

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BURKESVILLE GAS COMPANY, INC. AND)
CONSOLIDATED FINANCIAL RESOURCES, INC.)

) CASE NO. 94-238
)

AN INVESTIGATION INTO THE ADEQUACY AND)
RELIABILITY OF GAS SUPPLY AND ALLEGED)
TO COMPLY WITH AN ORDER OF THE PUBLIC)
SERVICE COMMISSION)

ORDER TO SHOW CAUSE

Burkesville Gas Company, Inc. ("Burkesville Gas"), a Kentucky corporation engaged in the distribution, sale, and furnishing of natural gas to or for the public, for compensation, for light, heat, power or other uses, is a utility subject to Commission jurisdiction. KRS 278.010(3)(b); KRS 278.040.

Consolidated Financial Resources, Inc. ("Consolidated"), a Texas corporation, is the majority shareholder of Burkesville Gas and is "involved in the marketing, financial development and resource acquisition, management assistance and the arrangement of long term instruments of indebtedness" for Burkesville Gas.¹

KRS 278.030(2) requires each utility to furnish adequate, efficient, and reasonable service. A natural gas utility cannot provide such service unless it has an adequate and reliable source of supply.

¹ Agreement between Ken-Gas of Kentucky, Inc. and Burkesville Gas Co., Inc., dated Feb. 7, 1991, at 2.

On October 28, 1992, the Commission ordered Burkesville Gas to establish an escrow account and deposit monthly into this account \$0.05 for each Mcf of gas delivered to its system through a certain five-mile section of pipeline until a court of competent jurisdiction determined the ownership of that section.² The Commission further ordered Burkesville Gas to file, beginning November 27, 1992, monthly reports with the Commission which show the monthly amount deposited in the escrow account and the volume of Mcfs of gas transported monthly over the disputed section.

As of this date, Burkesville Gas has submitted only four reports on the escrow account. The most recent of these reports was received on February 10, 1994. These reports indicate that Burkesville is not making monthly deposits to the escrow account.

In a separate proceeding,³ Burkesville Gas advised the Commission that it purchased 65 percent of its gas supply from Pittman Creek/RCA ("Pittman Creek") and 35 percent from CMS Marketing ("CMS") for the 12-month period ending January 31, 1994. It received its gas supplies through Kentucky Energy Transmission ("K.E.T."), an intrastate gas transmission pipeline.

The Commission has been advised by Burkesville Gas that Pittman Creek and CMS no longer supply gas to it. Moreover, both suppliers have brought legal actions against Burkesville Gas for

² Case No. 90-290, Investigation to Determine Whether an Adequate Means for Delivery of Gas is Available to Burkesville Gas Company, Inc. (Oct. 28, 1992).

³ Case No. 90-290-C, The Notice of Gas Cost Adjustment Filing of Burkesville Gas Company, Inc., Application at 3.

nonpayment. To replace these two suppliers, Burkesville Gas entered into a gas supply contract with Consolidated Fuel Corporation ("Consolidated Fuel") on March 1, 1994. The natural gas which Consolidated Fuel purchases pursuant to this contract is transported by Texas Eastern Pipeline Company on an interruptible basis through a Texas Eastern interstate pipeline and delivered to the K.E.T. tap in Metcalfe County, Kentucky.

Based on its review of the above and being otherwise sufficiently advised, the Commission finds that prima facie evidence exists that Burkesville Gas has failed to comply with the Commission's Order of October 28, 1992. The Commission further finds that prima facie evidence exists that, given the present nature and source of its gas supply, Burkesville Gas cannot provide adequate and reasonable service to its customers.

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

1. Burkesville Gas shall appear before the Commission on July 20, 1994 at 10:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of presenting evidence concerning the alleged failure to comply with the Commission's Order of October 28, 1992, and of showing cause why it should not be subject to the penalties prescribed in KRS 278.990(1) for this alleged failure.

2. Burkesville Gas and Consolidated shall also appear before the Commission at the time and place previously stated for the purpose of presenting evidence concerning the adequacy and

reliability of its natural gas supply for the 1994-95 heating season.

3. Burkesville Gas and Consolidated shall submit to the Commission, within 14 days from the date of this Order, a written response to the allegations contained herein.

