

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF JOHN ALLEN, JR., DAVID D.)	
ALLEN, ROBERT ALLEN, STEPHEN R. ALLEN,)	
MARY A. LESLIE, AND JUDITH MCCREARY FOR)	CASE NO. 2000-028
APPROVAL OF THE SALE OF THE STOCK OF)	
MOUNTAIN UTILITIES, INC. TO PAINTSVILLE)	
UTILITIES)	

O R D E R

John Allen, Jr., David D. Allen, Robert Allen, Stephen R. Allen, Mary A. Leslie, and Judith McCreary ("the Shareholders") and Mountain Utilities, Inc. ("Mountain") have applied for Commission approval of the transfer of all outstanding shares of Mountain's stock to the Paintsville Utilities Commission. Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Mountain, a Kentucky corporation, owns and operates facilities in Johnson County, Kentucky that are used for the distribution, sale, and furnishing of natural gas to the public for compensation, for power and other uses.
2. Mountain currently serves approximately 428 customers in Johnson County, Kentucky.
3. Mountain is a utility that is subject to Commission jurisdiction. KRS 278.010(3)(b).
4. Mountain has 25 shares of stock outstanding. The Shareholders hold all of these outstanding shares.

5. On November 19, 1999, the Shareholders executed a Stock Purchase Agreement to convey all outstanding shares of Mountain stock to Paintsville Utilities. They executed an amendment to this Agreement on December 13, 1999. Under the terms of the Stock Purchase Agreement, Paintsville Utilities agrees to pay the Shareholders \$300,000 for their stock. The Shareholders have agreed to resign any positions that they may have with Mountain and to forego any and all claims that they may have against Mountain. They further agreed to provide to Paintsville Utilities all monies necessary to cover all meter deposits that Mountain currently holds.

6. The city of Paintsville, Kentucky is a city of the fourth class. KRS 81.010(4). It created Paintsville Utilities to provide water, sewer, and natural gas service to Paintsville and its surrounding environs.

7. Paintsville Utilities has been in operation since September 25, 1940.

8. Paintsville Utilities operates, inter alia, a natural gas distribution system that serves residents of Paintsville, Kentucky and the surrounding area.

9. As of June 30, 1999, Paintsville Utilities had total utility plant of \$28,097,970. Approximately \$2,180,634 of this plant is related to its natural gas distribution system.

10. As of June 30, 1999, Paintsville Utilities had total assets of \$29,727,457 and liabilities of \$9,606,398.

11. For the year ended June 30, 1999, Paintsville Utilities had total revenues of \$4,223,186 and total expenses of \$3,668,074. It had net income of \$555,112. It had revenues of \$1,588,435 from gas sales.

12. Paintsville Utilities currently employs 35 persons. Seven of these employees are directly responsible for the operation of Paintsville Utilities' natural gas distribution system. Five other employees perform engineering, financial, managerial, and customer service functions for the natural gas distribution system as well as Paintsville Utilities' other utility operations.

13. Paintsville Utilities currently purchases natural gas from seven suppliers. Its contracts with these suppliers have staggered expiration terms.

14. Upon completion of the proposed transfer, Paintsville Utilities will not operate Mountain as a separate entity, but will absorb Mountain's operations and facilities into its operations. It will not retain any Mountain employee.

15. Upon completion of the proposed transfer, Mountain's current customers will be assessed the same rates as Paintsville Utilities' customers.

16. Paintsville Utilities has the financial, technical, and managerial abilities to provide reasonable utility service to those persons that Mountain currently serves.

17. The proposed sale and transfer of stock is in accordance with law, is for a proper purpose, and is consistent with the public interest.

18. Upon completion of the proposed sale and transfer, the city of Paintsville, through Paintsville Utilities, will own Mountain. Mountain, therefore, will not meet the definition of a "utility" and will be not subject to Commission jurisdiction for its rates and service. See KRS 278.010(3).¹ Commission authority to regulate the safety of natural

¹ See also Paintsville Utilities Commission, Case No. 90-015 (Ky.P.S.C. Mar. 26, 1990) at 2.

gas facilities that Mountain owns and uses to distribute natural gas at retail, however, will continue. See KRS 278.495(2).

IT IS THEREFORE ORDERED that:

1. The proposed sale and transfer of Mountain Utilities' stock to Paintsville Utilities is approved.

2. Within 10 days of completion of the proposed sale and transfer, the Shareholders and Paintsville Utilities shall notify the Commission in writing of the completion of the transfer.

3. Paintsville Utilities shall submit to the Commission a financial and statistical report, as described in Administrative Regulation 807 KAR 5:006, Section 3, for Mountain Utilities' operations in calendar year 2000 prior to the sale and transfer of Mountain Utilities' stock.

Done at Frankfort, Kentucky, this 20th day of March, 2000.

By the Commission

ATTEST:


Executive Director