

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

JOINT APPLICATION OF NAVITAS KY NG, LLC AND)
GASCO DISTRIBUTION SYSTEMS, INC. FOR) CASE NO.
APPROVAL OF AN ACQUISITION OF OWNERSHIP) 2010-00468
AND CONTROL OF GAS UTILITY SYSTEMS)

ORDER

On December 2, 2010, Navitas KY NG, LLC ("Navitas KY") and Gasco Distribution Systems, Inc. ("Gasco") filed a joint application requesting Commission approval of the transfer of ownership and control of Gasco's Albany, Kentucky, gas distribution system. By this Order, the Commission grants approval of the requested transfer.

PARTIES TO THE TRANSACTION

Gasco is an Ohio Corporation with its principal place of business at 4445 East Pike, Zanesville, Ohio. It owns and operates natural gas distribution systems known as (1) the Jellico System located in Campbell County, Tennessee and Whitley County, Kentucky; (2) the Byrdstown System located in Pickett County, Tennessee; (3) the Fentress System located in Fentress County, Tennessee, and (4) the Albany System ("Gasco Albany") located in Clinton County, Kentucky (collectively referred to as "Gasco"). Gasco's Albany System serves approximately 134 customers in Albany,

Kentucky and is a utility subject to the Commission's jurisdiction (KRS 278.010(3)(b)).¹ Its Certificate of Authority to transact business in Kentucky was revoked on November 2, 2010.² Gasco filed for bankruptcy protection in the United States Bankruptcy Court for the Southern District of Ohio, Eastern Division, ("Bankruptcy Court") under Chapter 11 of the Bankruptcy Code on June 1, 2009.³ Gasco is acting as a debtor in possession.

Navitas KY, a Kentucky limited liability company with its principal place of business at 18218 East McDermott, Irvine, California, was formed for the purpose of acquiring Gasco's Albany Kentucky assets. Its parent company is Navitas Assets, LLC ("NALLC"), a Delaware limited liability company. NALLC is also the parent Company of Fort Cobb Fuel Authority, LLC ("FCFA") and Navitas TN NG, LLC ("Navitas TN"). FCFA is a regulated natural gas utility in Oklahoma providing natural gas service to approximately 4,600 retail customers in rural Oklahoma. Navitas TN was created for the purpose of acquiring and operating Gasco's Tennessee system.

NALLC's sister company, Navitas Utility Corporation ("NUC") is a Nevada Corporation that provides support services for NALLC and its subsidiaries.

¹ In 1995, the Commission approved Gasco's acquisition of the Albany Gas Utility Company and its Application for a Certificate of Public Convenience and Necessity to provide local gas distribution service to Albany, Kentucky. See Case No. 1994-00427, 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 (Ky. PSC Feb. 16, 1995).

² See Kentucky Secretary of State Online Database, <https://app.sos.ky.gov/corpscans/47/0704047-09-99999-20101101-REV-4564655-PU.pdf>.

³ In Re: Gasco Distribution Systems, Inc., Case No. 09-056171, (Bankr. S.D. Ohio, Filed June 1, 2009).

OVERVIEW OF THE TRANSACTION

Gasco and NALLC (together with its permitted assigns) entered into an Asset Purchase Agreement on July 9, 2010, which they amended on October 14, 2010 (collectively "APA"). On October 21, 2010, the Bankruptcy Court authorized the transfer of Gasco's assets to NALLC or its designated assigns pursuant to the terms and conditions of the APA. NALLC, pursuant to a Resolution signed on November 16, 2010, assigned all of its rights and privileges under the APA with regard to Gasco's Albany Kentucky distribution system to Navitas KY.

Gasco owns natural gas distribution facilities used to provide service to customers in Black Oak and Kentucky Hill in Whitley County, Kentucky and to customers in Albany, Kentucky. The only issue before the Commission in this proceeding is the proposed transfer of the Gasco facilities located in Albany. In 1990, this Commission authorized the Jellico Gas Utility, Inc. to provide natural gas service to the Whitley County customers pursuant to the jurisdiction of the Tennessee Public Service Commission (now the Tennessee Regulatory Authority ("TRA")).⁴ Navitas TN received approval from the TRA on December 30, 2010 to acquire and operate the Gasco systems located in Tennessee and Whitley County, Kentucky.

