

October 12, 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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OCT 12 2017

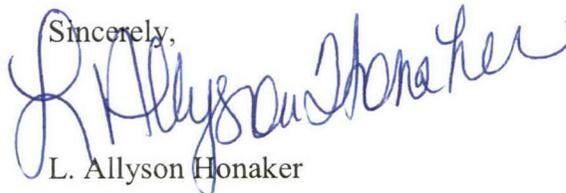
PUBLIC SERVICE
COMMISSION

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, Status Report regarding the 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

STATUS UPDATE

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, there have been several potential financing options that have been pursued over the past several months, however, there is one track that seems the most favorable and able to close at this time. On Friday June 30, 2017 Business Development Specialist, Mr. Edgar Davis of Kentucky Highlands Investment Corporation (“KHIC”) and Mr. Shirey met near Monticello, Kentucky to discuss the joint Apache Gas Transmission Company (“Apache”) and Burkesville Gas Company, Inc. (“BGC”) Pipeline Replacement Program (“PRP”). In the early 1990s, Mr. Davis was the Vice President of Commercial Lending at Monticello Banking Company located in Monticello, Kentucky (the “Bank”) that was servicing, although not the originator, the Small Business Administration (“SBA”) community development loan for BGC’s predecessor. Mr. Davis was one of the key bank personnel that assisted in restructuring, reorganizing and

recapitalizing the assets for BGC (the acquiring entity) including creating a new loan from which proceeds of about \$250,000 were made available to finish the distribution system in the City of Burkesville. After much discussion, meetings and approvals, the SBA agreed to subrogate its first lien position in favor of the Bank for the new loan until the new loan was paid in full. This note was paid off by Fiscal Year End 2002.

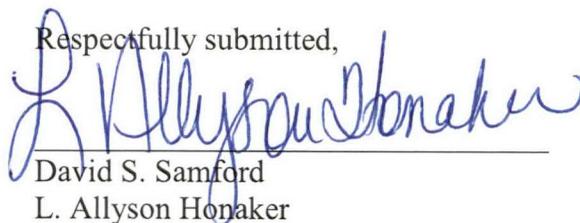
One of the matters discussed at the June 30 meeting were the difficulties Mr. Shirey had encountered to obtain financing for the PRP project. The reasons discussed for the difficulties included the Company's net loss carry forward, largely incurred during the first ten years of operation, and the reluctance of lenders to accept Apache's unencumbered transmission line as acceptable security for a new loan. At the end of that meeting Mr. Davis stated that he would try to help. He ask for several items of financial information, a signed application, and some time to think of financing strategies.

On September 5th, Mr. Shirey received a communication from Mr. Davis stating he wanted to arrange a meeting with him, Mr. Mark Bolinger, Vice President of Business Lending for Kentucky Highlands Investment Corporation and Mr. Shirey at the BGC office in Burkesville to discuss the project in more detail. The meeting date that worked for all was September 18, 2017. The meeting lasted for about an hour and a half, after which, in Mr. Shirey's view, both Mr. Davis and Mr. Bolinger left with a determination to figure out a way to get the financing for the PRP completed. It was beneficial that Burkesville and Apache had received the Commission's Order approving the PRP charge by this meeting date. Subsequently, Mr. Shirey received an email from Will Ball, Financial Analysis for KHIC, asking for some additional financial information which Mr. Shirey has provided.

On October 4, 2017, Mr. Shirey had a telephone conversation with Mr. Davis. Mr. Davis described the plan of financing that he thought could be provided by and/or through KHIC. He described a two tier financing plan that would begin with \$50,000 of financing using the KHIC's Micro Loan program to be closed very soon. Then they would follow up with a \$100,000 loan utilizing a SBA Community Development Loan with KHIC as the Community Advantage Loan originator. The second tier loan would take longer to close due to the multiple entity involvement and approvals needed. On that same day, Mr. Shirey received a follow-up email from Mr. Ball requesting three year projected financial information. This information should be sent to Mr. Ball on or about October 13, 2017. Mr. Shirey feels confident, based on his 35 plus years in business that this financing opportunity with KHIC seems to be going down a path to get closed. Depending on the time to get the first tier closed, needed Commission approvals, funds available and the construction schedule of contractors, Apache may be able to complete the Doug Lewis B section repairs and the Allen Creek Road Drainage Ditch repair and pay project related soft cost incurred to date before this winter heating season.

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

Respectfully submitted,



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Apache Gas Transmission Company, Inc.*