

July 24, 2017

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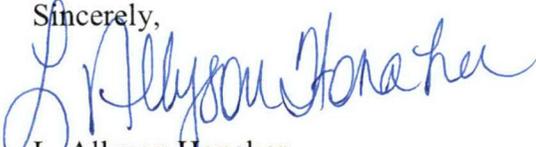
Mr. John S. Lyons
Acting Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: In the Matter of: The Application of Apache Gas Transmission Company, Inc., for a Certificate of Public Convenience and Necessity Authorizing the Implementation of a Pipeline Replacement Program, Approval of Financing Pursuant to KRS 278.300 and the Application of Apache Gas Transmission Company, Inc., and Burkesville Gas Company, Inc., for Approval of a Gas Pipeline Replacement Surcharge and Tariff - Case No. 2017-00168

Dear Mr. Lyons:

Enclosed please find for filing with the Commission in the above-referenced case an original and ten (10) copies of Apache Gas Transmission Company, Inc. and Burkesville Gas Company, Inc.'s, Supplemental Responses to Commission Staff's First Request for Information, Requests 8, 9, and 10, in the above-styled case.

Please do not hesitate to contact me if you have any questions.

Sincerely,

L. Allyson Honaker

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF APACHE GAS TRANSMISSION)	
COMPANY, INC., FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY AUTHORIZING THE)	
IMPLEMENTATION OF A PIPELINE REPLACEMENT)	CASE NO.
PROGRAM, APPROVAL OF FINANCING PURSUANT)	2017-00168
TO KRS 278.300 AND APPLICATION OF APACHE GAS)	
TRANSMISSION COMPANY, INC. AND BURKESVILLE)	
GAS COMPANY, INC. FOR APPROVAL OF A GAS)	
PIPELINE REPLACEMENT SURCHARE AND TARIFF)	

**SUPPLEMENTAL RESPONSES TO COMMISSION STAFF'S INITIAL REQUEST FOR
INFORMATION TO APACHE GAS TRANSMISSION COMPANY, INC. AND
BURKESVILLE GAS COMPANY, INC. DATED MAY 11, 2017**

**APACHE GAS TRANSMISSION COMPANY, INC.
BURKESVILLE GAS COMPANY, INC.
PSC CASE NO. 2017-00168
RESPONSE TO DATA REQUEST**

**PSC'S REQUEST FOR INFORMATION DATED 05/11/17
REQUEST 8**

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

Request 8. Provide any correspondence or documents from Lake Cumberland Area Development District ("ADD") regarding the financing of the Apache project.

Response 8. To supplement the initial response to this Request, Apache had received an email from ADD with a blank application form and a few other emails requesting specific information. However, results of Apache/Burkesville submitted loan application have all been oral. Waylon Wright ADD's Revolving Loan Fund Coordinator, told me in a phone conversation that ADD loan committee did not approve Apache/Burkesville's loan application but, felt the loan application would be reconsidered if the application were revised and factors that caused them concern were changed.

On June 8, 2017 I received an email from Waylon Wright. The email included a referral for Paul Cook of South Kentucky Economic Development District. Waylon thought Paul could help Apache obtain the needed financing partially due to his utility finance experience. I provided some additional information to Paul Cook. However, after he reviewed the information and

discussed the same with some of his board members (some overlapping executive board members with ADD) he sent me an email stating that he was not going to be able to help us obtain the needed financing and sighted Burkesville Gas Company's negative net worth as a primary contributing factor.

In 1990 Burkesville Gas Company was originally a "work-out" / "turn-around" with the gas system's original owner, the Small Business Administration, the Monticello Banking Company and myself. Largely due to the fact there was not initially a sufficient number of natural gas customers to support the operating cost, by 1996 Burkesville Gas Company, Inc. had accumulated a negative net worth of \$221,516. The last federal income tax Burkesville Gas Company filled was 2015 reported a negative net worth of \$209,949. It would really help the company obtain financing and at more favorable terms if there was a correct manner to allow Burkesville Gas Company to capitalize the large losses incurred during the first 6 years of operation to something like capitalized organizational cost or capitalized start-up expenses. The company currently pays state and local property taxes based on an annually assessed value by the Kentucky Revenue Cabinet that was in excess of \$750,000 for the last assessment.

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REQUEST 9**

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

Request 9. State whether Apache has applied for ADD financing, and provide the status of any such request.

Response 9. The application was amended and is still being amended until such time as either ADD approves a financing or sufficient financing is obtained from some other source. Between that time and now I have attempted to seek financing from several other lenders including but not limited to Southeast Kentucky Economic Development, Monticello Banking Company, Mountain Economic Development, and Kentucky Highlands. All these listed except for Kentucky Highlands have declined to provide financing due to the negative net worth and/or that the transmission line would not be considered acceptable collateral. Because of Criss Worley's utility finance experience, Southeast Kentucky Economic Development did accept the transmission line as collateral but, could not get comfortable with the company's negative net worth. My contact at Kentucky Highlands Ed Davis, was the analyst for the Monticello Banking Company in 1990 and worked extensively with all parties in getting the original work-out/turn-around financing

approved. He is aware of the company's turn-around and work-out history. He emailed me and indicated he was going to try to get a financing put together for us.

Waylon Wright, Revolving Loan Fund Coordinator for the ADD, has recently told me that he thinks the Executive Board would reconsider a loan specifically for a lower loan amount and with using as additional security the 12+ acres of unencumbered property which is currently owned by Burkesville Gas Company. Waylon recommended that when I am in Kentucky this week, to find a realtor to give me an idea what they think the 12+ acres would appraise for. If the estimate is close to what we need I will have the property appraised so it can be used as collateral.

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REQUEST 10

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

Request 10. Provide the estimated terms of the loan from First and Farmers Bank if the ADD is not the source of the Apache loan.

Response 10. First and Farmers Bank has provided financing for Burkesville Gas and Apache Gas Transmission in the past however, all of the previous financing has been secured by equipment. Our commercial loan officer, Wesley Bryant of First and Farmers Bank believes the bank would not recognize Apache Gas Transmission Company's transmission line as acceptable collateral but, thinks the 12+ acres (discussed above in Response 9) would help get a loan approved. The loan amount from First and Farmers Bank would in part be determined by the appraised value of the 12+ acres. Mr. Bryant wanting to have a better understanding of the relationship between Burkesville Gas Company and Apache Gas Transmission Company, made a site visit last month to view Apache Gas Transmission's gas system starting at the Texas Eastern Tap to the Burkesville City gate. Also, Mr. Bryant viewed the Cliff Norris section that needs to be repaired.

If the actual approved loan amount is less than the total project cost Apache could begin work on the project and be reimbursed from the Pipeline Replacement Program funding mechanism receipts. (Remember Apache was able to repair 2 of the 4 sections that were brought to the Commission's attention back in 2013, and Apache is not seeking reimbursement for these.) The Pipeline Replacement Program's funding mechanism revenue, with some history, would be viewed as much better collateral/security than the line itself. Once the repairs have begun and the Pipeline Replacement Program funding mechanism has some receipt history, we should be able to refinance the original amount and add any part of the project cost that had not at that time have been provided for.

Apache and Burkesville are open to having an informal conference with Commission Staff to discuss the financing issues if Commission Staff believes that an informal conference would be helpful. I will be in Kentucky today and through the week, specifically working on the financing for this application. I will update these responses if any additional information becomes available during this week.