

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On April 27, 1999, Blazer Energy Corp., Inc. (Blazer) filed for rehearing of the Commission's April 8, 1999 rate Order in this proceeding. Blazer requested rehearing of the Commission's findings that compression, gathering, and line loss were included in Blazer's cost of gas, and that the cost of certain salaries and benefits for the regional offices are not recoverable expenses.

KRS 278.400 provides that [u]pon rehearing any party may offer additional evidence that could not with reasonable diligence have been offered on the former hearing. The statute is intended to provide closure to Commission proceedings by limiting rehearing to new evidence not readily discoverable at the time of the original hearings. It requires parties to Commission proceedings to use reasonable diligence in the preparation and presentation of their case and serves to prevent piecemeal litigation of issues.

With regard to the first issue, that of the treatment of compression, gathering and line loss as being part of Blazer's gas cost, the Commission finds that Blazer offered no additional evidence which supports its contention that compression, gathering, and line

loss are not included in its gas cost. The Commission remains convinced that Blazer's gas cost as represented by the Appalachian Basin Index already reflects these costs. Its request for rehearing of this issue should be denied.

With regard to the issue of the regional office expenses, the Commission finds that Blazer offered no additional evidence that could not with reasonable diligence have been offered on the former hearing. In the April 8, 1999 Order in this proceeding, the Commission did not provide for the recovery of these expenses because they were not adequately justified as being reasonable for the provision of farm tap service, and that is still the case. Blazer did not, in its evidence, attempt to explain the need for these expenses nor the purposes of the expenses. Blazer's request for rehearing of this issue should likewise be denied.

IT IS THEREFORE ORDERED that Blazer's petition for rehearing is denied.

Done at Frankfort, Kentucky, this 17th day of May, 1999.

By the Commission

ATTEST:

Executive Director