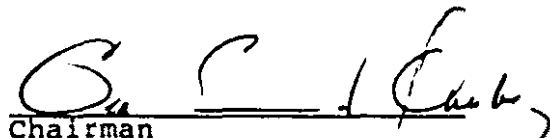
4. The record of Case No. 90-290 is incorporated by reference into the record of this proceeding.

5. Any motion requesting any informal conference with Commission Staff to consider any matter which would aid in the handling or disposition of this proceeding shall be filed with the Commission no later than 14 days from the date of this Order.

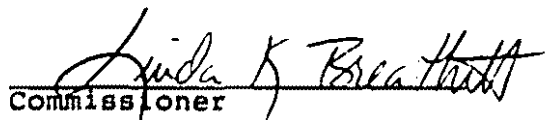
6. Within 14 days from the date of this Order, Burkesville Gas shall provide the information requested in the Appendix to this Order.

Done at Frankfort, Kentucky, this 24th day of June, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 94-238 DATED JUNE 24, 1994

Burkesville Gas shall file the original and 10 copies of the following information with the Commission. The information requested shall be placed in a bound volume with each item tabbed. The information requested herein is due no later than 20 days from the date of this Order. Burkesville Gas shall furnish with each response the name of the witness who will be available at the public hearing to respond to questions concerning each item of information requested.

1. For each month during the period September 1, 1993 through April 30, 1994,

- a. state the total amount (Mcf) of gas purchased.
- b. list each seller from whom gas was purchased, purchase price, the volume of purchase.
- c. state total sales (Mcf).
- d. state the total number of customers.
- e. identify each industrial customer and state its volume of purchases from Burkesville Gas.
- f. state the total volume of gas delivered to the K.E.T. tap in Metcalfe County, Kentucky.

2. Provide invoices for all gas purchases between September 1, 1993 and April 30, 1994. Indicate which invoices, if any, that remain unpaid as of the date of this Order.

3. a. List all legal actions which have been brought against Burkesville Gas by CMS or Pittman Creek.

b. For each action listed above,
(1) state its case style.
(2) state its action number.
(3) identify the court in which it was brought.
(4) state its current status.
(5) provide all pleadings and papers which have been filed in that action.

4. a. List each transaction which has occurred since January 1, 1994 in the escrow account which the Commission ordered established in Case No. 90-290.

b. Provide an account statement or summary for the escrow account which lists all account activity for 1994.

5. Why did Burkesville Gas terminate its gas supply contract with Pittman Creek?

6. Provide all correspondence between Burkesville Gas and Pittman Creek relating to gas supply and Pittman Creek's ability to meet the terms of its contract with Burkesville Gas.

7. Where is Burkesville Gas's city gate (i.e., the point where the gas supply enters the distribution system) located?

8. For each month during the period from September 1, 1993 through April 30, 1994:

a. Identify peak day of gas delivery and the volume of gas delivered that day.

b. During the 24-hour period of each peak day, how long (hours) was the peak delivery maintained?

c. During the period of time in which the peak delivery was maintained

(1) What was the distribution system's pressure as indicated on the pressure chart at the company's office?

(2) What was the pressure at Burkesville Gas's city gate?

(3) What was the pressure at the K.E.T. tap in Metcalfe County?

9. a. For each month during the period September 1, 1993 through April 30, 1994, how many disruptions of gas supply to Burkesville Gas occurred?

b. For each disruption, state its length, the number of customers who lost service each time, and the reason for its occurrence.

10. a. Identify any problems or "bottlenecks" which may exist in the delivery of gas to Burkesville Gas's distribution system.

b. Provide all studies and analyses performed or prepared which discuss or identifies such problems.

c. For each problem listed above, state whether it will restrict Burkesville Gas's ability to add customers.

d. Do any of these problems affect Burkesville Gas's ability to meet its gas delivery requirements on September 1, 1994? Explain.

e. Do any of these problems affect Burkesville Gas's ability to meet its gas delivery requirements on the peak days of the 1994-1995 heating season? Explain.

11. a. How many customers does Burkesville Gas expect to serve as of September 1, 1994?

b. State the expected number of customers by customer class (e.g., residential, commercial, industrial).

c. What is the expected daily demand (Mcf/day) for these customers?

12. How much gas (Mcf/day) is needed to meet Burkesville Gas's peak day delivery requirements for the 1994-1995 heating season?

13. a. Who operates and maintains the K.E.T. pipeline?

b. Who monitors the delivery of gas at the K.E.T. tap in Metcalfe County?