COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLAZER ENERGY CORP., INC., A WHOLLY OWNED SUBSIDIARY OF EASTERN STATES OIL & GAS, INC., TO ADJUST RATES	)))	CASE NO. 98-489

ORDER

IT IS ORDERED that Blazer Energy Corp., Inc. ("Blazer") shall file the original and 10 copies of the following information with the Commission. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a response requires multiple pages, each page should be indexed appropriately, for example, Item 1(a), page 2 of 4. With each response, include the name of the witness who will be responsible for responding to questions related thereto. Careful attention should be given to copied material to ensure that it is legible. The response to this request is due November 20, 1998.

1. Is Blazer a corporation authorized to do business in Kentucky? If so, file a copy of its certificate or articles of incorporation.

2. In the Commission's Order in Case No. 91-396 Blazer's predecessor, Ashland Exploration, Inc., maintained that the 370 right-of-way or lease customers were not jurisdictional to the Commission and that service to them was contractual and not statutory. In that case, by Order dated July 13, 1993, the Commission deferred any decision on this matter until the conclusion of the federal litigation then pending. Blazer

has filed as Attachment D to its application a copy of an order and a judgment of the United States District Court in Civil Action No. 92-255 which appears to grant summary judgment for the Defendant Blazer. It also stated that the judgment is pending appeal to the United States Court of Appeals. In light of these developments, does Blazer maintain that the Commission does or does not have jurisdiction over these 370 customers? In Blazer's opinion, is the service to these customers contractual or statutory?

3. Do the calculations of cost by Blazer include these 370 contract or right-of-way customers?

4. 807 KAR 5:026, Section 9(1), states that a gas company may request an adjustment in its rates "to reflect changes in its costs to provide service pursuant to KRS 278.485." 807 KAR 5:026, Section 1(5), defines gathering line as pipe that carries uncompressed gas. Why does Blazer include compression charges in its costs?

5. Provide a comparative balance sheet and income statement for the test year and the previous year.

6. Provide a copy of Blazer's most recent financial audit report.

7. Identify in the application any proposed operating expenses which relate to gathering pipelines, compression, wholesale sales activities, and any other expense not specifically related to the provision of KRS 278.485 service.

8. Provide cost support for any proposed cost allocations, along with an explanation of why these costs are not already recovered in the wholesale cost of gas.

9. Refer to Attachment A, Schedule 1 of Blazer's application. Explain the label "Estimated Volumes." Are these actual volumes for some 12 month period that are adjusted by some factor? If so, provide the derivation of 208,644 Mcf.

10. Identify the Mcf volumes associated with the 35 cent contract customers.

11. Refer to Attachment A, Schedule 2 of Blazer's application. Has Blazer's average historic gas cost been equivalent to NYMEX prices with the adjustments shown on this page?

12. Do NYMEX prices reflect the price of processed and transportable gas or locally produced gas?

13. Refer to Attachment B, Conditions for Service, Item 2.a. Confirm that Blazer complies with KRS 278.485(6) for termination of service to its customers.

14. Refer to Attachment B, the Required List of New Materials for Installation of Domestic Gas Service. Are new customers charged for the costs of listed materials, or are materials provided by Blazer? Explain.

15. Is the cost of gas usage for the compressors accounted for separately or added to line loss? Explain how Blazer calculates line loss for its system.

16. Provide a copy of the wholesale contract between Blazer and its wholesale customers.

17. Provide a list of the depreciated equipment that is used for the benefit of domestic customers, and the details of the $32,588 depreciation costs in Attachment A, Schedule 3, the Non Gas Cost Calculation.

18. Provide a schedule showing the capital used for the Return on Capital calculation in the Non Gas Cost Calculation. Include an explanation of how Blazer arrived at the rate of return used in this calculation.

Done at Frankfort, Kentucky, this 5th day of November, 1998.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Executive Director