

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WKG STORAGE,)	
INC. FOR APPROVAL OF A CHANGE)	
IN CONTROL THROUGH ACQUISITION)	CASE NO. 2001-235
OF ASSETS OF KENTUCKY PIPELINE)	
AND STORAGE COMPANY, INC. AND)	
FOR APPROVAL OF TARIFF)	

O R D E R

WKG Storage, Inc. ("WKG Storage") has applied for Commission approval of the transfer of Kentucky Pipeline and Storage Company, Inc. ("KYPSCO") facilities to WKG Storage. Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. WKG Storage is a Delaware corporation authorized to do business in the Commonwealth of Kentucky, and is a wholly owned subsidiary of Atmos Pipeline and Storage, LLC ("Atmos Pipeline"). Atmos Pipeline owns and operates natural gas storage and pipelines in various other states.

2. In Case No. 91-074,¹ the Commission approved the application of KYPSCO to be recognized as an intrastate pipeline as defined in KRS 278.504(1) and granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction of the East Diamond Field, the intrastate pipeline, and related facilities.

¹ Case No. 91-074, The Application of Kentucky Pipeline and Storage Company, Inc. For Recognition as an Intrastate Pipeline, For Authority to Construct a Natural Gas Pipeline, and For Recognition as a Transporting Utility.

3. The East Diamond Field is a depleted natural gas reservoir that was discovered in 1970 and was abandoned in 1982 after producing over 3.2 Bcf of natural gas from the Bethel Sandstone Formation. The storage field is located on the southern shelf of the Illinois Basin in what is known as the Pennyrile Fault Zone. The reservoir is dome-shaped and is located at an average depth of approximately 2,150 feet. The field facilities consist of 17 injection/withdrawal wells, including a horizontal well with a horizontal reservoir penetration of over 1,300 feet. Four compressors provide the field's compression requirements. Pipeline facilities include an in-field gathering system consisting of 6-inch and 4-inch steel pipelines, as well as the 18.5-mile-long, 8-inch transmission line that interconnects with ANR Pipeline.

4. On July 2, 2001, WKG Storage entered into a Purchase and Sale Agreement with KYPSCO to purchase the assets and the business operated by KYPSCO in Hopkins County, Kentucky.

5. The principal assets being acquired by WKG Storage include the East Diamond Field in Hopkins County, Kentucky and an 8-inch, 18.5-mile-long pipeline connecting the storage field with ANR Pipeline. Additional property includes all wells, wellhead equipment facilities, together with all downhole equipment, wellhead assemblies, valves, measurement equipment, piping, and all other equipment and surface facilities presently connected to or used in the operation and maintenance of the injection/withdrawal wells. Also included are compressors, dehydration equipment, separation equipment, and various natural gas field gathering and measurement facilities. Included in the conveyance are field operating and maintenance agreements, gas storage agreements with customers, mineral conveyance and underground gas

lease storage agreements, as well as pipeline right-of-way agreements. The property conveyed also includes all real property, supplies, materials, spares, and books, records, and files relating to the business and all inventories of natural gas, including line pack and cushion gas.

6. KRS 278.020(4) provides that “[n]o person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission by sale of assets . . . without prior approval of the commission.” [Emphasis added]. That statute also requires the Commission to approve the transfer if the person acquiring has the financial, technical, and managerial ability to provide reasonable service.

7. WKG Storage has the financial, technical, and managerial abilities to provide reasonable service, and the proposed transaction is consistent with the public interest and will be made in accordance with law and for a proper purpose. Consequently, the proposed transfer should be approved.

IT IS THEREFORE ORDERED that:

1. The transfer of the East Diamond Field and related facilities from KYPSCO to WKG Storage is approved.

2. Applicant shall notify the Commission of the transfer within 10 days of its consummation or, in the alternative, shall notify the Commission if the proposed transaction does not occur.

3. Within 10 days of the date of this Order, WKG Storage shall file an Adoption Notice pursuant to Administrative Regulation 807 KAR 5:011, Section 11.

Done at Frankfort, Kentucky, this 24th day of September, 2001.

By the Commission

ATTEST:


Executive Director