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December 12, 2007

Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RECEIVED

DEC 12 2007

PUBLIC SERVICE
COMMISSION

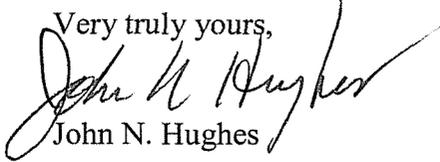
Re: Case No. 2007-00421

Dear Beth:

Please file the attached Responses to Attorney General's Initial Data Request of Gasco Distribution Systems, Inc. A copy has been delivered to the Attorney General.

If there are any questions about this matter, please contact me.

Very truly yours,



John N. Hughes

Attorney for Gasco

Attachments

RECEIVED

DEC 12 2007

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST RECOVERY)
FILING OF GASCO DISTRIBUTION SYSTEMS,) CASE NO. 2007-00421
Inc.)

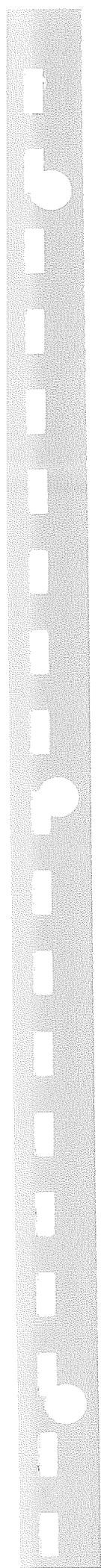
ATTORNEY GENERAL'S INITIAL
REQUEST FOR INFORMATION
TO GASCO DISTRIBUTION SYSTEMS, INC.

Witness responsible for the supervision of the
preparation and response to the questions on behalf
of Gasco Distribution Systems, Inc.:

Fred A. Steele
President
Gasco Distribution Systems, Inc.

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ATTORNEY GENERAL'S INITIAL
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1. Identify any and all qualifications Gasco has to engage in the gas LDC industry in the Commonwealth of Kentucky, exclusive of the fact that Kentucky Public Service Commission previously authorized Gasco to operate in the Commonwealth.

Gasco has successfully operated 8 regulated gas utilities in 5 states for the last 17 years. Gasco has operated the Albany system since 1993. During that time the number of customers has increased from approximately 46 to 131. There have been no complaints from those customers about service and there have been no service interruptions since installation of the replacement pipeline in 2000. The company has successfully operated a small, very rural system for over 13 years without a rate increase.

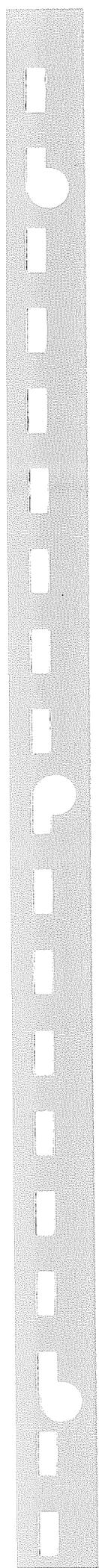
The KYPSC has inspected the system a number of times and found it to be in compliance with its regulations. Except for the oversight in filing the GCR, the company has been effectively and efficiently operated and managed.

(a) Does Gasco operate under any other assumed names?

Gasco Distribution Systems, Inc. ("Gasco") is the corporate name. Reference to Gasco is sometimes referred to as Gasco Albany Division.

(b) Does Gasco have any affiliates or subsidiaries?

Gasco Distribution System, Inc. parent company
The Titan Energy Group, Inc. – wholly owned subsidiary of Gasco
Gasco, Inc. - Wholly owned subsidiary of Titan. No longer active.
Energy Acquisition Corporation – Wholly owned subsidiary of Titan. No longer active



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2. State how many employees Gasco currently has (both those devoted to its Kentucky-based operations and its operations in other jurisdictions), and its total employee count for each of the past ten (10) years.

	Total Company Employees
Current Employees	6
2007	13
2006	16
2005	17
2004	17
2003	18
2002	19
2001	20
2000	20
1999	20
1998	20

(a) For each of the past ten (10) years, how many Gasco employees have been responsible for working on Gasco's Kentucky business operations?

All of the following individuals have devoted some portion of their time to Kentucky Business operations:

Fred A. Steele	Charles D. Hercher
Kenneth D. Magyar	Trina L. King
Gordon R. Brothers	Twila Wright
Lori Huffman	Bruce Tom
Frank D. Cash	Ken LePage

(b) For each of the past ten (10) years, identify by name those employees who have been responsible for working on Kentucky business operations.

