specify in the Rules and Regulations (Item 13) the pressure at which natural gas will be delivered.
14. On page 1 of Exhibit 5 gross revenue was projected to be \$551,100. Provide an explanation of how the annual 167 mcf usage was determined. Also explain how the \$5.50 amount was determined and how this amount will be spread between the customer charge and the energy charge.

15. Provide supporting workpapers and a detailed explanation for each assumption made in determining the dollar amount for each item listed in Exhibit No. 7.
16. Please complete Exhibit No. 8, Schedule of Rates, Charges, Rules and Regulations, by including the proposed rates and proposed effective date of these tariffs.
17. Provide a detailed explanation as to how an 18.1% return on equity was determined and why is a fair and reasonable rate of return.
18. Provide a more detailed pro forma balance sheet of the best estimate of actual first year operations. This balance sheet should include additional information such as accumulated depreciation, all prepaids, all construction work in process, all customer advances, all tax credits, all accounts payable, all accounts receivable, retained earnings, etc. The balance sheet should be classified according to the uniform chart of accounts for Class C natural gas companies and should include the assumptions, market studies, projections, calculations (appropriately indexed) relied upon to arrive at these figures.
19. Provide monthly income statements reflecting the best estimates of the first year of operation. These monthly income statements should conform to

the uniform chart of accounts for Class C natural gas companies and should include the assumptions, market studies, projections, calculations, (appropriately indexed) relied upon to determine these figures.

20. Provide a monthly cash flow analysis reflecting the best estimate of the first year of actual operations. This analysis should begin with net income from operations; add back expenses not requiring the outlay of cash (depreciation, amortization, accrued expenses, the portion of expenses associated with an increase in payables, etc.); less unrecovered revenues (increase in receivables); less cash outlays not expensed (principal debt payments, increase in prepaids, etc.); plus other sources of cash (loan money, customer advances, etc.).
21. Provide a pro forma balance sheet as described in item 19 for each of the second, third, fourth, and fifth years of operation. Include the assumptions, market studies, projections, (appropriately indexed) relied upon to arrive at these figures.
22. Provide a pro forma income statement reflecting the best estimate of actual results of first year operations. This statement should use the uniform chart of accounts for Class C gas companies and

include all assumptions, market studies, projections, calculations, apportionments (appropriately indexed) relied upon to arrive at these figures.

23. Provide a pro forma income statement as described in item 21 for each of the second, third, fourth, fifth years of operations.
24. Provide in detail a thorough explanation of all debt financing available for the consideration of or the operation of the utility. This explanation should provide all facts necessary for a complete understanding of the debt not limited to, but including the following:
  - a. The dollar amount of each proposed indebtedness whether rates, bonds, convertible bonds, mortgages, or deeds of trust.
  - b. The nature and extent of all claims against assets or revenues.
  - c. The name and address of the holder.
  - d. An amortization schedule showing interest payments, principal payments, principal balance for the life of the indebtedness.
  - e. The interest rate and how the interest rate is determined.
  - f. All special requirements such as sinking funds, minimum working capital balance, minimum fixed charge ratio, minimum cash balance, etc.
  - g. All conversion features and forms of conversion.

- h. All provisions, including penalties, for early retirement.
  - i. All issue costs or in lieu of the above, provide copies of all debt instruments which include all pertinent items enumerated above.
25. Provide in detail a thorough explanation of all equity financing available for the construction of or operation of the utility. This explanation should include all facts necessary for a complete understanding of the equity financing and not limited to, but including the following:
- a. The number of shares authorized.
  - b. The par or stated value.
  - c. The dollar amount authorized.
  - d. The dollar amount of the proposed issue.
  - e. The issue cost.
  - f. The names and addresses of each stockholder if the issue is other than a general market issue.
  - g. The dollar amount and number of shares each stockholder in the above holds.
  - h. The amount and terms of all subscribed stock.
  - i. All terms exceptional to participating common stock.
- Or, in lieu of the above, provide documentation which includes all pertinent items enumerated above.

26. Provide a detailed explanation of all efforts to obtain debt financing at more favorable rates and terms. For each attempt, this explanation should include at a minimum the items enumerated in question 25.
27. Provide the forms of all agreements with supplies in regards to trade payables or trade prepaids.
28. Provide a complete listing of all assets (other than cash) exchanged for stock or indebtedness of the utility. This listing should include the individual's name exchanging the asset, the original invoices or approval documents supporting the cost of the asset first devoted to utility use, the date the asset was purchased, the assets useful life, and the exchange value.
29. Provide a depreciation schedule for the best estimate of actual operations for the first year. Included should be the approximate date of acquisition (or construction), the date when the asset will be placed in use, the approximate cost of the asset, the useful life, the depreciation method, the first year's depreciation.



Done at Frankfort, Kentucky, this 19th day of June, 1984.

PUBLIC SERVICE COMMISSION

  
For the Commission

**ATTEST:**

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Secretary