

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF ORBIT GAS)
COMPANY AND OF WILLIAM L. HASKINS AND)
B.C. CUBBAGE, JR. FOR AUTHORITY AND) CASE NO. 92-037
PERMISSION TO SELL AND PURCHASE THE ORBIT)
GAS COMPANY NATURAL GAS DISTRIBUTION)
SYSTEM AND ALL RELATED ASSETS)

O R D E R

On February 6, 1992, Joint Petitioners, Orbit Gas Company, William L. Haskins and B.C. Cubbage, Jr., filed an application with the Commission pursuant to KRS 278.020 for approval of the sale of the Orbit Gas Company gas distribution assets. Also submitted for review were Exhibit A, the offer to purchase and addendum, and Exhibit B, the acceptance by Orbit Gas of the offer to purchase. These documents set forth the terms of the transaction by which the assets will be transferred.

KRS 278.020(4) provides that the Commission shall approve the transfer ". . . if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service." KRS 278.020(5) further provides that "no [acquirer], whether or not organized under the laws of this state, shall acquire control . . . of any utility furnishing utility service in this state, without having first obtained the approval of the commission . . . the commission shall approve any such proposed acquisition when it finds that the same is to be made in

accordance with law, for a proper purpose and is consistent with the public interest."

Exhibits A and B to the application reflect that Orbit Gas Company, as it presently exists, will change its corporate name to Orco, Inc. and from and after the effective date of the transaction shall conduct all business under the name of Orco, Inc. The newly incorporated Orco, Inc. will own no assets nor will it conduct any business considered to be jurisdictional to this Commission after the date of the transfer described herein. Joint Petitioners Haskins and Cabbage intend to form a new corporation to be named Orbit Gas Company, Inc. which will take title to all of the present Orbit natural gas assets. The new Orbit Gas Company will not function until after the effective date of the transfer and approval from the Commission to transfer the assets is received. On and after the effective date of the transfer Orbit Gas Company will be operated as a separate corporation and shall continue the present operations of the existing Orbit without interruption. Pro forma Articles of Incorporation which will be filed as the Articles for the newly constituted Orbit Gas Company were attached to the petition as Exhibit C.

The management of the new Orbit Gas Company will be provided by Joint Petitioners Haskins and Cabbage who will be the sole stockholders and who will constitute the board of directors and officers of the company. Haskins and Cabbage intend to employ Scott Newcomb who is the present field superintendent for Orbit. Joint Petitioners Haskins and Cabbage intend to change as little

as possible the present operation of Orbit Gas Company especially with respect to operating personnel. Joint Petitioners Haskins and Cabbage have extensive managerial experience. For example, Joint Petitioner Haskins has been engaged in the construction and operation of several natural gas gathering lines and systems in both Tennessee and Indiana. Mr. Haskins and Mr. Cabbage incorporated the Indiana Pipeline Company, now known as Energy Supply Consultants, Inc. ("ENSCO"). ENSCO is active in the transportation, marketing, and storage of natural gas and operates in the states of Indiana, Kentucky, and Illinois. Joint Petitioners Haskins and Cabbage recently incorporated Kentucky Pipeline and Storage Company, Inc. which owns East Diamond Gas Storage field and is constructing a natural gas pipeline from East Diamond Gas Storage field in Hopkins County, Kentucky, to its interconnect with the interstate ANR Pipeline system. In addition to the above, Mr. Cabbage has practiced law in Henderson, Kentucky, for the last 35 years concentrating his practice in oil, gas, and mineral law.

The purchase price of the utility assets of the old Orbit Gas is \$178,000. Joint Petitioners Haskins and Cabbage do not propose to incur any debt in affecting this transfer and no new debt will be reflected on Orbit's books as a result of this transaction. On March 12, 1992, Joint Petitioners Haskins and Cabbage filed with the Commission a Pro Forma Balance Sheet for the new Orbit Gas which reflects, among other things, the original plant, at cost, accumulated depreciation and a credit balance acquisition adjustment of \$236,746. This balance sheet appears to be

consistent with the requirements of the Uniform System of Accounts ("USoA") prescribed for natural gas utilities and should constitute the initial accounting records of the new Orbit Gas. The balance sheet should be updated to reflect the current values, as of the actual transfer date, for such accounts as accumulated depreciation and acquisition adjustment, if the date of the transfer differs from the date of the balance sheet as filed.

After consideration of the foregoing and being otherwise sufficiently advised, the Commission finds that Petitioners Haskins and Cabbage, as prospective purchasers, have adequately demonstrated financial, managerial, and technical expertise to continue to provide reasonable service to those customers served by Orbit Gas Company. The proposed acquisition is to be made in accordance with the law for a proper purpose and is consistent with the public interest. The Commission further finds that based upon the representations of Petitioners Haskins and Cabbage, the newly constituted Orbit Gas Company will continue the operation of the existing gas distribution system to the customers currently served by Orbit under existing contracts and rates.

IT IS THEREFORE ORDERED that:

1. The proposed sale of the natural gas distribution system and all related assets and the transfer of same to the newly incorporated Orbit Gas Company be and it hereby is approved.

2. Within 10 days of the date of this Order the Joint Petitioners, Haskins and Cabbage, shall file with this Commission certified copies of the Articles of Incorporation for the new Orbit Gas.

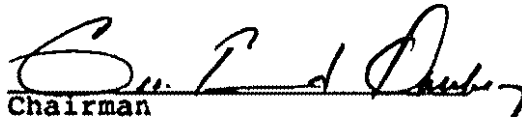
3. Haskins and Cabbage shall continue to operate Orbit Gas Company under the terms, conditions and rates currently included in Orbit's tariff.

4. Haskins and Cabbage, as incorporators of Orbit Gas, shall within 20 days of closing re-execute the existing tariffs of Orbit in the name of an officer of the corporation authorized to execute the tariffs.

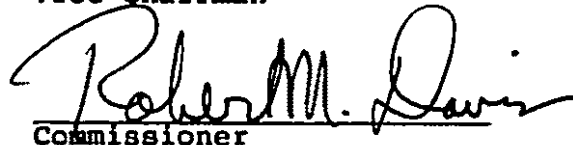
5. Haskins and Cabbage shall file with the Commission evidence of closing no later than 3 days after closing occurs. If no evidence of closing is filed within 2 months of the date of this Order, this Order shall be vacated without further Order of the Commission.

Done at Frankfort, Kentucky, this 6th day of April, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director