

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION FOR APPROVAL OF PROPOSED)	
CONSOLIDATION OF ELZIE NEELEY GAS)	
COMPANY, INC. AND PHELPS GAS COMPANY,)	CASE NO. 93-400
INC. WITH AND INTO MIKE LITTLE GAS)	
COMPANY, INC.)	

O R D E R

On October 27, 1993, Elzie Neeley Gas Company, Inc. ("Elzie Neeley"), Phelps Gas Company, Inc. ("Phelps"), and Mike Little Gas Company, Inc. ("Mike Little") petitioned the Commission for approval to merge Elzie Neeley and Phelps into Mike Little to be effective January 1, 1994. Elzie Neeley was incorporated on October 19, 1964 and administratively dissolved on July 1, 1977. Since that time, Elzie Neeley has been operated as a division of Mike Little; therefore, approval to merge Elzie Neeley into Mike Little is not required under Kentucky statutes. Phelps and Mike Little are owned by the same shareholders and the officers and directors of Mike Little are also the officers and directors of Phelps.

The petition was filed in the form of a transfer case pursuant to KRS 278.020. The applicants proposed that the existing base rate structure for each utility be maintained until the next base rate proceeding. The applicants also proposed consolidating the purchase gas adjustment ("PGA") into one filing using the systemwide weighted average cost of gas.

Elsie Neeley, Phelps, and Mike Little are engaged in the business of distribution and sale of natural gas in Pike and Floyd counties in Kentucky. The applicants state in the petition that the merger will not alter the financial, technical, or managerial performance of the utilities since the three (3) utilities currently function as one from an ownership, management, and operations perspective. The three utilities share employees, equipment, and office space while maintaining separate bank accounts and financial records. The purpose of the proposed merger is to reduce paper work and administrative activity thereby reducing expenses.

The merger of Phelps into Mike Little is to be effected by the conversion of each of the 41 issued and outstanding shares of Phelps common stock, \$100 par value, into .3351 common shares of Mike Little. The Mike Little common stock has a par value of \$500.

Based on the evidence of record, the Commission finds that the merger of Phelps into Mike Little will not alter the financial, technical, or managerial ability to provide adequate gas service to the customers of the utilities. Furthermore, it appears that the merger of the companies will result in some cost savings with no changes in the day to day operations. Each of the three utilities should be advised that the existing rate structures for each utility must be maintained until a consolidated rate application is filed and approved. Based on the foregoing, the Commission finds that approval of the merger of Phelps into Mike Little should be granted.

IT IS THEREFORE ORDERED that:

1. Mike Little shall file its Articles of Merger within 10 days of filing said articles with the Secretary of State's office.
2. The conversion of Phelps common stock into Mike Little common stock as proposed in the application be and hereby is approved.
3. The applicants shall immediately notify the Commission in writing in the event the merger does not occur.
4. Mike Little shall file an adoption notice in accordance with 807 KAR 5:011, Section 11(1) adopting the rates of Phelps, within 20 days of the date of the merger.
5. Within 10 days of filing the adoption notice, Mike Little shall make any revisions necessary to its tariff to adequately reflect the effects of this merger.
6. The applicants shall file the journal entries made to effect the merger of Elzie Neeley and Phelps with and into Mike Little within 20 days of the date of the merger.

Done at Frankfort, Kentucky, this 17th day of December, 1993.

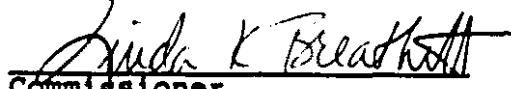
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner