

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of

APPLICATION OF EQUITABLE GAS)
COMPANY FOR AUTHORITY TO) CASE NO. 7864
ISSUE SECURITIES)

O R D E R

On May 22, 1980, Equitable Gas Company filed its duly verified Application seeking the approval of the Commission to borrow the aggregate principal sum of not in excess of \$10,000,000 and to issue a Promissory Note in the amount of up to \$10,000,000 aggregate principal amount (and if applicable, a Term Loan Note in the amount of the Commitment by Mellon Bank to Company as of May 1, 1983), under the provisions of a Revolving Credit and Term Loan Agreement dated as of May 1, 1980, by and between the Company and Mellon Bank, N.A.

The Promissory Note shall be paid on or before April 30, 1983 in the amount of the lesser of (i) the principal sum of Ten Million Dollars (\$10,000,000) or (ii) the aggregate unpaid principal amounts of all loans made by the Bank to the Company under the Revolving Credit and Term Loan Agreement, together with interest from the date hereof on the unpaid balance of principal until maturity, payable on the last business day of each January, April, July and October after the date thereof, commencing on July 31, 1980 to and including April 30, 1983, at a rate per annum (based on a year of 365 or 366 days, as the case may be) which shall be equal to the higher of the Prime Rate or the Commercial Paper Rate in effect from time to time, such interest rate to change automatically from time to time effective as of the date of each change in such Rates, and at 1% above the interest rate which would otherwise be applicable on such part of the principal sum as shall not be paid when due for any period during which the same shall be overdue.

On May 1, 1983, Equitable shall have the option either to pay off the entire amount of the outstanding loan or to convert the Agreement in question into a Term Loan Agreement, in which latter event the Agreement will remain in effect until April 30, 1987.

If Equitable chooses to convert the Agreement in question into a Term Loan Agreement until April 30, 1987, Equitable may borrow from the Bank a sum not in excess of the amount of the commitment as of May 1, 1983, evidenced by a Term Loan Note.

The Term Note shall be payable in sixteen quarter-annual principal installments on the unpaid balance payable on the last day of each January, April, July and October in each year commencing on July 31, 1983 to and including April 30, 1987, together with interest from the date thereof on the unpaid balance of each installment of principal, payable quarterly on the last day of each January, April, July and October after the date thereof until maturity and thereafter on demand, at a variable rate per annum (based on a year of 365 or 366 days, as the case may be) determined as follows:

(a) Until the principal amount of such installment shall have become due, the rate of interest shall be equal to the following percentages of the higher of the Prime Rate or the Commercial Paper Rate in effect from time to time:

<u>Period</u>	<u>Percentage</u>
To and including April 30, 1984	100%
Thereafter, to and including April 30, 1987	100.25%

such interest rate to change automatically from time to time as of the date of each change in such Rates; and

(b) After the principal of any such installment shall have become due, by acceleration or otherwise, the rate of interest shall be 1% above the otherwise applicable interest rate determined as set forth in clause (a), subject to change as aforesaid from time to time, on such part of the principal amount as shall not be paid when due for any period during which the same shall be overdue.

The net proceeds to be derived from the borrowing shall be used to refund \$6,400,000 of Equitable Gas Company 3-3/8% First Mortgage Bonds, Series due June 1, 1980, and the balance will be used to finance a portion of 1980 construction program of Applicant and its subsidiaries. The remaining portion of funds required for the 1980 construction program will be provided from cash becoming available from operations and, if necessary, from short-term borrowings.

After the hearing held June 5, 1980, at which there appeared no party of interest other than the Applicant, and upon consideration of the Application and record and being advised, the Commission finds that the financing proposed herein is for a lawful object within the corporate purposes of the utility, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service and is reasonably necessary and appropriate for such purpose.

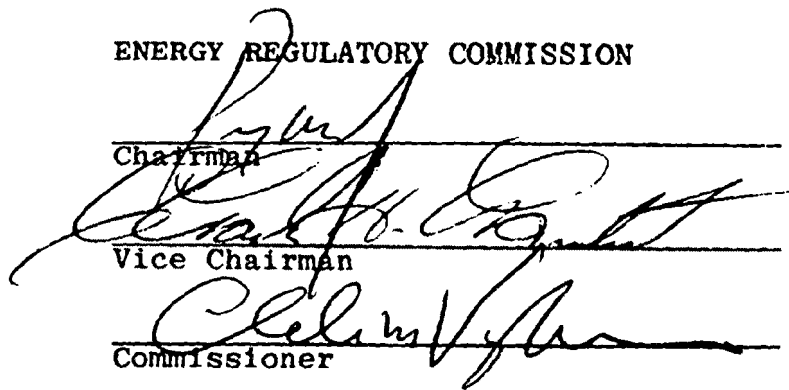
IT IS THEREFORE ORDERED, that Equitable Gas Company be, and hereby is, authorized to borrow not in excess of \$10,000,000 aggregate principal amount and to issue a Promissory Note (and if applicable, a Term Loan Note), bearing interest at the rates as stated hereinbefore.

IT IS FURTHER ORDERED, that the proceeds from the financing authorized herein shall be used only for lawful purposes as set out in the Application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this the 20th day of June, 1980.

ENERGY REGULATORY COMMISSION


Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary