

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DLR ENTERPRISES, INC.)
AND COW CREEK GAS, INC. FOR APPROVAL)
OF THE TRANSFER OF CERTAIN ASSETS)
FORMERLY OWNED AND CONTROLLED BY)
SIGMA GAS CORPORATION)

CASE NO. 2007-00419

SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF
TO DLR ENTERPRISES, INC. AND COW CREEK GAS, INC.

DLR Enterprises, Inc. ("DLR") and Cow Creek Gas, Inc. ("Cow Creek") (collectively "Applicants"), pursuant to 807 KAR 5:001, are to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before October 31, 2007. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, shall be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Applicants shall make timely amendment to any prior responses if they obtain information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Applicants fail or refuse to furnish all or part of the requested information, Applicants shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. 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 shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Item 2(a) of the response to the Commission Staff's ("Staff") initial data request in this matter ("initial request").

a. Provide the names of the individuals with the city of Salyersville ("Salyersville") who have been contacted by Applicants regarding the assets that are no longer in place.

b. Explain whether Salyersville's representatives have been made aware of the importance of Applicants being able to adequately respond to Staff's data requests with regard to Applicants' request for approval to acquire Sigma Gas Corporation's ("Sigma") assets.

2. The response to Item 3(a) of the Staff's initial request indicates that the number of customers on the Sigma system has declined from approximately 750 in 2004 to 558 at present. Identify and describe the factors, either based on Applicants'

understanding or Salyersville's first-hand knowledge, that have caused the number of customers to decline by roughly 25 percent in a period of 3 years.

3. The response to Item 4(c) of the Staff's initial request indicates that Applicants' ability to prepare a Gas Cost Adjustment ("GCA") filing within 30 days of closing on the proposed acquisition depends on whether the relevant information will be available from Salyersville.

a. Explain whether Applicants have made any inquiry to Salyersville concerning the availability of such information.

b. Karen Howard is the individual with whom Staff has dealt regarding GCA filings made by Salyersville on behalf of Sigma. Have Applicants communicated with Ms. Howard regarding the information related to the more recent Sigma GCA filings?

4. Refer to the responses to Item 5 of the Staff's initial request.

a. The response to Item 5(a) indicates that Applicants do not have access to information regarding wells, other than those of Interstate Natural Gas Company ("Interstate"), which are connected to the Sigma system. Explain whether Applicants intend to consummate the proposed acquisition without having specific knowledge concerning all the wells Applicants believe are connected to the system.

b. The response to Item 5(b) indicates that Applicants intend to secure Sigma's future gas supplies primarily through Interstate. Since the response reads "primarily" rather than "entirely," describe how, other than through Interstate, Applicants intend to meet the gas supply needs of the customers on the Sigma system.

5. The Applicants state at page 7 of the Application that the transactions between DLR and Cow Creek will be on terms consistent with the affiliate transaction requirements of KRS 278.2201, *et seq.* Explain whether the transactions between Interstate and the Applicants will also be conducted on terms consistent with the affiliate transaction requirements.

6. Refer to the responses to Item 7 of the Staff's initial request.

a. The response to Item 7(a) indicates that the loans to DLR and Cow Creek will have a 1-year term. What are Applicants' plans regarding long-term financing?

b. The response also indicates that the loans from the Applicants will be at an interest rate of 9 percent. Explain how it was determined that 9 percent was the appropriate interest rate.

c. The last sentence in the response to Item 7(c) cites to Salyersville's agreement to the terms included in the order of the Bankruptcy Court in Docket No. 230. In the event Salyersville has received a bill from Jefferson Gas Transmission Company ("Jefferson Gas") that is unpaid at the time of closing because there is a lag in the collection of revenues from Sigma's customers, explain how Jefferson Gas will be paid and which parties will be responsible for making the payment.

7. Refer to the responses to Items 8(a) and 8(b) of the Staff's initial request. With the clarification that the plans for a rate application for the merged Cow Creek system reflect the operational merger of the City Business with Cow Creek's existing gas system, provide a more detailed description of the expected timetables for both the operational merger and the filing of the planned rate application.

8. Refer to the response to Item 12(a) of the Staff's initial request.
 - a. Provide evidence that DLR has designated Cow Creek to purchase the City Business pursuant to the terms of the Asset Purchase Agreement.
 - b. If no evidence exists, explain how the Commission may approve the proposed transfer to Cow Creek.



Beth O'Donnell
Executive Director
Public Service Commission
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DATED: October 24, 2007

cc: Parties of Record