



Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Larry R. Bond
Commissioner
Department of Public Protection

Sallye Branham
President
Auxier Road Gas Company, Inc.
P. O. Box 785
Prestonsburg, KY 41653

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

April 7, 2008

CERTIFICATE OF SERVICE

RE: Case No. 2007-00513
Auxier Road Gas Company, Inc.

I, Stephanie Stumbo, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on April 7, 2008.

Executive Director

SS/tw
Enclosure



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Honorable John N. Hughes
Attorney at Law
124 West Todd Street
Frankfort, KY 40601

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF AUXIER ROAD GAS)
CORPORATION FOR APPROVAL OF TRANSFER) CASE NO. 2007-00513
OF AUXIER ROAD GAS CORPORATION STOCK)

O R D E R

On December 12, 2007, Auxier Road Gas Corporation ("Auxier Road") petitioned the Commission for approval to transfer approximately 94 percent of its stock pursuant to KRS 278.0520(5). Recently, one of the shareholders, Estill Branham, died. Based on his probated will, Mr. Branham's shares were transferred to his wife, Sallye Branham, who is currently the President of Auxier Road.

Auxier Road is a natural gas utility pursuant to KRS Chapter 278 with its principal place of business in Prestonsburg, Kentucky. It has been in operation since 1963 and currently serves 491 customers in Floyd County, Kentucky. It was organized as a privately held, for-profit Kentucky corporation with 1,000 authorized shares of stock owned by Estill Branham (994.286 shares) and William D. Branham (5.714 shares).

KRS 278.020(5) 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. . . without prior approval by the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service." KRS 278.020(6) provides that "[n]o individual, group, syndicate, general or limited partnership, association, corporation, joint stock company, trust, or other entity (an 'acquirer'), whether or not organized under the laws of this

state, shall acquire control, either directly or indirectly, of any utility furnishing utility service in this state, without having first obtained the approval of the commission. . . . The commission shall approve any proposed acquisition when it finds that the same is to be made in accordance with law, for a proper purpose and is consistent with the public interest.”

Auxier Road states that the transfer will have no effect on its ability to continue to operate or finance the operations of its natural gas service in Kentucky. The present office and field personnel will remain in place. Auxier Road has arrangements with its gas suppliers to continue to purchase gas and to assure continued adequate supply. It has received commitments of assistance from other local utilities to provide emergency backup resources and personnel if needed. Auxier Road believes, therefore, that the transfer of stock will have no impact on the current financial, managerial or technical ability of the company to operate. Sallye Branham, President of Auxier Road, has assumed the duties primarily associated with Mr. Branham's duties as chief corporate officer. Ms. Branham has worked for Auxier Road since the inception of the company and has extensive experience with the day-to-day operations of small gas utilities. She also deals with regulatory compliance, safety matters and supervision of the day-to-day office functions. The existing employees are remaining with the company and continuing with their normal duties. These employees have been with the company from 11 to 24 years. Prestonsburg City Utilities has also offered assistance, if needed, to supplement Auxier Road's field work, including labor, equipment and materials. The Commission finds that the depth of experience and technical expertise of these

employees satisfies the statutory requirement for managerial and technical ability to provide reasonable service as required under KRS 278.020.

The Commission does have some concerns, however, regarding Auxier Road's financial condition. Auxier Road's recently filed 2007 annual report reflects a loss of approximately \$142,000. Commission Staff and Auxier Road discussed this situation in an earlier case.¹ As a result, the Commission approved a revision of a component of Auxier Road's gas cost adjustment and secured Auxier Road's agreement to file for an increase in base rates, its first since 1991. The Commission believes that these actions should remedy Auxier Road's current financial problems and provide the financial ability to provide reasonable service as required under KRS 278.020. In order to provide further assurance that this will be the case, the Commission finds that Auxier Road should file, for an indefinite period, quarterly income statements, balance sheets and cash flow statements for the company. Given the findings that Auxier Road possesses the financial, technical and managerial ability to provide reasonable service, the Commission finds that the transfer is in accordance with law, is for a proper purpose, and is consistent with the public interest.

IT IS THEREFORE ORDERED that:

1. Auxier Road's proposed transfer of stock from the estate of Estill Branham to Sallye Branham is hereby approved.
2. Auxier Road shall file quarterly balance sheets, income statements, and cash flow statements with the Commission, beginning with the quarter ending March 31, 2008.

¹ Case No. 2008-00053, The Adjustment of Rates of Auxier Road Gas Company, Inc., Order dated February 29, 2008.

3. Within 10 days of completion of the proposed transfer, Auxier Road shall notify the Commission in writing of the completion of the transfer.

Done at Frankfort, Kentucky, this 7th day of April, 2008.

By the Commission

ATTEST:


for the Executive Director

Case No. 2007-00513