

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

* * * *

In the Matter of

MAFOFFIN GAS COMPANY, INC.,)
MAGOFFIN COUNTY, KENTUCKY, FOR)
AUTHORITY TO BORROW FUNDS FROM)
THE ECONOMIC DEVELOPMENT)
ADMINISTRATION THROUGH THE)
DEPARTMENT OF LOCAL GOVERNMENT) CASE NO. 7896
TO RECONSTRUCT ITS SYSTEM AND)
FOR A CERTIFICATE OF CONVENIENCE)
AND NECESSITY TO UNDERTAKE SUCH)
CONSTRUCTION)

O R D E R

Preface

On June 26, 1980, the Magoffin Gas Company, Inc., hereinafter referred to as the "Applicant", filed with this Commission its duly verified application seeking a Certificate of Public Convenience and Necessity authorizing the renovation and reconstruction of its gas system to serve existing customers and at a later date to make extensions to contiguous unserved areas. The Applicant also sought approval for the proposed plan of financing said project by borrowing a sum in the principal amount of \$170,850 from the federal Economic Development Administration (EDA) through the Kentucky Department for Local Government.

The Applicant, on August 27, 1980, filed an amendment to its original application in which it advised the Commission that the Gas Reconstruction Board of the EDA had denied Applicant's loan to reconstruct its system. Applicant hereby amended its application for authority to borrow a sum in the amount of \$83,590.20 as substantiated by a revised engineering estimate.

Subsequently, the case was set for hearing with respect to Construction and Financing of the project in the Commissions offices in Frankfort, Kentucky on October 7, 1980 at 11:00 a.m., Eastern Daylight Time. At that time, Applicant testified that it was unable to borrow the necessary funds to complete construction pursuant to the revised estimate of \$83,590.20. Applicant proposed a further reduction in reconstruction to approximately \$20,000 which would enable it to complete urgent repairs and replacements to provide adequate service to its customers in the oncoming heating season.

Findings in this Matter

The Commission, after consideration of all the evidence of record and being advised, is of the opinion and FINDS:

(1) That public convenience and necessity requires construction of the proposed urgent repairs and replacements, which must be initiated prior to the oncoming heating season, to gas customers served in the areas of Ivyton and Royalton, Kentucky.

(2) That any construction deviations from the proposed plans and specifications, which could adversely affect service to any consumer, or safety to the public should be subject to the prior approval of this Commission.

(3) That all phases of repair and replacement to the gas system shall be performed only by a qualified person who is experienced in such work, familiar with all precautions required, has complied with all requirements of applicable regulations and whose credentials are known and acceptable to the Energy Regulatory Commission.

(4) Within sixty (60) days of the date of substantial completion of the construction authorized herein, the Applicant should require the Engineer to furnish this Commission with a copy of the "As-Built Plans" and a certification that the construction has been satisfactorily completed in accordance with the plans and specifications.

(5) The Applicant's present financial condition is such that it will be unable to make the critical repairs to its gas system. Also, it is currently unable to either pay its indebtedness or obtain further credit.

(6) The proposed borrowing by the Applicant of approximately \$20,000 is for a lawful object within the corporate purposes of the utility, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service and is reasonably necessary and appropriate for such purpose.

Orders in This Matter

The Commission, on the basis of the matters hereinbefore set forth, and the evidentiary record in this case:

HEREBY ORDERS that the Magoffin Gas Company, Inc. be and it is hereby granted a Certificate of Public Convenience and Necessity to make urgent repairs and replacements to its gas system.

IT IS FURTHER ORDERED that any construction deviations from the proposed plans and specifications, which could adversely affect service to any consumer, or safety to the public shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that the Applicant shall require the Engineer to furnish this Commission, within sixty (60) days of the date of substantial completion, a copy of the "As-Built Plans" and a certification that the construction has been satisfactorily completed in accordance with the plans and specifications.

IT IS FURTHER ORDERED that the Applicant be and it hereby is authorized to borrow a sum in the principal amount of \$20,000. The interest rate should be at the lowest possible cost, and in no event to exceed 1% above the prime rate on the date of final negotiations with the lending entity.

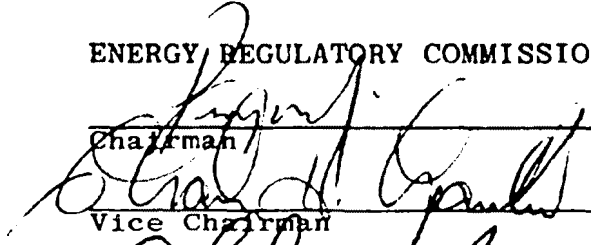
IT IS FURTHER ORDERED that the Applicant shall, as soon as reasonably possible, file with this Commission a statement setting forth the date or dates of issuance of the note authorized herein, the exact interest rate, the lending agency, and all fees and expenses involved in the issuance of the note.

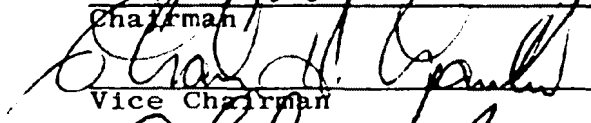
IT IS FURTHER ORDERED that the funds authorized herein shall be used only for the purposes as set out in the record.

Nothing contained herein shall be deemed a finding of value or a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the borrowings authorized herein.

Done at Frankfort, Kentucky, this 25th day of November, 1980.

ENERGY REGULATORY COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary