

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MAJOR GATHERING COMPANY)
FOR APPROVAL OF THE TRANSFER AND SALE) CASE NO. 90-241
OF SHAWNEE PIPELINE COMPANY)

O R D E R

On August 16, 1990, Major Gathering Company ("Major Gathering"), a Pennsylvania corporation, petitioned this Commission for an Order approving the sale and transfer of the Shawnee Pipeline Company to Major Gathering. An informal conference was held October 5, 1990 between Major Gathering and Commission Staff wherein Major Gathering agreed to waive the 60 day time limitation for Commission action for an additional 30 days to allow further review of the petition. That waiver was filed into the record on October 12, 1990. Revised financial statements consisting of a pro forma balance sheet, ownership statement and journal entries, and the joint venture agreement were filed by Major Gathering on October 25, 1990.

Major Gathering proposes in its petition to enter into a joint venture arrangement under the general partnership laws of Pennsylvania in order to acquire Shawnee Pipeline. Major Gathering proposes under the joint venture arrangement to acquire a 53.1250 percent ownership interest in Shawnee Pipeline. Each of the other eight participants in the joint venture arrangement will individually own between 4.6875 percent up to 9.3750 percent of

the remainder of Shawnee Pipeline. The management of Shawnee Pipeline will be solely Major Gathering's responsibility. Major Gathering represents that Shawnee will be operated in the same manner after the transfer as it is now being operated and that the impact on existing customers will be minimal.

After consideration of the record in this case and being otherwise sufficiently advised, the Commission finds the following:

KRS 278.020(4) provides that no person shall acquire ownership or control of a utility without prior Commission approval. This statute further provides that Commission approval shall be granted if the person acquiring the utility has the financial, technical, and managerial expertise to provide reasonable service. The principal shareholders of Major Gathering, Frank F. Ross, Frank J. Ross, and Jerald L. Rushmore, were profiled in Exhibit 2 to the application. That exhibit demonstrates that all three shareholders have extensive experience in the production, gathering, and transportation of oil and natural gas. Both Frank F. and Frank J. Ross hold bachelors degrees in petroleum and natural gas engineering and are associated with the Energy Pipeline Company which consists of 40 miles of gathering and transportation lines from producers to major industrial end-users in Pennsylvania. Mr. Rushmore has had extensive involvement with the oil and gas industry since 1962 including positions as director of production, transmission, and storage for the Michigan Consolidated Gas Company and currently as senior vice president of marketing for Consolidated Fuel

Corporation a national supplier of natural gas to LDCs and end-users.

The three shareholders of Major Gathering have contributed \$30,000 to the joint venture capital used to acquire Shawnee Pipeline and pursuant to the joint venture agreement will hold in excess of 53 percent interest in Shawnee Pipeline if the transfer is approved. Based upon the foregoing, the Commission finds that Major Gathering and its principals, Frank F. Ross, Frank J. Ross, and Jerald L. Rushmore, possess the financial, managerial, and technical expertise to continue to provide reasonable service to the customers served by Shawnee Pipeline.

Appropriate accounting entries should be made on the books of Shawnee Pipeline to reflect the transfer of assets. These entries should be filed with the Commission by Major Gathering and care should be taken to see that they are in conformity with the requirements of the Uniform System of Accounts for natural gas utilities.

IT IS THEREFORE ORDERED that:

1. The transfer of the assets of Shawnee Pipeline to Major Gathering be and it hereby is approved.
2. Within 10 days of the date of this Order, Major Gathering shall file with the Commission an executed adoption notice adopting the rates of Shawnee Pipeline.
3. Within 10 days of the date of this Order, the appropriate accounting entries shall be filed by Major Gathering to reflect the asset acquisition of Shawnee Pipeline Company.

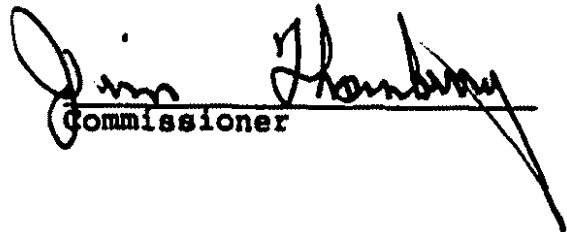
4. Within 10 days of the date of this Order, Major Gathering shall file a copy of the executed joint venture agreement.

Done at Frankfort, Kentucky, this 12th day of November, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director