Navitas KY agrees to continue providing service to Gasco Albany's customers under the current terms and conditions and to adopt Gasco Albany's Kentucky tariff. If approval of the transfer is granted, NUC proposes to contract to operate the Gasco Albany facilities and to move the billing operations from Gasco's corporate offices in Ohio and its meter proving facilities to FCFA's Eakly, Oklahoma facilities.

⁴ See Case No. 1990-00208, Gas Service to Kentucky Customers by Ken-Gas of Tennessee, Inc. d/b/a Jellico Gas Utility, Inc. (Ky. PSC Aug. 13, 1990).

STATUTORY STANDARD

Under KRS 278.020(5), no person may acquire or transfer control of a utility until the Commission has determined that the acquirer has the financial, technical and managerial abilities to provide reasonable service. In addition, under KRS 278.020(6), no individual may acquire control of a utility unless the Commission has determined that the acquisition is made in accordance with the law, for a proper purpose, and is consistent with the public interest.

DISCUSSION

Navitas KY states that as part of the Navitas companies it has the financial, technical and managerial abilities to provide utility service to Gasco Albany's customers and thus meets the requirements of KRS 278.020(5).

Navitas KY states that in addition to the experience NALLC has with operating regulated natural gas utilities, it intends to maintain the extensive managerial and technical experience with the Kentucky system by contracting for the services of Gasco's current field service employee in Kentucky. In addition, Navitas KY intends to contract with and train an emergency relief person to be available when the Kentucky employee is on vacation or otherwise unavailable. Navitas KY states that it will work closely with Commission staff to ensure that the system is maintained properly.

Navitas KY provided the 2009 Federal and State Income Tax Returns and An Independent Auditor's Report for its parent company, NALLC, and NUC in support of its financial ability to own and operate the Gasco Albany system. Navitas KY states that it will finance the purchase of Gasco Albany by drawing down \$149,700 from a USDA Business and Industry loan secured in 2009.

Navitas KY also states that the proposed transaction is in accordance with the law, for a proper purpose, and is consistent with the public interest. Gasco Albany's natural gas suppliers and transporters will not change as a result of the acquisition. NALLC and its affiliates are committed to keeping rural communities in which they serve viable.

After careful consideration and deliberation, the Commission finds that sufficient evidence has been provided to support the assertion that Navitas KY will have the financial, technical, and managerial ability to provide reasonable service to Gasco Albany's consumers. The Commission further finds that the transaction will be made in accordance with the law, does not violate any statutory prohibition, and is consistent with the public interest. Having determined that the proposed transaction meets the statutory requirements, the Commission finds that Navitas KY should be permitted to acquire the assets of Gasco Albany as proposed and that Navitas KY should ensure that all transactions with its affiliates are in compliance with KRS 278.2201 through KRS 278.2219.

IT IS THEREFORE ORDERED that:

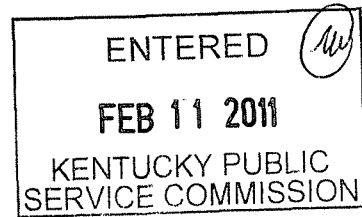
1. The transfer of the Gasco Albany assets to Navitas KY as proposed in the APA is approved.
2. Within 5 days of the consummation of the proposed transaction, Navitas KY shall file a written notice setting forth the date of the acquisition.
3. Within 20 days of the date of this Order, Navitas KY shall file an adoption notice pursuant to 807 KAR 5:011, Section 11, and in the form prescribed in 807 KAR 5:011, Section 15.

4. Within 20 days of the effective date of the asset transfer, Navitas KY shall file with the Commission the journal entries used to record the transfer.

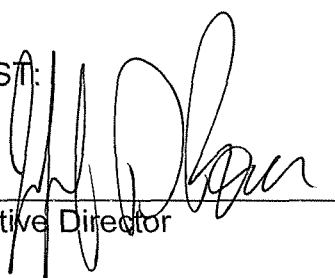
5. The scope of Commission approval herein shall not be construed to include accounting or ratemaking implications with regard to the accounting adjustments made by Navitas KY; nor does it represent approval of any indebtedness that Navitas KY may have incurred.

6. Gasco shall be responsible for filing its annual report for 2010 as required by statute and an annual report for the portion of 2011 that it owned and operated the Gasco Albany system.

By the Commission



ATTEST:



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