

Commonwealth of Kentucky
Before the Public Service Commission

RECEIVED

DEC 03 2007

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE JOINT APPLICATION OF HERITAGE)
OPERATING L.P. AND BRIGHT'S PROPANE)
SERVICE, INC. FOR APPROVAL OF) Case No. 2007-00494
TRANSFERAND ACQUISITION OF ASSETS)
AND CERTIFICATES OF PUBLIC)
CONVENIENCE)

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Initial Request for Information to Heritage Operating L.P., and Bright's Propane Services, Inc. [hereinafter jointly referred to as "Joint Applicants"] and to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional

information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(5) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(6) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(7) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(8) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(9) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to

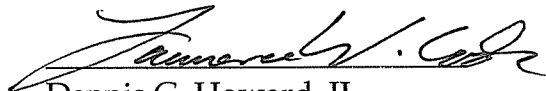
whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(10) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(11) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL



Dennis G. Howard, II
Lawrence W. Cook
Paul D. Adams
Assistant Attorneys General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204
502.696.5453 (telephone)
502.573.8315 (facsimile)

Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the Attorney General's Initial Request For Information were served and filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; furthermore, it was served by mailing a true and correct copy of the same, first class postage prepaid, to:

Thomas B. Bright, Sr.
President
Bright's Propane Service Company
P.O. Box 321
Burgin, KY 40310, and

Helen C. Helton
Tilford, Dobbins, Alexander, Buckaway, and Black
1400 One Riverfront Plaza
Louisville, KY 40202

Deborah T. Eversole
Stoll Keenon Ogden
2000 PNC Plaza
500 W. Jefferson St.
Louisville, KY 40202

all on this 3rd day of December, 2007.


Assistant Attorney General

**Attorney General's Initial Request for Information
to the Joint Applicants
Case Number 2007-00494**

1. Please provide the names of the personnel who will comprise the executive management of the Bright's Propane Service, Inc. ("Bright's"), following any transfer of control allowed by the Commission, and describe in detail the financial, technical and managerial abilities they possess enabling them to engage in the propane industry.
 - a. Please provide the total employee count of Bright's immediately prior to the contemplated transaction, and provide an estimated employee count following the transaction, extending to 12 months following the date of the contemplated transaction.
 - b. Please state whether the financial, technical or managerial functions or duties of any current Bright's employee will be outsourced, and if "yes", specifically identify the nature of the job responsibilities to be outsourced and the name of the person or entity who/which will assume the responsibilities.
 - c. State whether any Bright's employees residing in Kentucky will be laid off or otherwise terminated as a result of the contemplated transaction, and if so, provide, with as much accuracy as possible, the number, and names, of any employees so affected.
 - d. Please provide the total number of employees dedicated to working on customer service issues. Please provide the total number and identities of such employees both as of the date of your response to this request, and those projected after the contemplated transaction.

2. Please identify all of the Joint Applicants' subsidiaries and affiliates that will exist following the contemplated transaction, and state with specificity whether each one will be subject to regulation by:
 - a. the Kentucky Public Service Commission;
 - b. any other state utility Commission, and if so, the name of the Commission(s); and
 - c. any other state, federal or other agency.

**Attorney General's Initial Request for Information
to the Joint Applicants
Case Number 2007-00494**

3. Please state what benefits the Joint Applicants hope to reach as a result of the contemplated transaction.
4. Did, or will, the Joint Applicants have to seek approval for the contemplated transaction (including the Kentucky State Fire Marshal) for the contemplated transaction? If so, please submit copies of any and all filings and responses from any such agency in this regard.
 - a. If so, has or will any such agency seek any conditions to the transaction?
 - b. Do the Joint Applicants anticipate any changes in any contracts as a result of the contemplated transaction (e.g., engineering, information technology, maintenance, etc.)?
 - c. Do the Joint Applicants anticipate any changes in customer charges or any and all other fees charged for services as a result of the contemplated transaction?
 - d. If the answer to the previous question is yes, please describe the changes in specific detail.
5. Please state whether the Joint Applicants intend to change members of Bright's board of directors following the transfer of control, if approved by the Commission. If so, identify the changes with particularity, identifying each member by name and address.
 - a. Provide biographical information of each member of Bright's board of directors, regardless of whether they are an existing member or are anticipated as being a new member, including a statement of their qualifications to serve as a board member in a propane company.
6. State whether any of Bright's executive management, and members of its proposed board of directors are members, officers, partners, directors of, or have a controlling interest in, any business entity engaged in the distribution or transportation of gas (whether propane or natural gas), and if so, identify them by name and by type of interest.

