

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KEN-GAS OF KENTUCKY,)
INC., FOR A CERTIFICATE OF PUBLIC) CASE NO. 9586
CONVENIENCE AND NECESSITY)

O R D E R

On May 19, 1986, Ken-Gas of Kentucky, Inc., ("Ken-Gas") filed an application requesting that the Commission grant Ken-Gas:

1. A Certificate of Public Convenience and Necessity to construct a natural gas pipeline to the City of Burkesville, Kentucky.
2. Approval of the requested rate for gas to be sold.
3. An emergency start up permit to begin construction in order not to delay the utilization of the proposed supply system.

In order for the Commission to adequately perform its duties pursuant to KRS 278.020 the Commission finds that additional information is necessary. Accordingly, Ken-Gas shall provide the following information no later than August 22, 1986.

1. With reference to Exhibit "L" of the application provide the following information:
 - (a) State which of the projected operating statements Ken-Gas proposes for use in determining its revenue requirement.
 - (b) Provide a breakdown of the \$20,000 in organization costs.

(c) State the basis and all assumptions, and provide the calculations and workpapers which explain how the following projected expenses were derived:

- (1) insurance
- (2) equipment rental
- (3) utilities
- (4) telephone
- (5) advertising
- (6) professional services
- (7) office expenses

(d) Provide copies of the financing agreements from all lending sources associated with this project.

(e) Explain the basis for projecting 2 percent and 3 percent of the total sales as repairs expense.

2. With reference to the July 9, 1986, information, explain the factors which resulted in the necessity of revising Exhibit "L" of the application.

3. Explain and provide a calculation of Ken-Gas' proposed methodology for determining its revenue requirements.

4. What are the proposed rates and provide back-up information as to how the rates are determined.

5. Are there any special charges such as a connection fee, returned check charge, meter reading and testing, etc? If so, provide the amount of charge and detailed calculations as to how the amount was determined.

6. Provide the proposed rules and regulations under which the company will operate.

7. Provide the estimated revenue based on the proposed rates for the first year of operation.

8. Does Ken-Gas intend to make a PGA filing? If so, when?

9. From whom does Ken-Gas intend to purchase its gas? What will be the cost of gas from each supplier? Provide copies of all signed contracts related to the purchase of gas.

10. If local production will supply a part of Ken-Gas' needs, provide a list of the wells and the owners of each. Also provide an estimate of each well's daily production (Mcf/day) and the basis for this estimate. Have contracts been signed with any of these owners?

11. According to information in the application, part of Ken-Gas' supply of gas will originate out-of-state, necessitating construction of approximately 60 miles of pipeline from Tennessee to Burkesville. Who will own and operate this line? Since this line will travel through two states, has a certificate to construct and operate been received from the Federal Energy Regulatory Commission?

12. Who will be the contractor for the construction of the Burkesville Gas system? Provide the contractor's qualifications and related experience.

13. In information filed July 9, 1986, Ken-Gas estimates the cost for "transmission system" at \$325,000. How many miles of pipeline does this include? Is construction of service lines included in this estimate? Does the estimate include labor costs? Will Ken-Gas install the service lines?

14. What was the basis for estimating the pipeline's life at 35 years?

15. In the July 9, 1986, information Ken-Gas estimates the cost for "meters and other" at \$34,800. What portion of this cost represents "meters?" How many meters will be purchased with this amount? What is "other?"

16. Provide the basis for using 5 years as the life for meters.

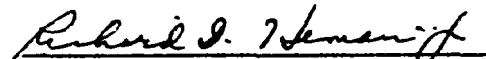
17. Who will be operations manager for Ken-Gas? Service representative? Provide the qualifications and related experience for each that demonstrates Ken-Gas is ready, willing and able to operate a gas distribution system and provide adequate service to Burkesville.

18. According to the July 9, 1986, information Gas Management Associates prepared the monthly gas usage figures, and Ken-Gas increased the residential projection by 10 percent. Provide the basis for the 10 percent increase.

19. Has Ken-Gas begun construction?

Done at Frankfort, Kentucky, this 31st day of July, 1986.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director