

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PETITION OF SIGMA GAS CORPORATION)	
FOR APPROVAL OF A CERTIFICATE OF)	CASE NO.
CONVENIENCE AND NECESSITY TO CONSTRUCT)	94-435
FACILITIES AND APPROVAL OF FINANCING)	

O R D E R

IT IS ORDERED that Sigma Gas Corporation ("Sigma") shall file the original and 10 copies of the following information with the Commission, with a copy to all parties of record within 15 days from the date of this Order. Sigma shall furnish with each response the name of the witness who will be available to respond to questions concerning each item of information requested should a public hearing be scheduled.

1. Refer to Item 1 of Sigma's response to the Commission's December 21, 1994 Order.

a. Provide a copy of the customer survey questionnaire referred to in Item 1(a). If different questionnaires were used for the newspaper and mail, provide a copy of each.

b. Explain the basis for Sigma's assumption that all 200 customers will use natural gas for space heating.

c. In its response to Item 1(f), Sigma estimates the costs to convert from electric, wood or coal to natural gas to be \$500-3,000. Provide a breakdown of the costs to convert to natural gas from each of these sources.

d. Differentiate between the projected 200 new residential customers referred to in Item 1 and the 118 positive responses referred to in Item 1(a).

e. Of the 118 positive survey responses, how many customers currently heat with each of the following:

1. propane?
2. electricity?
3. wood?
4. coal?

2. Refer to Item 3 of Sigma's response to the Commission's December 21, 1994 Order. According to representatives in the Transportation Cabinet, Frankfort, Kentucky, and the Department of Highways, District Office No. 10 in Jackson, Kentucky, obtaining approval to use a state highway right-of-way is a two-step process, which involves each of their offices.

a. Provide the names of the individuals with whom Sigma has discussed state highway rights-of-way in these offices.

b. Has formal application for approval been made? If so, provide copies of all relevant correspondence.

c. If not, what is the status of the negotiations?

3. Refer to Item 4 of Sigma's response to the Commission's December 21, 1994 Order. In its breakdown of the \$187.50 per customer cost, Sigma states that \$80.00 is for the service line. Is this "service line" the line referred to in 807 KAR 5:022, Section 9(17)(a)2, which the customer is responsible for installing?

4. Refer to Item 5 of Sigma's response to the Commission's December 21, 1994 Order. In reviewing copies of the pressure charts submitted by Sigma to explain when and why disruptions of service occurred, it appears that in virtually every instance, the wells or pipelines which required repairs are not owned by Sigma.

a. Why was Sigma the party responsible for repairs and not the owner?

b. For each month during the period (January through December 1994), list the total expenses incurred by Sigma to make these repairs.

c. Have other parties been billed for these expenses or are their costs being borne by Sigma's ratepayers? Provide copies of any invoices Sigma has submitted to other parties regarding these repairs.

d. Explain how "Lines No. 40 & 41 and 50 & 51" contributed to the disruptions which occurred. Identify by lease name which local wells depend upon these lines to have gas delivered to Sigma.

5. Refer to Item 10 of Sigma's response to the Commission's December 21, 1994 Order. Provide the following:

a. The number of farm tap customers Sigma is proposing to "return . . . to GEI, Inc. or BTU Pipeline, Inc."

b. An analysis of the impact of the loss of these customers on the projected financial statements of Sigma.

6. Refer to Item 11 of Sigma's response to the Commission's December 21, 1994 Order.

a. How was the estimated \$3.33 per Mcf gas cost determined?

b. Is it based on the current Equitable Resources Energy Company cost of \$3.15 per Dth mentioned in response to Item 2(a)? If so, what is the assumed BTU conversion factor?

c. Provide the calculation for the assumed revenue figure of \$6.44 per Mcf.

7. Provide a billing analysis showing revenues at current rates, assuming 45,000 Mcf in sales and using Sigma's historical experience with customers paying the minimum bill for zero usage.

8. Refer to Item 13 of Sigma's response to the Commission's December 21, 1994 Order.

a. What is a "windshield survey" and how was it conducted?

b. Provide the rationale for estimating that 30 percent of the dwellings counted will become customers.

c. On what basis are they assumed to be space heating customers?

9. Refer to Item 15 of Sigma's response to the Commission's December 21, 1994 Order.

a. Adding the depreciation expense of \$27,909 to the \$247,000 in operating expenses in Exhibit 4 of the application yields total operating expenses of \$274,909. However, Sigma reported \$275,909 in total operating expenses for Item 15. Explain the \$1,000 difference.

b. With reference to the operating statement, provide supporting documentation and describe all assumptions used in developing each expense account balance.

c. Is the amortization of organizational costs reflected in the statement? If so, where?

d. Is the management contract fee between Estill Branham and Sigma reflected in the projected expenses? If so, where?

e. Provide a reconciliation of the \$27,506 interest expense reflected in response to Item 15 with the \$25,887.92 interest expense reflected on the amortization schedule provided in response to Item 16.

f. Sigma indicates it will experience a net loss of \$6,715. What does Sigma project earnings to be for each of the next 5 years? Include with this response the basis for the projections.

10. Provide a copy of Sigma's financial statements for the year ended December 31, 1994.

11. Refer to Item 20 of Sigma's response to the Commission's December 21, 1994 Order. Reconcile these costs with Sigma's response to Item 4(c).

Done at Frankfort, Kentucky, this 10th day of February, 1995.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:



Executive Director