

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A JOINT APPLICATION OF RIGHT BEAVER GAS	)	
COMPANY, INC. AND DEMA GAS COMPANY, INC.	)	CASE NO.
TO APPROVE THE SALE OF RIGHT BEAVER GAS	)	89-100
COMPANY, INC. AND PURCHASE OF SAME BY	)	
DEMA GAS COMPANY, INC.	)	

O R D E R

IT IS ORDERED that Right Beaver Gas Company, Inc. ("Right Beaver") and Dema Gas Company, Inc. ("Dema") shall file the original and 10 copies of the following information with the Commission with a copy to all parties of record no later than June 12, 1989. If the information cannot be provided by this date, Right Beaver 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. Right Beaver shall furnish with each response the name of the witness who will be available at the public hearing, if any, for responding to questions concerning each item of information requested.

1. In the application, it is stated that Right Beaver was unable to meet the demand for payment of gas purchases and other construction indebtedness. Provide the following:

a. The balance of gas purchases payable to Brushy Gap Coal and Gas, Inc. ("Brushy Gap") as of April 21, 1989.

b. The balance of other construction indebtedness owed as of April 21, 1989.

c. Identify the party to whom this construction indebtedness was owed.

2. Identify the owners, directors, shareholders, officers, operators, and employees of Dema.

3. Identify all affiliations between the following entities. Affiliations include any common owners, directors, shareholders, officers, operators, employees, agents, and consultants as well as any family relations between these groups.

a. Brushy Gap.

b. Dema.

c. The party to whom the construction indebtedness was owed.

4. Explain in detail how the outstanding gas purchase bills and the construction indebtedness have been paid off, considering the statement in the Sales Agreement that ". . . there are no other liens, Judgments or indebtedness against them [the Seller] arising out of or due to the operation of said utility. . . ."

5. Provide the following information on the financial condition and operation of Dema:

a. A balance sheet as of April 21, 1989.

b. The sources of capital.

c. The details of any long- or short-term debt Dema is obligated to pay. The details should identify for each type of debt:

(1) The debt holder.

(2) The person or entity obligated to pay the debt.

- (3) The amount owed.
- (4) The interest rate.
- (5) The term of the debt.
- (6) A debt repayment schedule.
- (7) Copies of all debt instruments.

d. The experience the owners, officers, operators, and employees have in the operation of a gas utility. Include the number of years of experience, the gas utility employment history, and the nature of the work experience for each person.

e. The compensation that the owners, directors, officers, and operators of Dema are to receive and the compensation and benefits to be provided any employees of Dema.

6. For all management or service contracts Dema has entered into in order to operate this gas system, provide the following:

a. A thorough description of all the services to be provided under the terms of each contract.

b. A detailed cost breakdown for the services provided to Dema. This includes any overhead charges and the calculations used to determine those charges.

c. The provider of the services covered by each contract. If the provider is another gas utility or a service corporation, identify the contact person and identify each individual (by name and address) who will actually be performing the work for Dema under the contract.

d. For the providers of services identified in c) above, indicate the experience each provider has in the operation of a gas utility. This includes the number of years of experience, the gas utility employment history, and the nature of the

work experience for each provider, including all individuals identified in c) above.

7. Concerning the location of Dema's offices:

a. Identify where Dema's offices will physically be located. A post office box address will not be responsive.

b. Indicate if Dema will be sharing or renting its office space from another company.

c. Identify all affiliations between Dema and the company it shares or rents office space from. Affiliates include the same relationships described in question 3 concerning any affiliations between Dema and Brushy Gap.

8. The Uniform System of Accounts ("USoA") for Class C and D Companies provides instructions on how to record the sale and purchase of gas plant. The original cost of the plant, as well as the accumulated depreciation on that plant, are to be the basis of the initial accounting entries. Estimates of original cost are allowed if the original cost is not known. The specific accounting steps are outlined as Item 4 of the Gas Plant Instructions of the USoA. Provide the closing accounting entries for Right Beaver. Provide the original accounting entries for Dema. Provide any explanations or documents which support either group of entries.

Done at Frankfort, Kentucky this 26th day of May, 1989.

ATTEST:

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Executive Director

PUBLIC SERVICE COMMISSION

  
For The Commission