

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BURKESVILLE GAS)	
COMPANY, INC. FOR APPROVAL OF THE)	CASE NO.
TRANSFER AND SALE OF KEN-GAS OF)	90-294
KENTUCKY, INC.)	

O R D E R

IT IS ORDERED that Burkesville Gas Company, Inc. ("Burkesville") and Ken-Gas of Kentucky, Inc. ("Ken-Gas") shall file the original and 12 copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to make certain that it is legible. Where information requested herein has been previously provided, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than 10 days from the date of this Order.

1. State whether this transaction will be a stock purchase or an asset purchase.

2. Provide the journal entries which will be made by Ken-Gas to record the investment in Burkesville and the sale of assets to Burkesville.

3. The application indicates Ken-Gas will continue its corporate existence following the transfer of assets to Burkesville. State whether Ken-Gas will be involved in any business activity involving a regulated utility other than its investment in Burkesville.

4. Correspondence attached to the 1988 and 1989 annual reports of Ken-Gas indicated the company was experiencing problems as a result of a law suit and line loss. Have these difficulties been resolved? Explain.

5. Provide a detailed explanation of the make-up of each account balance as shown in Exhibit 6 of the application. Further, provide any restatements necessary to any of the exhibits included in the application to reflect the requirements of the Uniform System of Accounts ("USoA") for gas utilities.

6. According to the USoA prescribed for natural gas companies, the difference between the purchase price and the net book value of assets purchased should be recorded in Account 114, Gas Plant Acquisition Adjustments. Revise the beginning journal entries for Burkesville to reflect this requirement and file same.

7. Provide detailed information regarding the planned disbursement of the proceeds of the \$1,300,000 in long-term debt for which approval has been requested. Include also a description of how the bonds are to be secured.

8. Explain the business reasons for structuring the transfer as presented in the application as opposed to transferring part ownership in the existing corporation, Ken-Gas, to Consolidated Financial Resources, Inc.

9. Provide the financial statements of Ken-Gas as of September 30, 1990. Additionally, provide the pro-forma statements subsequent to the transfer of assets to Burkesville. These documents should be prepared in accordance with the USoA for gas utilities.

10. Provide the total purchase price Burkesville expects to pay for Ken-Gas.

11. Provide a depreciation schedule for the assets of Ken-Gas. Include with this a breakdown of the useful life and depreciation methodology used in computing depreciation expenses.

12. State whether this proposed sale of assets is a taxable sale as either a corporate liquidation or as a personal tax event.

13. State whether Ken-Gas elected the Sub Chapter S corporate status.

14. State whether Burkesville intends to elect the same corporate tax status as Ken-Gas elected.

15. If Burkesville elects a different corporate status, explain the impact this change will have on the cost of the gas company and on the ratepayers.

16. Concerning the load projections included with this application, provide support for the expected increase in the total number of customers, especially conversions. Confirm that these conversions are from existing residences and commercial

structures. State also whether any of the conversions are based on anticipated or actual new construction.

17. If this proposed transfer is approved, state what plans Burkesville has to resolve the concerns expressed in ordering paragraph 4 of the Commission's October 3, 1990 Order in Case No. 90-290.¹

18. State whether any of the funds obtained from the financing arrangements proposed in Case No. 90-294 will be used to alleviate supply problems addressed in Case No. 90-290.

Done at Frankfort, Kentucky, this 1st day of November, 1990.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director

¹ An Investigation to Determine Whether an Adequate Means for Delivering of Gas is Available to Ken-Gas of Kentucky, Inc.