All of the following individuals have devoted some portion of their time to Kentucky Business operations:

Fred A. Steele	Charles D. Hercher
Kenneth D. Magyar	Trina L. King
Gordon R. Brothers	Twila Wright
Lori Huffman	Bruce Tom
Frank D. Cash	Ken LePage

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- (c) **With regard to each employee responsible for working on Gasco's Kentucky business operations, identify any and all qualifications each such employee possesses, including any and all job-specific training each such employee has undertaken and accomplished.**

Fred A. Steele, Certified Public Accountant, Ohio University, 30 yrs energy business

Kenneth D. Magyar, Geologist, Muskingum College, 25 yrs energy business

Trina L King, Accounting, Muskingum College, 30 yrs energy business

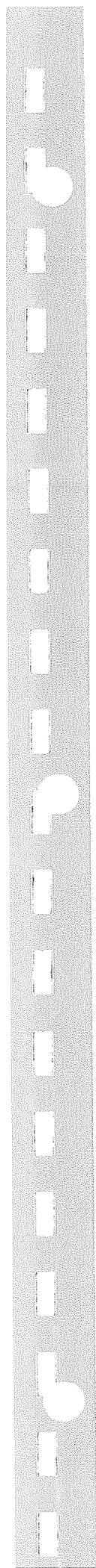
Gordon R. Brothers, Certified Public Accountant, Ohio University, 30 yrs accounting business

Charles D. Hercher, Petroleum Engineer, Marietta College, 35 yrs energy business

Lori Huffman, 15 yrs utility billings

Bruce Tom, 10 yrs utility billings, accounting

Twila Wright, bookkeeper



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3. In what other jurisdictions does Gasco currently operate?

Kentucky Public Service Commission
The Public Utilities Commission of Ohio
Tennessee Regulatory Authority

If it does operate in other jurisdictions, provide full details as to any and all customer under-billings and /or over-billings for the past ten (10) years, including the amount, and the disposition of each such instance of under or over billings.

There have been no commission investigations for customer over or under billings.

(a) On August 31, 2005 the Consumer Advocate of the Commonwealth of Pennsylvania filed a complaint with that state's Public Utility Commission (Docket No. R-00085624, copy attached hereto) regarding a filing submitted by Gasco seeking a rate increase. Since Gasco was able to submit filings regarding its Pennsylvania customers, explain why it was not able to do so for its Kentucky-based customer

Gasco is a very small company and this determination was made to allocate the human resources available to Gasco to the most pressing issue first. Because of the number of pending matters in other jurisdictions with operations much larger than Kentucky and the loss of an employee that was responsible for a number of financial issues, the remaining staff was unable to monitor the Kentucky filings as closely as needed.

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- (b) **Regarding the above-referenced complaint filed on August 31, 2005, the Pennsylvania Consumer Advocate alleged in a Formal Complaint that that state's Bureau of Audits recommended more than \$108,189 in total adjustments to Gasco's E-factor in its 2005 filing to address understated GCR revenues, clerical errors, overstated gas costs, incorrect billings, rate charges and "negligent" reporting of pipeline refunds (Docket No. 03GCR025), and that based on that filing, the Advocate was concerned that the Company was not engaging in sufficient price risk management by entering into fixed price contracts for natural gas supplies, which would help to reduce price volatility. Provide the disposition of Pennsylvania Complaint case R-00085624.**

A copy of the Order is attached.

- (c) **Provide full details of any and all regulatory penalties and fines Gasco incurred in its West Virginia-based operations. Explain fully why Gasco did not appear at a formal hearing held on January 21, 2004 by the Public Service Commission of West Virginia (Case No. 03-1281-G-SC) regarding the company's failure to file its annual report. Explain the disposition of this administrative case.**

Gasco sold its assets in West Virginia on January 9, 2003 and is no longer under the jurisdiction of the West Virginia Public Service Commission.

