

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF CHARLES WAYNE)
MILLER AND PRESTON GLENN MILLER AND)
VIRGIL R. SPEARS AND POLLY T. SPEARS)
d/b/a SPEARS NATURAL GAS COMPANY, INC.,)
AND FOR THE APPROVAL OF THE ACQUISITION) CASE NO. 90-027
OF THE SPEARS NATURAL GAS COMPANY AND)
RICHARDSVILLE GAS COMPANY, INC.,)
RICHARDSVILLE, KENTUCKY, BY CHARLES WAYNE)
MILLER AND PRESTON GLENN MILLER)

O R D E R

This matter arises upon the February 8, 1990 filing of the joint application of Richardsville Gas Company, Inc. ("Richardsville") and Charles Wayne Miller and Preston Glenn Miller ("Purchasers") for approval, pursuant to KRS 278.020(4), of the sale and transfer of the stock and assets of Richardsville to the Purchasers. KRS 278.020(5) is also applicable. Approval was also requested for the transfer of Spears Natural Gas Company, Inc.; however, approval is not necessary since the Commission is not currently exerting its jurisdiction over producers of natural gas pursuant to Administrative Case No. 297.¹ The contract of sale setting forth the terms of the transaction and financial and managerial data on the purchasers was filed with the

¹ Administrative Case No. 297, An Investigation of the Impact of Federal Policy on Natural Gas to Kentucky Consumers and Suppliers.

application; the notice of adoption of rates as required by 807 KAR 5:011, Section 11, was filed on February 12, 1990.

By motion filed February 12, 1990, the Purchasers have requested that the Commission expedite the processing of the application due to the fact that the casing of the well supplying the Richlandville system allows the gas formation to be flooded with water resulting in insufficient gas pressure during cold temperatures. Sufficient probability exists that temperature fluctuations will occur and present problems maintaining gas pressure to customers served by the system; therefore, good cause having been shown, the motion for expedited treatment should be granted.

The Purchasers have successfully operated a propane supply company for a number of years and stand ready to install a propane air mixing system to be used as a backup to the existing gas well upon Commission approval of the transfer. The Purchasers should give the Commission's Gas Pipeline Safety Branch a minimum of three working days notice prior to the installation of the propane air mixing system. Such notification will enable pipeline inspectors to be present to ensure the installation is made in accordance with gas safety requirements.

The application and exhibits show that the Purchasers have been associated with the gas industry since the early 1960s and have attended training seminars sponsored by the industry over that same period of time. The financial disclosures in Exhibits E and F of the application contain sufficient information to show that the Purchasers have the requisite financial resources to

continue to provide adequate and reasonable service to the customers currently served by Richardsville. The Purchasers have also indicated to this Commission that they will employ Polly Spears as a consultant for one year after the transfer is approved to familiarize the Purchasers with the operation of Richardsville and introduce the Purchasers to Richardsville's customers in order to ensure a smooth and orderly transition. Based upon the information in the application, the exhibits thereto, and upon the foregoing, the Commission finds that the Purchasers possess the financial, managerial, and technical expertise to provide reasonable service. Approval of the transfer to the Purchasers should therefore be granted.

Pursuant to the agreement filed as Exhibit A with the application, Richardsville will provide Virgil R. and Polly T. Spears with natural gas at no charge as long as either Virgil or Polly Spears resides on certain property. KRS 278.170 only allows a utility to grant free service to "its officers, agents or employees." Therefore, the agreement should be amended to be consistent with KRS 278.170 and specifically limit the granting of free gas to Virgil and Polly Spears for the period of time that Polly Spears continues to be an agent for Richardsville.

Appropriate accounting entries should be made on the books of Richardsville to reflect the transfer of stock and assets. These entries should be filed with the Commission by the Purchasers and should be in conformity with the requirements of the Uniform System of Accounts ("USoA") for natural gas companies. The Purchasers should also indicate that portion of the \$20,000

purchase price which is attributable to the purchase of Richardsville. Richardsville should allocate on an appropriate basis all common or joint costs to be incurred in the future for Richardsville and Spears Natural Gas. In addition, beginning with the first month of occurrence, the Purchasers should maintain adequate and accurate records to identify the monthly quantities of natural gas provided free of charge to Virgil R. and Polly T. Spears, pursuant to the agreement.

IT IS THEREFORE ORDERED that:

1. The transfer of Richardsville Gas Company, Inc. to the Purchasers be and it hereby is approved.

2. The Purchaser and Seller shall amend the purchase agreement to comply with KRS 278.170 as discussed herein.

3. The Purchaser shall file with the Commission the finalized purchase agreement no later than 10 days after the purchase agreement is finalized.

4. The Purchasers shall file the appropriate accounting entries to reflect the sale of the physical assets and stock of Richardsville within 30 days of the date of this Order.

5. The Purchasers shall maintain adequate and accurate records to identify the quantities of natural gas provided free of charge to Spears.

6. The Purchasers shall provide the Commission with a minimum of three working days notice prior to installation of the propane air mixing system in order to allow the Commission's Gas

Pipeline Safety Branch the opportunity to be present at the time of installation.

7. Prior to actual installation of the propane air mixing system, the Purchasers shall provide to the Commission the following information:

(a) The BTU content of the propane air supply.

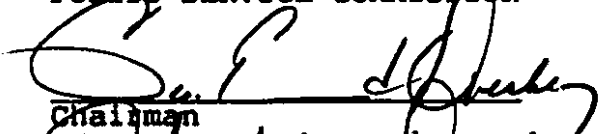
(b) The BTU content of the system gas when propane air and natural gas are used simultaneously for supply.

(c) The operating pressure of the gas system once propane air is introduced.

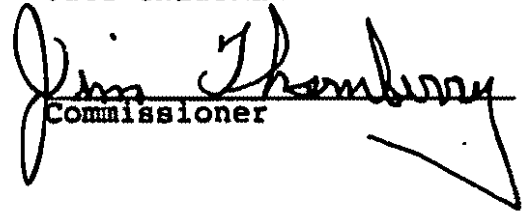
(d) A description of the safety design features including relief capacity to prevent the propane air system from over-pressuring the distribution system.

Done at Frankfort, Kentucky, this 22nd February, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director