**Attorney General's Initial Request for Information
to the Joint Applicants
Case Number 2007-00494**

7. Please state whether Bright's, either currently or as a result of the contemplated transaction, will engage in non-regulated activities in any location. If so, please provide:
 - a. the nature of the activity;
 - b. the location of the activity;
 - c. a breakdown by percentage of the amount of non-regulated activity and regulated activities in which Bright's will engage; and
 - d. the amount of revenue derived from non-regulated activities.

8. As a result of the contemplated transaction, will Bright's be incurring any additional debt? If so, provide full details.

9. Please identify, in detail, any and all tax savings that Bright's and Heritage expect to result from the contemplated transaction, and provide any relevant quantifications.

10. Please state whether Bright's currently has any deferred tax accounts on its balance sheets. If "yes," please identify the account(s), the amount carried therein, and provide a summary of the nature of the balance.
 - a. For each deferred tax balance identified above, please state what impact the contemplated transaction will have on the account (e.g., will the contemplated transaction result in a loss of any deferred tax credits?).

11. Please state whether any of the Joint Applicants' employees, officers, directors, consultants, or contractors will receive, directly or indirectly, any bonus, stock option, and/or any other remuneration of any type or sort resulting from the contemplated transaction. If so, please identify the person, the method of remuneration, whether directly or indirectly, whether it is deferred, and the amount or dollar value thereof.

12. Do the Joint Applicants agree that there are two categories of costs for the proposed transaction, namely: (1) costs-to-achieve the transaction (e.g., due diligence reports, legal counsel, etc.); and (2) costs-to-achieve cost savings in the post-transaction structure (e.g., systems integration, etc.)? If no, please identify the categories and provide a definition. Regardless of the answer, please provide the following:

**Attorney General's Initial Request for Information
to the Joint Applicants
Case Number 2007-00494**

- a. For the costs-to-achieve the transaction, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their shareholders, and those costs that are allocated to or the responsibility of their ratepayers. Include any allocation methodologies.
- b. For the costs-to-achieve cost savings, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their shareholders, and those costs that are allocated to or the responsibility of their ratepayers. Include any allocation methodologies.
- c. For the costs-to-achieve the transaction, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their non-regulated operations. Include any allocation methodologies.
- d. For the costs-to-achieve cost savings, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their regulated operations. Include any allocation methodologies.
- e. Do the Joint Applicants agree that there are certain costs associated with the contemplated transaction that are attributable solely to the process of obtaining the approval of the transaction (e.g. legal counsel for the regulatory proceedings)?
- f. Do the Joint Applicants consider the reduction of a company's or unit's operating loss a cost savings?
- g. Please supply an itemized schedule that shows the cost-to-achieve the transaction by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year.)
- h. For the schedule requested under sub-part g (the prior question), please identify by year for as many years as your projections provide the following:
 - (1) the assignment of costs to each of the Joint Applicants' shareholders;

**Attorney General's Initial Request for Information
to the Joint Applicants
Case Number 2007-00494**

- (2) the assignment of costs to each of the Joint Applicants' ratepayers; and
 - (3) the breakdown of the assignment of costs between regulated and non-regulated operations of each of the Joint Applicants.

- i. Please supply an itemized schedule that shows the costs-to-achieve the costs savings post-transaction by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year.)

- j. For the schedule requested under sub-part i (the prior question), please identify by year for as many years as your projections provide the following:
 - (1) the assignment of costs to each of the Joint Applicants' shareholders;
 - (2) the assignment of costs to each of the Joint Applicants' ratepayers; and
 - (3) the breakdown of the assignment of costs between regulated and non-regulated operations.

- k. Please supply an itemized schedule that shows the cost savings associated with this acquisition for as many years as your projections provide. (This is a request for a schedule that shows the estimated cost savings by year.)

- l. For the schedule requested under sub-part k. (the prior question), please identify by year for as many years as your projections provide the following:
 - (1) the assignment of costs to each of the Joint Applicants' shareholders;
 - (2) the assignment of costs to each of the Joint Applicants' ratepayers; and
 - (3) the breakdown of the assignment of costs between regulated and non-regulated operations.

- 13. For each category of cost savings, identify the allocation process, including the factors, for allocating costs between regulated and non-regulated operations.

