

November 21, 2017

Via Hand-Delivery

Ms. Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

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NOV 21 2017

PUBLIC SERVICE
COMMISSION

Re: In the Matter of: The Application of Apache Gas Transmission Company, Inc., for a Certificate of Public Convenience and Necessity Authorizing the Implementation of a Pipeline Replacement Program, Approval of Financing Pursuant to KRS 278.300 and the Application of Apache Gas Transmission Company, Inc., and Burkesville Gas Company, Inc., for Approval of a Gas Pipeline Replacement Surcharge and Tariff - Case No. 2017-00168

Dear Ms. Pinson:

Pursuant to the Commission's August 29, 2017 Order, enclosed please find for filing with the Commission in the above-referenced case an original and ten (10) copies of Apache Gas Transmission Company, Inc. and Burkesville Gas Company, Inc.'s, Motion to Approve Financing or in the Alternative Motion to Extend Deadline to Obtain Financing for the Pipeline Replacement Program.

Please do not hesitate to contact me if you have any questions.

Sincerely,



L. Allyson Honaker

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

**APPLICATION OF APACHE GAS TRANSMISSION)
COMPANY, INC., FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY AUTHORIZING THE)
IMPLEMENTATION OF A PIPELINE REPLACEMENT)
PROGRAM, APPROVAL OF FINANCING PURSUANT)
TO KRS 278.300 AND APPLICATION OF APACHE GAS)
TRANSMISSION COMPANY, INC. AND BURKESVILLE)
GAS COMPANY, INC. FOR APPROVAL OF A GAS)
PIPELINE REPLACEMENT SURCHARGE AND TARIFF)**

CASE NO.
2017-00168

**MOTION TO APPROVE FINANCING OR IN THE ALTERNATIVE
MOTION TO EXTEND THE DEADLINE TO OBTAIN FINANCING**

Come now Burkesville Gas Company, Inc. (“Burkesville”) and Apache Gas Transmission Company, Inc. (“Apache”) by counsel, pursuant to the Commission’s August 29, 2017 Order and provide the following update on the financing for the Pipeline Replacement Program (“PRP”):

Since the last status update, Apache has been able to secure, conditioned upon Commission approval, a portion of the financing through the Kentucky Highlands Investment Corporation (“Kentucky Highlands”).¹ The Kentucky Highlands Board has approved a \$50,000 loan with a 7.5% interest rate with a pay-back term of 72 months. The Board has also approved a separate \$100,000 term loan with a 7.5% interest rate with a pay-back term of 120 months, but that loan is contingent upon approval of the Small Business Administration granting a 75% loan guaranty on the note via the SBA 7A Community Advantage Program. Please see the letter attached as Exhibit

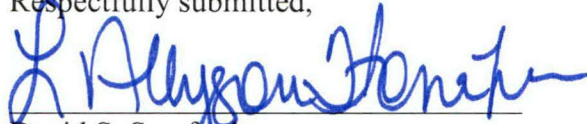
¹ More information regarding KHIC can be found on its website <http://www.khic.org/>.

A from Edgar Davis, Business Development Specialist with Kentucky Highlands for more details on the two loans. Kentucky Highlands understands that Commission approval of the proposed financing terms is required prior to Apache closing on either of the two loans.

Apache seeks Commission approval to be able to execute the documents required to obtain the two loans. Kentucky Highlands anticipates that the \$50,000 loan could be closed upon in the near future if Commission approval is granted, however the \$100,000 loan could take up to 150 days to close based on the involvement of the Small Business Administration and the approval process required. According to the Commission's August 29th Order, this case was to remain open for ninety days after the issuance of the Order, for Apache to obtain financing. Apache requests that the Commission approve the financing terms for both the \$50,000 and the \$100,000 loans or if more information is needed on these two loans, that the Commission extend the deadline for the case to remain open to secure financing. Apache would continue to file status reports regarding the financing as additional information is obtained regarding the closing dates, updated terms or approval process.

WHEREFORE, for the reasons set forth herein, Apache respectfully moves the Commission to approve the proposed financing terms for the PRP as described above and in Exhibit A, or in the alternative, to extend the deadline for this case to remain open to secure financing.

Respectfully submitted,



David S. Samford

L. Allyson Honaker

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Apache Gas Transmission Company, Inc.*

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November 9, 2017

Mr. David Tom Shirey
Apache Gas Transmission Company, Inc.
119 Upper River Street
Burkesville, KY 42717

RE: Apache Gas Transmission Company, Inc.

Dear Tom,

This letter is being written to provide a summation of activity of the Kentucky Highlands Investment Corporation Board of Directors' November meeting as it pertains to Apache Gas Transmission Company, Inc.

The Board was presented a two-part motion for approval. The first of which was for a \$100,000.00 term loan (at 7.5%, to be paid back in regular installments over the course of 120 months) to Apache Gas to be used for working capital. The next motion was for a separate \$50,000.00 term loan (at 7.5%, to be paid back in regular installments over the course of 72 months) to Apache Gas to be used for working capital, as well.

I'm happy to report that the Board approved both motions with the followings caveats:

- 1) The \$100,000.00 term loan is contingent upon the approval by the Small Business Administration to grant a 75% loan guaranty on the note via their SBA 7A Community Advantage program. It is *absolutely critical* that all parties involved understand and agree upon this contingency regarding the \$100,000.00 note.
- 2) The following collateral *must be* used to secure both the \$100,000.00 note as well as the separate \$50,000.00 note:
 - a. Apache Gas Transmission Company, Inc. will allow Kentucky Highlands Investment Corporation to file a UCC blanket lien on all assets of the company including, but not limited to:
 - i. All inventory, equipment, receivables, other intangible assets, assignment of any special assessments, and the assignment of all public and/or private easements held by Apache Gas granting their pipeline access in Metcalfe and Cumberland counties.

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- b. The corporate guaranty of Burkesville Gas which will be secured by a UCC blanket lien on all assets of the company including, but not limited to:
 - i. All inventory, equipment, receivables, other intangible assets, assignment of any special assessments, and the assignment of all public and/or private easements held by Burkesville Gas granting their pipeline access in Metcalfe and Cumberland counties.
 - c. The personal guaranties of David Tom and Kathy Shirey.
- 3) Under NO circumstances shall the approval and subsequent closing of the \$50,000.00 term note indicate any type of commitment to lend on the separate \$100,000.00 note. These notes are being treated separately and the \$100,000.00 note still carries its own particular set of contingencies described above.

Both term notes will be closed as soon as possible after the Kentucky Public Service Commission approves Burkesville Gas Company and Apache Gas Transmission Company to enter into these obligations. To close the \$50,000 term note would normally take about two to three weeks, but considering the collateral to secure both notes includes deeds and easements recorded in two separate counties, it will likely take longer. I anticipate the \$100,000 term loan to take approximately 150 days to close largely due to the involvement of the SBA and its related approval process.

This letter is to serve no other purpose than to provide an update as to the status of where the process currently lies regarding each individual note. Thank you.

Sincerely,



Edgar Davis
Business Development Specialist,
Kentucky Highlands Investment Corporation