

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

On April 27, 1989, Right Beaver Gas Company ("Right Beaver") and Dema Gas Company, Inc. ("Dema") made joint application for approval of the sale of Right Beaver to Dema. The application was deficient since the Articles of Incorporation¹ for Dema, a new Kentucky corporation, were not filed. Dema subsequently filed its Articles on May 9, 1989, and the 60-day requirement for Commission action began to run.

Dema was incorporated in Kentucky on April 21, 1989. In its response to the Commission's Order of May 26, 1989, Dema furnished the Commission with evidence that despite being new to the gas business it would be capable of providing reasonable service with

¹ 807 KAR 5:001, Section 8(3) provides: "If the applicant is a corporation, a certified copy of its articles of incorporation, and all amendments thereto, if any, shall be annexed to the application. If applicant's articles of incorporation and amendments thereto, if any, have already been filed with the commission in some prior proceeding, it will be sufficient if this fact is stated in the application and reference is made to the style and case number of the prior proceeding."

sufficient financial, technical, and managerial capabilities. Dema has entered into a contract with KISU Service Company, Inc. ("KISU") for the daily operation of the gas utility. KISU has many years of experience in the gas industry. Dema has also entered into a contract with Allen, England and Hensley, CPA's for all customer billing and recordkeeping required by the Commission.

In the Commission's Order of May 26, 1989, Dema was ordered to provide the accounting entries reflecting the purchase of Right Beaver's utility plant. These entries were to be prepared in accordance with the provisions of the Uniform System of Accounts ("USoA") for Class C and D Gas Companies. In Dema's response, balances for accounts receivable and the allowance for bad debts were included in the determination of the acquisition adjustment. The USoA does not include these accounts in the determination of the acquisition adjustment. Item 4 of the USoA's Gas Plant Instructions is specific on how the accounting entries are to be made and how the acquisition adjustment is to be determined. The Commission is of the opinion that Dema should correct its previously submitted entries and its accounting records to reflect the requirements of the USoA.

KRS 278.020(4) and (5) require the Commission's approval of the acquisition or transfer of ownership or control of a utility whether by sale of assets or otherwise. The acquisition of Right Beaver by Dema will not work to the detriment of Right Beaver's customers. Through the employment of qualified contractors and the filing of adequate financial information, Dema has demonstrated sufficient managerial, financial, and technical

expertise to provide adequate and reliable service to those customers currently served by Right Beaver.

The Commission, therefore, finds that the proposed sale of Right Beaver to Dema, as described in the joint application filed herein, is consistent with the requirements of KRS 278.020(4) and (5) and should be approved. The Commission further finds that Dema should resubmit the accounting entries which reflect the acquisition of Right Beaver's utility plant. The entries should be prepared in accordance with Item 4 of the USOA's Gas Plant Instructions.

IT IS THEREFORE ORDERED that:

1. The transfer of the assets of Right Beaver to Dema is hereby approved.

2. Dema shall file within 10 days of the date of this Order a Notice of Adoption of the rates of Right Beaver as required by 807 KAR 5:011, Section 11, and shall otherwise comply with that regulation.

3. Within 30 days of the date of this Order, Dema shall file the appropriate accounting entries to reflect the purchase of Right Beaver's utility plant.

Done at Frankfort, Kentucky, this 7th day of July, 1989.

ATTEST:

Executive Director

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner