

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

HOLLY CREEK PRODUCTION CORP.)	
)	
COMPLAINANT)	
)	
V.)	CASE NO. 2003-00012
)	
JEFFERSON GAS TRANSMISSION CO., INC.)	
)	
DEFENDANT)	

O R D E R

Holly Creek Production Corp. (Holly Creek) has filed a complaint against Jefferson Gas Transmission Co., Inc. (Jefferson Gas), alleging that Jefferson Gas is refusing to transport its natural gas as required by KRS 278.507. Jefferson Gas filed a response in which it raised as an issue the Commission's jurisdiction to decide this matter under KRS 278.504 - 278.507. Commission Staff issued a data request and scheduled an informal conference on March 11, 2003 for both parties. The parties agreed that, within 30 days from the date of that conference, both parties would file analyses of natural gas taken from their respective line or lines.

The Commission has considered the record herein and concludes that this matter is not purely a complaint case pursuant to KRS 278.260. The provisions of KRS 278.504, *et seq.*, govern the jurisdiction of the Commission in this case. KRS 278.507 sets policy for the Commission to facilitate greater utilization of natural gas produced within the state by requiring the transportation of natural gas in

intrastate commerce for persons who own gas. KRS 278.505(1) states that the PSC may, by rule or order, authorize and require transportation of natural gas by intrastate pipelines. KRS 278.504(1) defines intrastate pipeline, but provides that it shall not include any part of any pipeline dedicated to storage or gathering or low pressure distribution of natural gas.

In its response, Jefferson Gas raises the issue that the pipeline is a gathering line and therefore is excluded from consideration by the terms of KRS 278.504(1). This pipeline is identified on the maps filed by Jefferson Gas in its response to Commission Staff's data request as the red line on United States Geological Survey topographical maps quadrangles Landsaw, KY and Lee City, KY.

The Commission finds that since KRS 278.504(1) specifically excludes a gathering line from the Commission's power to mandate transportation, the question of the status of the red line must be resolved before any other issues may be addressed.

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

1. A formal hearing shall be held on May 15, 2003, at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 at the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, and shall continue until completed. The scope of the scheduled hearing shall be limited to those issues relating to the status of the pipeline identified as the red line on the maps filed by Jefferson Gas in its response of March 3, 2003.

2. On or before April 14, 2003, each party shall file with the Commission the original and 4 copies of the information requested specifically from that party in Appendix A or B, respectively. Each party shall include with each response the name of the witness who will be responsible for responding to questions relating to the

information provided. Careful attention shall be given to copied material to ensure its legibility.

3. Each party may, on or before March 31, 2003, serve upon any other party a request for production of documents and written interrogatories to be answered by the party served no later than April 14, 2003. Care should be taken to preclude duplication of the questions contained in Appendix A & B.

4. Each party shall, no later than April 25, 2003, serve upon all other parties a list of the witnesses that it expects to call and a brief summary of each witness's expected testimony.

5. An informal conference is scheduled between Commission Staff and the parties for May 6, 2003, at 10:00 a.m., Eastern Daylight Time, in the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, to discuss any preliminary matters and the necessity of a hearing.

6. All interrogatories and requests for production of documents shall be appropriately indexed. All responses shall include the name of the witness who will be responsible for responding to the questions related to the information provided, with copies to all parties of record and 4 copies to the Commission.

7. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

8. All documents required by this Order to be filed with the Commission shall be served upon all other parties.

9. Service of any document or pleading shall be made in accordance with 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

10. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

Done at Frankfort, Kentucky, this 24th day of March, 2003.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas H. [unclear]", written over a horizontal line.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00012 DATED March 24, 2003

INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO HOLLY CREEK

Holly Creek shall file the original and 4 copies of the following information with the Commission as ordered, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information should be provided for total company operations and jurisdictional operations, separately.

1. Explain in detail why Holly Creek considers the suction line (the red line on the map) of Jefferson Gas's pipelines an intrastate pipeline.
2. What is the minimum pressure of natural gas downstream of the Holly Creek meter at the injection point into Jefferson Gas's pipeline?
3. Is Holly Creek planning to drill or now drilling more gas wells?
4. Are there any potential end-users interested in hooking up to Holly Creek's gathering systems?
5. Does Holly Creek anticipate an increase or reduction in its natural gas production in the near future? Explain.

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00012 DATED March 24, 2003

INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO JEFFERSON GAS

Jefferson Gas shall file the original and 4 copies of the following information with the Commission as ordered, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information should be provided for total company operations and jurisdictional operations, separately.

1. Jefferson Gas states that the pipeline coded in red on the map it provided is a gathering line. Explain in detail why Jefferson Gas regards this red line as a gathering line.

2. Provide the operating conditions of the pipeline coded in red, including normal pressure, maximum operating pressure, and capacity.

3. Taking into consideration the designations (B1-B4) made by Mr. Baker on the Jefferson Gas maps at the informal conference on March 11, 2003, how many total

injection points are there on the red line pipeline? Provide the normal and maximum injection flow rate and pressure at each injection point.

4. Provide the type and capacity of the dehydration unit.
5. Provide the type and capacity of the gas compressor.
6. Provide a gas analysis of the natural gas Jefferson Gas injects into the

TCO pipeline.

7. Are there any customers, farm tap or otherwise, on the red line ? If yes, how many?

8. Has the gas quality for injectment requirement of TCO changed since July 2002? Explain.

9. What changes in gas quality and conditions, if any, are required by Holly Creek that would be acceptable for Jefferson Gas to transport its gas to KZ line through Jefferson Gas pipelines?

10. In the Jefferson Gas letter of December 19, 2002 addressed to Holly Creek, Jefferson Gas states that the costs to bring Holly Creek s gas into compliance will be in excess of \$1.00/dth. Will Jefferson Gas be willing to transport Holly Creek s gas to TCO at the proposed rate? Explain.

11. Will Jefferson Gas have to make any changes or improvements to the red line if it were to transport gas for Holly Creek?