- (d) **Has Gasco fully complied with filing procedures in West Virginia since the date of the above-referenced case?**

Gasco sold the assets in West Virginia on January 9, 2003 and therefore is no longer under the jurisdiction of the West Virginia Public Service Commission.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	M-00051892
	:	
GASCO Distribution Systems, Inc. –	:	
Kane Division GCR Filing	:	

RECOMMENDED DECISION

Before
Fred R. Nene
Administrative Law Judge

I. **HISTORY OF THE PROCEEDING**

On or about August 4, 2005, GASCO Distribution Systems, Inc. – Kane Division (“Gasco”) filed with the Commission its annual gas cost rate (GCR) filing pursuant to Section 1307(a) of the Public Utility Code, 66 Pa. C.S.A. §1307(a), to become effective September 1, 2005. The filing was revised on August 12, 2005. In the filing Gasco sought Commission approval for an increase in the company’s GCR. The proposed rate change would establish a GCR of \$1.86340 per Mcf with a base cost of gas of \$10.9850. The then-current GCR was \$1.25350 with a base cost of gas of \$8.1550 per Mcf. On August 25, 2005, the Commission approved the proposed total gas costs, subject to Commission review and audit. Under the approved rates, the bill for an average residential heating customer using 125.4 Mcf per year increased by \$431.30.

On August 31, 2005, the Office of Consumer Advocate (“OCA”) filed a formal complaint questioning whether Gasco’s proposed rates might be unjust or unreasonable (M-00051892). On September 12, 2005, the Office of Trial Staff (“OTS”) filed a Notice of

Appearance in the matter. On December 8, 2005, a Prehearing Conference was held telephonically before the undersigned Administrative Law Judge. The parties, at that time, stated that they were engaged in settlement discussions and it was agreed that a report on the status of those discussions would be made by January 9, 2006. On that date the parties indicated that they felt that a settlement could be reached by February 8, 2006.

On February 7, 2006, I received a Joint Petition for Settlement executed by counsel for Gasco and counsel for OCA requesting the Commission's approval of the terms and conditions contained in that petition. The referenced Joint Petition for Settlement, a copy of which is attached hereto, and marked "ATTACHMENT A" is incorporated as a part of this Recommended Decision. Also attached and incorporated herein is a statement by Gasco ("Statement 1") and a statement by OCA ("Statement 2"). Each of these statements explain why the party supports the settlement agreement and each urges the Commission to approve the terms and conditions contained in the settlement agreement. OTS raised no objections to the proposed settlement.

For the reasons stated below, I am recommending that the Commission approve the Petition for Settlement and conclude its investigation into this matter.

II. TERMS AND CONDITIONS

The terms and conditions of the Joint Petition for Settlement are listed in Paragraphs 11 through 21 inclusive. Reciting those paragraphs here would be repetitious and unnecessary.

III. DISCUSSION

It is consistent with the Commission's policy to encourage the parties to contested, on-the-record proceedings to attempt to reach negotiated settlements. See, 52 Pa. Code §§5.221 and 5.231. Settlements eliminate the time, effort and expense of litigating a matter to its ultimate conclusion, which could include review of the Commission's decision by

the appellate courts of Pennsylvania. Such savings benefit not only the individual parties, but also the Commission and all the utility's ratepayers, who otherwise might have to bear the financial burden that such litigation entails.

The settlement submitted for consideration in this matter is based on significant discovery and discussions between Gasco and the Office of Consumer Advocate. It reflects compromises on both sides and achieves the goal of reducing the expenses of litigation which ultimately benefits all of the company's ratepayers.

In addition the agreement provides that Gasco will provide more stringent reporting as part of its 2006 and 2007 GCR filings. Specifically, Gasco agrees to provide OCA for the next two years with detailed information allowing OCA to track and monitor the company's repair and replacement of mains as this information relates to gas leaks in the company's system.

Secondly, Gasco will provide for the next two years additional schedules more accurately reflecting the company's purchases of gas as well as the volumes of gas currently flowing through its system.

Thirdly, Gasco will supply the information necessary for a more apt evaluation concerning "hedging" its gas purchases to stabilize the gas costs paid by its customers.

Fourthly, both Gasco and the OCA agree that if the Bureau of Audits in its review of Gasco's 2005 filing, finds errors in Gasco's gas costs and related gas cost rates amounting to more than 5% of its total gas sales for that period, the Commission may direct the Bureau of Audits to review the company's gas cost rates in each of the two subsequent calendar years.

Finally, in any instance where Gasco did not maximize purchases of gas from its lowest cost suppliers in any month during the historical GCR period, Gasco will provide additional data in the form of a description of operational constraints or other factors that prevented it from maximizing purchases from these lowest cost suppliers.

