

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GASCO)
DISTRIBUTION SYSTEMS, INC.)
FOR APPROVAL OF FINANCING) CASE NO. 2000-084

O R D E R

IT IS ORDERED that Gasco Distribution Systems, Inc. ("GDSI") shall file with the Commission the original and four copies of the following information, with a copy to all parties of record. The information requested herein is due no later than 10 days from the date of this Order. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Refer to Item 1 of GDSI's response to the Commission's letter and Order of March 17, 2000. The response refers to an attached copy of Enron's November 11,

1994 Letter of Understanding from Case No. 94-427.¹ Enron's Letter of Understanding identifies GDSI and Gasco, Inc. ("Gasco") as the Borrowers and The Titan Energy Group, Inc. ("Titan") as the Guarantor for the Enron Finance Corporation ("EFC") loan referenced in Case No. 94-427.

a. The current petition identifies GDSI as the sole applicant for the refinancing loan it plans to obtain through KeyBank. Explain the financial responsibilities of Gasco and Titan under the new refinancing loan.

b. Explain how the proceeds of the loan were used when the EFC loan was originally secured by GDSI. If the EFC loan was to refinance previous obligations, explain how the proceeds of the previous obligations were used.

c. Paragraph 6 of the Enron Letter of Understanding states, "This letter does not create and is not intended to create a binding and enforceable contract between the parties or a duty on the part of either party to negotiate in good faith toward a binding contract" Provide a copy of the final contract.

d. The GDSI's response states that the original application already provided the information required under 807 KAR 5:001, Section 6(4), by stating that GDSI has no trust deeds. The Letter of Understanding from Enron indicates in Exhibit A, page 3, that the security for the GDSI term loan would be a first mortgage on and perfected security interest in all tangible and intangible assets of GDSI and Gasco including, but not limited to, the local distribution company assets. If the terms of the final contract are as outlined in the Letter of Understanding, then GDSI has at least one

¹ Case No. 94-427, The Application of Gasco Distribution Systems, Inc. for a Certificate of Convenience and Necessity to Provide Local Gas Distribution Service to Albany, KY and for Transfer of the Albany Gas Utility Company.

mortgage. Provide the information on mortgages required under 807 KAR 5:001, Section 6(4), as outlined in the Commission's deficiency letter of March 17, 2000.

e. Provide reference to the sections of the Commission Order in Case No. 94-427, which approved the financing arrangement between the Joint Energy Development Investments ("JEDI") and GDSI.

2. Refer to the opening paragraph of GDSI's application, which references Case No. 94-427. In Case No. 94-427, GDSI filed a copy of a "Temporary Waiver and Conditional Second Amendment to Loan Agreement and Promissory Notes," ("Waiver") which was received by the Commission on January 27, 1997. The Waiver applied to the loan agreement between GDSI, Gasco, Titan and JEDI dated November 30, 1996. The Waiver references a \$3,820,000 Amended and Restated Promissory Note dated January 24, 1996 and a \$180,000 Promissory Note dated January 24, 1996 made by the Borrowers for the purpose of changing the required principal payments and adjusting some of the covenants of the JEDI loan.

a. Provide a copy of the Amended and Restated Promissory Notes and any subsequent notes, revisions, or changes.

b. Explain the need for the Waiver.

c. Explain when and why the arrangements with the EFC were replaced by arrangements with JEDI.

3. Describe what JEDI is.

4. The existing JEDI loan provided for up to \$2,000,000 for working capital for Gasco. Explain whether or not this obligation is included in the costs underlying the financing GDSI is requesting in the current petition.

5. Refer to Item 3(g) of the original application, which states that GDSI will realize a net debt reduction of \$722,123.72 as a result of the refinancing, as well as the forgiveness of \$177,250.94 in accrued interest. Provide the calculations and supporting documentation to show the debt reduction and the accrued interest.

6. Refer to Item 3(g) of the original application, which references a reduction in the trade payable to Enron.

a. Explain why GDSI needs to extend the payments on a current liability over six years.

b. Is GDSI requesting Commission approval of the Enron trade payable of \$600,000 over the period of six years?

c. Explain the basis for Enron's forgiveness of \$219,376.40 of the trade payable.

d. Explain the basis for 0 percent interest on the outstanding amount for the next six years.

e. Explain how GDSI's \$819,376.40 trade payable to Enron appears on its financial statements for the period ended December 31, 1999, submitted on March 8, 2000.

7. Refer to Item 3 of GDSI's response dated March 20, 2000. The response states that GDSI has already provided the required information regarding existing bonds and notes in Exhibit 3 of the original application, which shows that no bonds are outstanding. Exhibit 3 does, however, show that GDSI has notes payable outstanding. 807 KAR 5:001, Section 6(6), requires an applicant for approval of financing to provide details of each note outstanding, including date of issue, amount date of maturity, rate

of interest, in whose favor, along with interest paid during the last fiscal year. Exhibit 3 referenced in the response provides only the amount of the note payable and identifies the note holder. Provide the additional information required by 807 KAR 5:001, Section 6(6), for each of the notes outstanding on the books of GDSI.

8. For each of GDSI's Accounts Payable accounts outstanding greater than 180 days, provide the name of the vendor, the amount outstanding, and the date the obligation was incurred. Indicate whether the account has been paid as of March 31, 2000.

9. Does GDSI have any plans to secure permanent financing for any of the trade accounts payable or other obligations included in the December 31, 1999 Balance Sheet?

10. What is the nature of the costs underlying GDSI's related parties accounts payable?

11. Provide a breakdown of the costs incurred underlying the Albany, Kentucky related parties account.

12. Provide the outstanding balances of the JEDI loan.

13. Provide the payment history of the JEDI loan.

14. Provide the cash balances of GDSI for December 31, 1995-1999.

15. Refer to the Income Statement for the six months ended December 31, 1999, submitted on March 8, 2000. The net income for GDSI is a loss of \$247,247. Explain whether or not GDSI will need a rate increase in the near future in order to service the loan it is requesting the Commission to approve in this case.

16. Were any of the uses of the JEDI loans related to the assets or operations of the Albany, Kentucky Division of GDSI? If yes, explain.

17. Will the Albany, Kentucky operation of GDSI incur any costs related to the financing for which GDSI is requesting approval in this case. If yes, explain the nature of the cost and the annual amounts that will be incurred by the Albany, Kentucky division.

18. Provide a comparative Balance Sheet of GDSI for December 31, 1999 and 1998. If not available, provide the GDSI Balance Sheet for December 31, 1998.

Done at Frankfort, Kentucky, this 31st day of March, 2000.

By the Commission

ATTEST:



Executive Director