

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF ALLEN COUNTY GAS)	
TRANSPORTATION, INC. FOR)	
APPROVAL OF A CERTIFICATE OF)	
CONVENIENCE AND NECESSITY TO)	CASE NO. 99-260
CONSTRUCT AND OPERATE A)	
NATURAL GAS DISTRIBUTION SYSTEM)	

O R D E R

On June 16, 1999, Allen County Gas Transportation, Inc. ("Allen County") filed a petition with the Commission seeking a Certificate of Convenience and Necessity to construct and operate a natural gas distribution system. In a July 15, 1999 letter the Commission notified Allen County that its petition was rejected because of numerous instances in which the petition was deficient, or failed to meet, the filing requirements included in the Commission's administrative regulations. By Order dated July 15, 1999, the Commission denied Allen County's request to deviate from the filing requirements contained in 807 KAR 5:001, Sections 11(1)(b), 11(2)(b), and 11(2)(c); 807 KAR 5:001, Sections 6(2), and 6(4) through 6(9); and 807 KAR 5:071, Section 3(3)(a).

On July 30, 1999, Allen County filed a response that cured its deficiencies with the exception of the following items under 807 KAR 5:001, Section 10: (6)(a), 6(b) and (c), (6)(g), (6)(h), (6)(i), (6)(j), (6)(n), and (7)(a). The response also failed to address one item that the Commission had denied Allen County permission to deviate from, specifically, 807 KAR 5:001, Section 11(1)(b).

The Commission, on its own motion, finds that some of the items for which Allen County was found deficient are not applicable to this filing. Therefore, the Commission will allow Allen County a deviation from the filing requirements under 807 KAR 5:001, Sections 6(b) and 6(c). For the remainder of the filing requirements for which Allen County was found to be deficient, or for which its request to deviate was denied, the Commission finds that the petition should not be accepted as filed until the remaining deficiencies are cured or the items are filed. These items are listed in the attached Appendix with the regulation cite along with an explanation of the filing requirement.

The Commission finds that an informal conference between Allen County and the Commission Staff should be scheduled to facilitate the curing of the remaining deficiencies. Therefore, upon its motion, the Commission will schedule an informal conference between Allen County and Commission Staff for the purpose of discussing the filing requirements and deficiencies of this application.

Nothing in this Order shall be construed to mean that Allen County has met the filing requirements for its application at this time.

IT IS THEREFORE ORDERED that:

1. The petition of Allen County shall not be accepted as filed until the outstanding deficiencies have been cured and all applicable filing requirements cited herein have been met.
2. Allen County shall be granted a deviation from the filing requirements included in 807 KAR 5:001, Sections 6(b) and 6(c).
3. An informal conference between Allen County and Commission Staff shall be held on August 30, 1999, at 10:00 a.m., Eastern Daylight Time in Hearing Room 2 of

the Commission's offices at 677 Comanche Trail, Frankfort, Kentucky, for the purposes stated in this Order.

4. Allen County shall file 10 copies of the information identified in this Order as necessary to meet the Commission's minimum filing requirements within 15 days from the date of the informal conference.

Done at Frankfort, Kentucky, this 23rd day of August, 1999.

By the Commission

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 99-260 DATED AUGUST 23, 1999

The following explanations of the remaining filing deficiencies that must be cured prior to the petition of Allen County being accepted as filed are intended to facilitate and assist in curing those deficiencies. This appendix is issued solely for that purpose.

Deficiency Explanations, Allen County Gas, Case No. 99-260

1. KAR 5:001, Section 10(6)(a). *Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment.* Allen County offered no descriptions or quantified explanations for its initial expected costs and expenses, or any basis for future increases reflected in its 5-year forecast (projection) of revenues and expenses. While there is no historical basis for comparison of the forecasted (projected) amounts, the petition must include documentation and explanations justifying those amounts.

2. KAR 5:001, Section 10(6)(g). *Analysis of customers bills in such detail that revenues from proposed rates can be readily determined for each customer class.* While there are no historical customers bills for purposes of analysis, the petition must include a schedule, or supporting workpapers, which show the derivation of the projected revenues for each customer class in each year included in Attachment III, the financial exhibit. This should be based on the proposed rates, projected customer levels, and projected volumes for both gas sales and transportation.

3. KAR 5:001, Section 10(6)(h). *Summary of determination of revenue requirements based on return on net investment, rate base, return on capitalization,*

interest coverage, debt service coverage, or operating ratio, with supporting schedules. Attachment III, the financial exhibit, includes pro forma revenues and expenses, and customer and usage projections; however, it does not include a determination of revenue requirements using any of the above-referenced methods. Such a determination must be included as part of the petition.

4. KAR 5:001, Section 10(6)(i). *Reconciliation of rate base and capital used to determine revenue requirements.* Attachment III, the financial exhibit, does not include a reconciliation of rate base and capital used to determine revenue requirements. If a return on rate base or capitalization was used to determine revenue requirements, such a reconciliation must be included as part of the petition.

5. KAR 5:001, Section 10(6)(j). *Current chart of accounts if more detailed than the Uniform System of Accounts.* The referenced Attachment IV does not meet the requirements for a chart of accounts, but if Allen County's chart of accounts is not going to be more detailed than the Uniform System of Accounts, a statement to that effect will be sufficient.

6. KAR 5:001, Section 10(6)(n). *Summary of the latest depreciation study.* Since depreciation has been estimated as part of Allen County's pro forma expenses, a schedule with a detailed calculation of depreciation expense by asset, including the associated cost, estimated date placed in service, useful life, salvage value (if any), and the rate of depreciation must be filed to satisfy this requirement.

7. KAR 5:001, Section 10(7)(a). *Detailed income statement and balance sheet reflecting the impact of all proposed adjustments.* Although an income statement is included in the financial exhibit, nothing has been submitted in the form of a balance

sheet. The petition must include a balance sheet reflecting the proposed utility plant and capital structure of Allen County.

8. KAR 5:001, Section 11(1)(c). *The use to be made of the issue of such securities, notes and bonds.* This should be a separate schedule, but should reference estimated construction costs, including financing, legal and administrative costs.

9. 807 KAR 5:001, Section 11(1)(b): *The amount of notes, bonds, or other evidences of indebtedness, if any, which the utility desires to issue, with terms, rate of interest and whether and how to be secured.* No estimate of the anticipated interest rate on the proposed bond issuance was included although interest expense was estimated for pro forma revenue and expense purposes. An estimate of the anticipated interest rate must be included before the petition can be accepted as filed.