For all of these reasons I find the Joint Settlement Petition to be in the public interest. Implementation of the terms of this agreement will increase and facilitate oversight of the company's gas procurement activities and bring Gasco's practices more in line with those of other gas distribution companies. Doing so will help reduce and stabilize gas costs and should ensure the safe and adequate supply of gas to Gasco's customers.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the parties to and the subject matter of this proceeding.
2. The terms and conditions contained in the Joint Petition for Settlement ("ATTACHMENT A") are in the public interest.
3. The Commission should approve the Joint Petition for Settlement submitted by the parties in this matter.

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Settlement submitted by GASCO Distribution Systems, Inc. – Kane Division and the Office of Consumer Advocate at Docket No. M-00051892, is approved.
2. That GASCO Distribution Systems, Inc. – Kane Division and the Office of Consumer Advocate shall comply with all the terms and conditions of said Joint Petition for

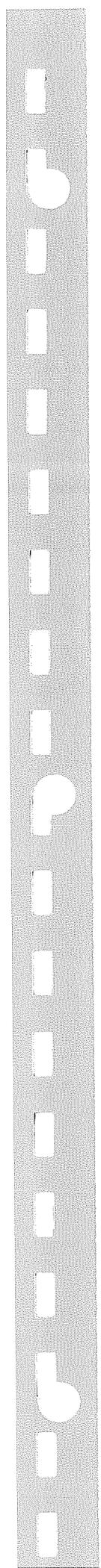
Settlement as though each term and condition had been the subject of an individual ordering paragraph.

3. That the investigation at Docket No. M-00051892, including all complaint dockets associated therewith, are terminated and marked closed.

Dated: February 15, 2006



Fred R. Nene
Administrative Law Judge

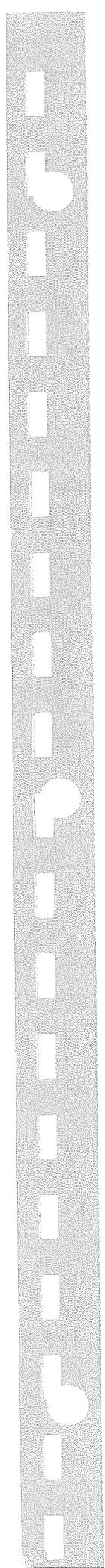


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- 4. Provide details of the qualifications of Mr.. Gordon R. Brother possessed to engage in and be responsible for Gasco's Kentucky business operations. Include in your response the number of years of his experience in the gas LDC industry, the number of years Gasco employed him, and any and all job-specific training he has undertaken and accomplished.**

At the time of the hiring of Mr. Gordon R. Brothers he was licensed in the state of Ohio and West Virginia as a certified public accountant.

Mr. Brothers worked in a public accounting firm and had performed duties in preparing annual reports for other small natural gas utilities. Mr. Brothers did attend various seminar and training courses prior to being employed by Gasco as well as during the period of time he was employed by Gasco. Mr. Brothers had approximately 10 years of experience in the gas LDC industry and was employed at Gasco for approximately 3 ¾ years.



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5. Please specify the exact date of Mr. Brother's departure, and any and all circumstances surrounding his departure. Also, please answer the following:

(a) Was Mr. Brother terminated? If so, did the reason(s) for his termination include any misfeasance and / or malfeasance with regard to the company's Kentucky business operations?

Mr. Brothers was terminated on August 1, 2001. Mr. Brothers was terminated because of poor work performance.

The definition of malfeasance or misfeasance probably does not apply to Mr. Brothers in that he was not a public employee, but an employee of a private company who failed to perform his duties in a proper manner.

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- (b) **Was Mr. Brother given any financial incentives to leave the company? If so, provide details.**

No.

- (c) **Who replaced Mr. Brother as company treasurer, and when?**

Fred A. Steele the President assumed the title of Treasurer after Mr. Brothers was terminated.

- (d) **Was the person who replaced Mr. Brother responsible for Kentucky filings? If not, who became responsible for such filings?**

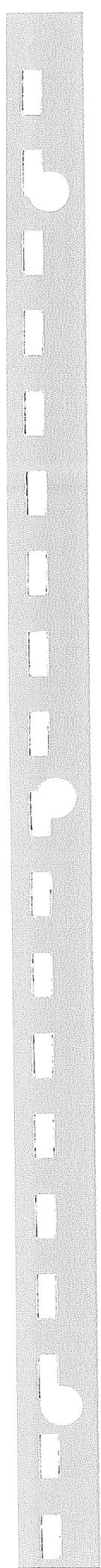
Mr. Steele did not assume the responsibility for actually preparing the filings but did assume the responsibility of which filings would be addressed first.

