

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF ULICE BUD)
RIFE, JR., AND JOHN M. BRADLEY AND)
DEBBIE L. BRADLEY FOR THE APPROVAL)
OF THE ACQUISITION OF B & H GAS) CASE NO. 89-018
COMPANY, INC. OF STANVILLE, FLOYD)
COUNTY, KENTUCKY, BY ULICE BUD)
RIFE, JR.)

O R D E R

IT IS ORDERED that B & H Gas Company, Inc. ("B & H Gas") shall file an original and 10 copies of the following information with this Commission, with a copy to all parties of record. 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 insure that it is legible. The information requested herein is due no later than March 7, 1989. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

Information Request No. 1

1. Please provide a complete explanation of the arrangements for the acquisition of B & H Gas by Mr. Rife. Include in this discussion an explanation of whether the purchase is

considered an asset purchase, a stock transfer, or other financial arrangement.

2. Supply a copy of the financial statements of Ulice Bud Rife, Jr. for a period ending not more than 90 days prior to January 31, 1989.

3. a. Explain how Mr. Rife plans to finance his purchase.

b. If Mr. Rife plans to finance his purchase through a loan, will it be financed personally for the entire term of the loan?

c. If loan proceeds are to be used for the purchase, provide a copy of the loan agreement, indicating amount financed, interest rate, repayment schedule, and term of the loan.

4. Provide the proposed journal entries to be made by B & H Gas for the transfer.

5. Will the present liabilities of B & H Gas be extinguished as part of the transfer? If so, how?

6. a. What steps have been implemented by B & H Gas to adhere to the audit report issued by the Commission on December 15, 1986?

b. What steps does Mr. Rife plan to take to see that these procedures are adequately implemented and adhered to on a going-forward basis?

c. Does Mr. Rife plan to continue using the services of Estill Reed, Jr., C.P.A.? If no, please provide the name of the individual and/or accounting firm who will provide accounting services for B & H Gas under the new ownership.

d. What services are currently provided by Mr. Reed (i.e., bookkeeping, accounting, billing, etc.)?

7. Per the Commission audited financial statements of December 31, 1985, long-term debt was stated at \$37,485.06. The December 31, 1986 Annual Report shows long-term debt of \$0 as does the December 31, 1987 Annual Report. Please provide the journal entries used to arrive at the balance at December 31, 1987, with descriptions.

8. Does Mr. Rife plan any significant changes in the operations of B & H Gas?

9. a. What is Mr. Rife's current employment?

b. Does Mr. Rife plan to operate the system? If not, who will and in what capacity? Also, how would the person be compensated?

c. If Mr. Rife does not plan to operate the system, what will be his role in the operations?

d. Does Mr. Rife plan to compensate himself for services? If so, in what manner (i.e., salary, allowances, commission, expenses, etc.)?

e. Does Mr. Rife plan to keep the same employees?

10. a. Does Mr. Rife anticipate any significant increase or decrease in operating costs of B & H Gas as a result of the acquisition? If so, provide complete details with regard to the cost adjustments.

b. Will the acquisition of B & H Gas by Mr. Rife have any impact on the rates of B & H Gas?

11. The journal entries to effect the transfer of B & H Gas from Hydrac Harmon, Lula Mae Harmon, Avery Lee Harmon and Diane Harmon to John M. Bradley and Debbie Bradley were set out in the Order of the Commission dated November 5, 1986. The 1986 Annual Report reflects that these entries were not followed. Please explain the difference and provide the journal entries and workpapers used to record the above-mentioned transfer.

12. a. What relation is Mr. Rife to John M. or Debbie L. Bradley?

b. What relation is the purchaser to the current suppliers?

13. Bradley and Son Oil and Gas ("Bradley and Son") is the owner of gas wells that provide part of B & H Gas's supply. Does the proposed purchase of B & H Gas include the purchase of Bradley and Son?

14. If the purchase of Bradley and Son is included:

a. Will it be a separate entity or part of B & H Gas?

b. If separate, will Mr. Rife be sole owner?

15. Will the existing contract with Bradley and Son be maintained? When does it expire? What is the rate? Provide a copy of the most current contract.

16. Does B & H Gas have a gas supply contract with Kentucky West Virginia Gas Company ("Kentucky West")? When does it expire? What is the rate? If yes, provide a copy of the contract.

17. For the calendar year 1988 what percentages of the B & H Gas supply is purchased from Bradley and Son? From Kentucky West?

18. Does B & H Gas meter the gas it purchases from Bradley and Son at each purchase point? How many purchase points are there?

19. Does B & H Gas meter the gas it purchases from Kentucky West at each purchase point? How many purchase points are there?

20. In the context of compliance with Commission gas safety regulations (807 KAR 5:022), how would you describe the condition of the stand pipes and meters regarding atmospheric corrosion?

21. Is it correct that approximately 80 percent of the system consists of unprotected steel pipe, and the remaining 20 percent is plastic pipe?

a. If so, how does Mr. Rife plan to bring the part of the system consisting of steel pipe into compliance with Commission regulations? When will these plans be implemented and completed? What will be the estimated cost?

b. To the best of your knowledge, has the plastic pipe been installed in compliance with Commission regulations? If yes, on what do you base this assessment?

22. Mr. Rife, please describe your plans regarding the recommendations in the Commission Staff's June 20, 1988 inspection report which are listed below:

a. Update system map to show pipe sizes and types.

b. Install a pressure regulator on bypass line at Kentucky West station.

c. Protect all aboveground steel main from atmospheric corrosion.

d. Establish a continuing education program.

23. Mr. Rife, are you familiar with Commission regulations, including the gas safety regulations? If so, please explain how you gained this familiarity.

24. Describe the background and experience which will assist you in operating B & H Gas in compliance with Commission regulations.

25. Have you attended any of the training programs sponsored by the Kentucky Gas Association? Which ones and when?

26. Is free gas provided to any customer of B & H Gas? If so, to whom and on what basis?

27. Are the Harmons or Bradleys currently being provided free gas? If yes, why isn't this discriminatory to B & H Gas's other customers?

28. Mr. Rife, do you plan to provide free gas to any customers? If yes, will it be provided in compliance with KRS 278.170?

Done at Frankfort, Kentucky, this 23rd day of February, 1989.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director