**Attorney General's Initial Request for Information
to the Joint Applicants
Case Number 2007-00494**

14. For each category of cost savings, identify the corresponding amount of cost savings allocated to non-regulated operations for that category.
15. Please provide a copy of any and all due diligence report(s) conducted.
16. In the course of conducting their due diligence reviews, did the Joint Applicants identify any facts or circumstances that would have a material adverse effect on Bright's customers?
17. Please provide all minutes of any meetings held between the shareholders (or owners in general) and the board of directors (or supervisory management) of either of the Joint Applicants pertaining to the contemplated transaction.
18. Will the contemplated transaction result in any changes in Bright's accounting principles? If yes, please summarize the change(s).
19. Do the Joint Applicants anticipate entering any new contracts as a consequence of the contemplated transaction? If so, will any of the entities with whom the Joint Applicants will enter said contract(s) be affiliated in any way with the Joint Applicants, or any of their employees, stockholders, officers, contractors, consultants, or directors?
20. Please provide a copy of any and all materials, including but not limited to transcripts of presentations, recordings or notes of presentations, or other information, regarding any and all financial analyses concerning the transaction.
21. Please state whether as a result of the contemplated transaction, Bright's will be required to guarantee any debts of Heritage, its affiliates, subsidiaries, or any partnerships in any manner associated therewith. If so, provide full details.
22. Please state whether as a result of the contemplated transaction, Bright's will be required to grant liens in favor of any lenders of Heritage, its affiliates, subsidiaries, or any partnerships in any manner associated therewith. If so, provide full details.
23. In the event Heritage, its affiliates, subsidiaries, or any partnerships in any manner associated therewith default on any debts owed to any lender,

**Attorney General's Initial Request for Information
to the Joint Applicants
Case Number 2007-00494**

will Bright's in any manner become financially liable for any such debt(s)? If so, explain in detail.

24. Please state whether the contemplated transaction, if approved, will or could have an adverse impact of any type or sort on the ability of the Joint Applicants to borrow money? If so, explain in complete detail.
25. Will the contemplated transaction have any ramifications upon the jurisdiction or authority of the Kentucky Public Service Commission over Bright's?
26. Will Bright's provide clear and conspicuous notice to its customers regarding any change in service(s) resulting from the proposed transaction?
27. Describe, in detail, any and all inducements that Heritage offered (other than the consideration stated in the application), or that Bright's demanded or requested during the course of negotiations leading to the proposed purchase that is the subject of the instant filing.
28. Has any regulatory body accused Heritage, or any entity which owns Heritage, its affiliates, subsidiaries, partnerships associated therewith, or any other entity within Heritage's corporate family, of inappropriate conduct such as that set forth in Case No. 8-07 CV1301-K (U.S. Commodity Futures Trading Commission v. Energy Transfer Partners, L.P.; U.S. District Court for the Northern Division of Texas, Dallas Division)? Please provide complete details.
29. In the event the Kentucky Public Service Commission approves the Joint Applicants' application, would the Joint Applicants agree and adhere to the following commitments (note: this question should not necessarily be construed as the Attorney General's acquiescence to the contemplated transaction):
 - a. Upon the completion of the proposed transaction, Bright's shall provide specific company contacts and work with the Attorney General's Office, Commonwealth of Kentucky, on any and all complaints which the Attorney General may receive. Furthermore, specific protocol and timeframes shall be established by both parties to resolve complaints or disputes in an expeditious manner.

**Attorney General's Initial Request for Information
to the Joint Applicants
Case Number 2007-00494**

- b. The Joint Applicants will provide copies of all applications, notices, final approval orders, or other regulatory notifications received from any and all other regulatory bodies.
- c. The contemplated transaction will not impair, impede, nor prohibit the ability and capabilities of Bright's in meeting its obligations to provide adequate, efficient and reasonable service to its Kentucky customers.
- d. The contemplated transaction will not detract from the benefits that Bright's customers currently receive.
- e. The contemplated transaction will not result in increased rates or increased charges of any type or sort, except those directly related to the purchase and transmission / piping of propane, for Bright's Kentucky customers.
- f. Costs for the contemplated transaction shall not be pushed down to Bright's ratepayers.
- g. No change in control payments will be allocated to the Joint Applicants' customers.
- h. Any costs associated with early termination of any of Joint Applicants' Kentucky-based staff will not be levied against Joint Applicants' customers.
- i. Any additional administrative costs incurred in order to comply with the financial and accounting standards of any other regulatory body, whether federal or state, will not be borne by Joint Applicants' customers.
- j. The Joint Applicants agree to filing with the Commission and the Attorney General copies of their annual reports to their respective shareholders (or owners in general).
- k. Before implementing any management practice, the Joint Applicants commit to taking into full consideration the related impacts on levels of customer service and customer satisfaction, including any negative impacts resulting from any workforce reductions.