

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MARTIN GAS, INC. FOR)
APPROVAL OF INDEBTEDNESS PURSUANT) CASE NO. 90-254
TO KRS 278.300)

O R D E R

On September 21, 1990, Martin Gas, Inc. ("Martin Gas") applied for authority to borrow \$357,274 from the Department of Local Government ("DLG"). Martin Gas proposes to use the proceeds of this loan to repair and replace existing gas pipelines, retire a \$70,000 promissory note issued to the Bank of Hindman, and pay outstanding debts owed to KISU Service Company.

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Martin Gas proposes to borrow \$357,274 from the DLG to be repaid over a 30-year period at a rate of 6 percent compounded annually.

2. Under the terms of the proposed loan, Martin Gas is required to make annual installment payments of \$25,955.56 beginning on January 1, 1992 and continuing for 30 years.

3. On July 27, 1990, the Kentucky Gas System Restoration Project Account Review Board approved the issuance of the proposed loan.

4. Martin Gas estimates its total annual revenue requirement upon execution of loan to be \$304,939.

5. Martin Gas states that its current rates will not produce sufficient revenues to meet its existing expenses and the additional debt service requirements of this proposed loan.

6. The assumption of the obligations set forth in the proposed loan agreement is for a lawful object within Martin Gas's corporate purposes, is necessary and appropriate for and consistent with the proper performance by Martin Gas of its service to the public and is reasonably necessary and appropriate for such purpose.

7. KRS 278.300 prohibits Commission authorization of a utility's issuance of securities or evidence of indebtedness where such issuance will impair that utility's ability to properly perform its service to the public.

8. Where a utility lacks rates capable of producing revenues sufficient to meet its existing expenses and the debt service requirements of its outstanding loans, its ability to properly perform its service to the public is threatened.

9. Given Martin Gas's representations about its existing rates, the proposed loan will threaten Martin Gas's ability to properly perform its service to the public.

IT IS THEREFORE ORDERED that:

1. Martin Gas's application for authority to borrow \$357,274 from DLG shall be granted without further Order of the Commission upon Martin Gas's filing of an application for rates sufficient to meet the additional debt service requirements created by the proposed loan.

2. In the alternative, Martin Gas may submit evidence for the Commission's consideration which clearly demonstrates that its existing rates will produce sufficient revenues to meet its existing expenses and the additional debt service requirements created by the proposed loan.

3. Martin Gas shall use the proceeds of the proposed loan only for the purposes set forth in its application.

4. Within 10 days of the execution of its loan agreement with DLG, Martin Gas shall file with the Commission a copy of the executed agreement.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 20th day of November, 1990.

PUBLIC SERVICE COMMISSION

Chairman



Vice Chairman



Commissioner

ATTEST:



Executive Director