- (e) **Identify the company personnel responsible for billing Kentucky customers from January 1, 2002 up through and including the present date.**

Lori Huffman – January 1, 2002 through September 30, 2005
Bruce Tom- September 30, 2005 through June 30, 2007
Twila Wright- September 30, 2005 to present

- (f) **Reference Mr. Magyar's letter to Ms. O'Donnell dated Sept. 25, 2007. Identify the person(s) responsible for the billing error referenced in the next to last paragraph.**

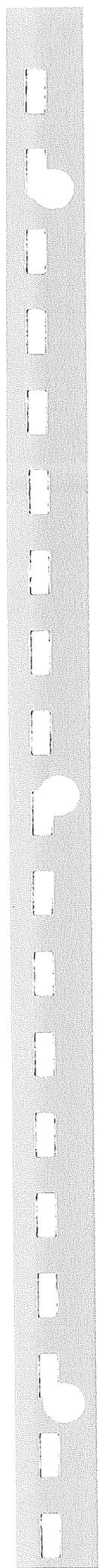
This was an oversight not made by any one person at Gasco, Gasco was not aware the higher rate approved in Case No. 2002-00426 was not being billed.



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6. Identify any and all measures Gasco took following Mr. Brother's departure to insure that all of the company's Kentucky business operations, including filings, were being overseen by qualified personnel.

Upon the termination of Mr. Brothers other Gasco personnel along with outside accountants began to prepare the filings required in all of its jurisdictions. It became a company priority to become compliant in all jurisdictions. However, due to an oversight, the Kentucky filing was not tracked as it should have been. The responsibility for that rests with management as well as with the staff that attempted to assume all duties of Mr. Brothers.

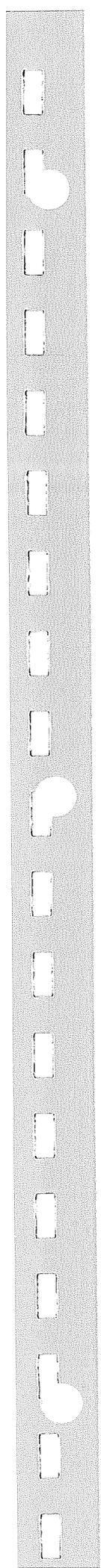


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- 7. Identify, with specificity, any and all measures Gasco has in place to insure the safety of its Kentucky-based LDC system both before and after Mr. Brother's departure. Include in your response the number of employees devoted to safety and repair issues, their names and titles, and the qualifications and experience of each such employee.**

Mr. Brother's duties did not make him directly responsible for the safety of customers. There has been no change in the number of local employees or the availability of personnel for repairs or safety related matters.

Frank Cash, Manager, 25 yrs energy business, Operator Qualified for safety and repair issues.



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8. Did Mr. Brother's responsibilities include jurisdictions other than the Commonwealth of Kentucky? Identify which jurisdictions. Also, please answer the following:

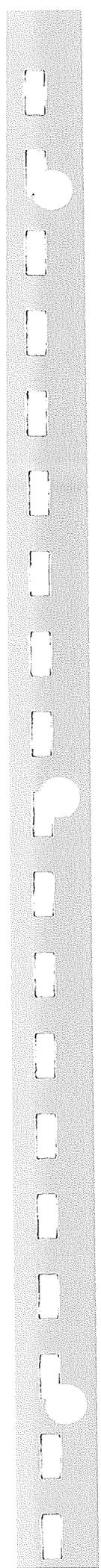
Mr. Brothers was involved with matters in all jurisdictions.

- (a) Did Mr. Brother's departure disrupt Gasco's operations in any other jurisdiction? If so, state with specificity exactly how, and any and all measures Gasco took to minimize any such disruptions.**

Yes. Gasco experienced similar problems as to the timeliness of its filings and moved to bring the company into compliance.

- (b) If Mr. Brother was responsible for filings in other jurisdictions, state how long it took for the company to find qualified personnel to handle filings in each such jurisdiction.**

Gasco has worked diligently since Mr. Brothers termination to correct problems in other jurisdictions as well as Kentucky. It has been an evolving process finding personnel capable of handling the necessary filing in each jurisdiction.



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9. Provide Gasco's website address.

www.gascodistribution.com

- (a) State the rate applicable to Kentucky customers that was advertised on this web site, how long it was advertised, and any and all changes in the advertised rate since the date the rate was first advertised.**

Rates posted on Gasco website (9-01-02 through 12-6-07)

	Rate	GCR	Base Rate
Residential	\$9.8320	\$5.212	\$4.62
Commercial	\$8.8320	\$5.212	\$3.62

Rates posted on Gasco website (12-6-07 through current date)

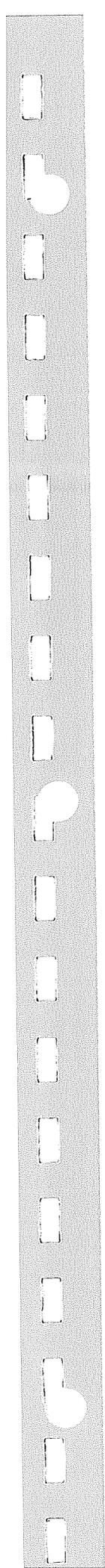
	Rate	GCR	Base Rate
Residential	\$9.8320	\$8.6075	\$4.62
Commercial	\$8.8320	\$8.6075	\$3.62

- (b) Reference Gasco's website. Explain why there is no information regarding "Call Before You Dig" for the company's Kentucky based customers.**

Gasco added appropriate Kentucky Always Call Before You Dig telephone numbers of 811 and 1-800-752-6007.

- (c) If Kentucky customers were to call the listed emergency contact number, would that number direct the caller to company personnel who could adequately address an emergency in Kentucky? Provide specific details in your response.**

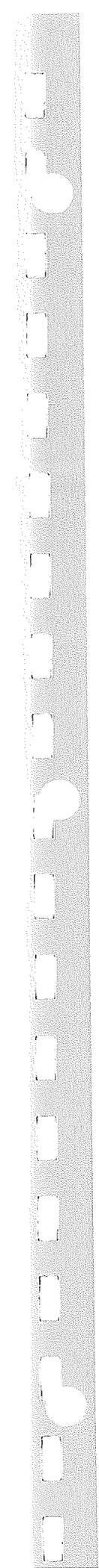
Gasco's emergency 24- hour number is 1-877-234-2726. If a Kentucky customer were to call our emergency telephone number, the customer would be connected to our emergency answering service who would contact the Gasco personnel who could adequately address an emergency in our Clinton County Kentucky service area.



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10. In Kentucky Public Service Commission Case No. 2000-084, Gasco was identified as the recipient of a loan guaranteed by Titan Energy Group, Inc. and made by the Enron Finance Corp. Provide an update on the status of this loan, and any and all other details relevant to that case.

The loan made by Enron Finance Corporation was satisfied in May 2000.



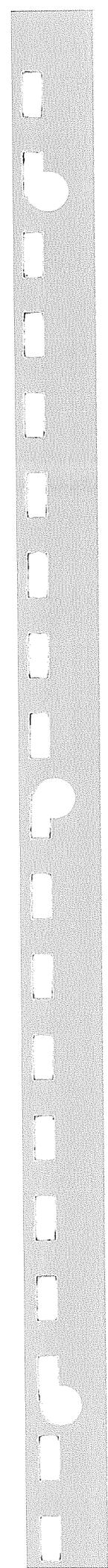
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11. On May 5, 2000 the Kentucky Public Service Commission in Case No. 2000-147 issued an order scheduling a hearing regarding a safety related complaint. Explain the disposition of this matter.

The Kentucky Public Service Commission Ordered the following for Case No. 2000-147:

1. For its willful violation of KRS 278.02(1), Gasco is assessed a penalty of \$2500, pursuant to KRS 278.990(1). Gasco shall pay \$500 with 10 days of this Order. The balance of \$2,000 shall be probated for a period of 5 years from the date of this Order, provided there are no further violations and Gasco timely performs the following:
 - a. Within 15 days of the date of this Order, Gasco shall file as-built drawings of the pipeline.
 - b. Within 30 days of the date of this Order, Gasco shall file construction specifications of the pipeline.
 - c. Within 30 days of the date of this Order, Gasco shall file construction copies of the certificates to join plastic pipe for the individuals who performed the butt fusion of the pipe and a copy of procedures used.
 - d. Within 30 days of the date of this Order, Gasco shall file copies of all pressure test records performed on this pipeline.
 - e. Within 30 days of the date of this Order, Gasco shall file a copy of all inspection and/or progress reports on this pipeline.
2. At the request of a Commission inspector, Gasco shall uncover such sections of pipeline as that inspector shall deem necessary to determine if the pipeline is in compliance with Commission regulations for construction and safety.
3. Fred A. Steele, President of Gasco, for his conduct in directing Gasco's willful violation of KRS 278.020(1), is assessed a penalty of \$2,500, pursuant to KRS 278.990(1). Mr. Steele shall pay \$500 within 10 days of the date of this Order. The balance of \$2,000 shall be suspended for a period of 5 years from the date of this Order, provided Mr. Steele does not direct to commit further violation of Commission statues and regulations.
4. Charles D. Hercher, vice president of operations, not having been found in willful violation of KRS 278.020(1), is dismissed as a party in this matter.
5. The penalties assessed in this Order, except for those potions that are suspended as described herein, are payable, within 10 days of the date of this Order, to the Kentucky State Treasurer, by cashiers' check, mailed or delivered to the Office of General Counsel, Public Service Commission, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky 40602.

Done at Frankfort, Kentucky, this 19th day of October, 2000.



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12. Reference Commission data request 3 (c). In the event the Commission, pursuant to KRS 278.225 limits Gasco's recovery to the two year period set forth in that statute, how does Gasco intend to survive financially?

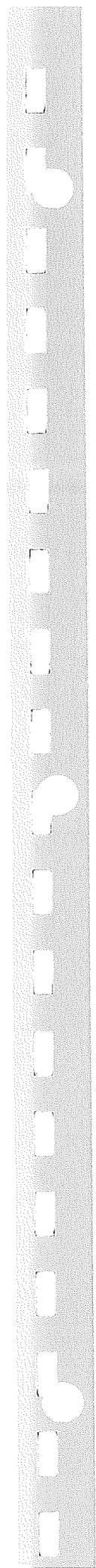
In the event the commission pursuant to KRS 278.225 limits Gasco's recovery to the two year period set forth in the statute it will place Gasco into dire straits financially. The inability of Gasco not being able to recover these monies will severely limit the company's option of going forward.

(a) Will the company have to file for bankruptcy?

The effect of not allowing the gas cost recovery will severely hamper the financial position of Gasco and will limit its ability to operate the utility in Kentucky at the same high level it has in the past and put the company in a severe financial condition.

(b) Does the company have any plans to do so?

The company currently has no plans to file bankruptcy.



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13. Is there any affiliation of any type or sort between Gasco and Titan Energy Corp. ("Titan")?

(a) Do any of Gasco's principles have any financial interest of any type or sort with Titan?

Gasco Distribution Systems, Inc. is the parent company of The Titan Energy Group, Inc. a wholly owned subsidiary. The principles are the same.

(b) Does Gasco have any suppliers other than Titan?

Gasco in Albany, Kentucky is supplied by a pipeline owned by Titan; the following are the additional suppliers; Eagle Energy Partners I, L.P. – Marketer interstate pipeline supplier.

Arnco Oil Company – Local well producer

Dan Page – Local well producer

(c) Has Titan made any demands upon Gasco for amounts due? If so, explain in detail and provide any relevant documentation.

The Titan Energy Group, Inc. is a wholly owned subsidiary of Gasco Distribution Systems, Inc. and effectively owned by the same shareholders no demands have been made to date. In the event the Titan Energy Group, Inc. were to become insolvent the creditors of The Titan Energy Group, Inc. would expect all monies owed by Gasco Distribution Systems, Inc. to be repaid with interest.

AFFIDAVIT

State of Ohio

County of Muskingum

I, Fred A. Steele, President after being sworn, state that these responses to these requested questions of the Public Service Commission of Kentucky for Case No. 2007-00421 on behalf of Gasco Distribution Systems, Inc. are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.

Sworn to before me by Fred A. Steele on this 10th day of December, 2007.


Fred A Steele
Fred A. Steele

Trina L King
Notary Public

Trina L. King
Notary Public, State of Ohio
My Commission Expires 8-9-2012