

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF COLUMBIA GAS OF)
KENTUCKY, INC. FOR A CERTIFICATE OF)
CONVENIENCE AND NECESSITY TO CONSTRUCT) CASE NO. 93-456
THE LEXINGTON DISTRICT OFFICE BUILDING ON)
7.84 ACRES IN THE WESTHAMPTON BUSINESS)
PARK IN LEXINGTON, KENTUCKY)

O R D E R

On January 4, 1994, Columbia Gas of Kentucky, Inc. ("Columbia") filed its application requesting a Certificate of Public Convenience and Necessity for authority to construct a new headquarters building and customer service facility on 7.84 acres in Westhampton Corners Business Park in Lexington, Kentucky. The proposed facilities will include approximately 53,000 square feet of office space, 12,000 square feet of warehouse space, a natural gas vehicle refueling center and vehicle washing equipment.

The proposed facilities will enable Columbia to consolidate its existing Lexington District office operations, service centers, warehouse, and materials and supplies storage which currently occupy six separate locations. The new customer service center will serve customers in Lexington, Versailles, Midway and Georgetown, Kentucky, and will eliminate the need for two existing satellite service centers.

The existing six locations scheduled for elimination have limited internal space, outside storage and vehicle parking. Columbia's analysis showed that it was not economically feasible to

repair or expand these existing facilities. Due to minimal leasing options, the decision was made to construct new facilities.

Columbia solicited construction bids from seven general contractors in June 1993 and C. E. Pennington Company was selected as the successful bidder. Construction began on August 2, 1993 and is scheduled to be completed by October 1994.¹ The estimated total cost of the facilities is \$7,582,013 and the estimated annual operating cost is \$262,100. The cost of construction has been financed to date through short-term debt and Columbia has sought approval for additional long-term debt financing in Case No. 94-221.²

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

1. Columbia's existing office, service, and warehouse facilities are no longer adequate to provide adequate, efficient, and reasonable service to customers in the Lexington, Kentucky area.

2. The proposed construction of a new office building and service center is reasonable and necessary to provide and maintain high quality gas service.

¹ Columbia's commencement of construction prior to the issuance of a Certificate of Public Convenience and Necessity is under investigation in Case No. 94-182, Columbia Gas of Kentucky, Inc., Alleged Failure to Comply with Kentucky Revised Statutes Chapter 278.

² Case No. 94-221, The Application of Columbia Gas of Kentucky, Inc. for Authority For the Issuance and Sale of Promissory Notes, filed June 2, 1994.

3. The proposed construction will not result in an excessive investment in facilities, an unnecessary multiplicity of physical properties or an excess of capacity over need.

4. Columbia should be granted a Certificate of Public Convenience and Necessity to construct the headquarters building and other facilities described in its application.

5. No change should be made in the design or scope of the proposed facilities except upon prior Commission approval. Any filing for approval of such a change should be supported by all necessary documentation.

6. Within 60 days of completion of construction, Columbia should file documentation of the final cost of the facilities.

IT IS THEREFORE ORDERED that:

1. Columbia be and it is hereby granted a Certificate of Public Convenience and Necessity to construct the Lexington, Kentucky headquarters building and other facilities described in its application.

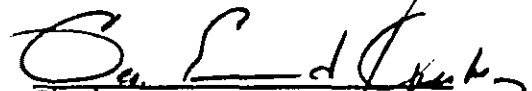
2. Columbia shall comply with the requirements set forth in Finding Nos. 5 and 6 as if they were individually so ordered.

Done at Frankfort, Kentucky, this 23rd day of June, 1994.

ATTEST:


Executive Director

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner