

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF THE CITY)	
OF ALBANY, KENTUCKY AND ROYAL ENERGY)	
COMPANY, INC. FOR APPROVAL OF THE)	CASE NO. 93-443
TRANSFER AND SALE OF THE ALBANY GAS)	
UTILITY COMPANY)	

O R D E R

On November 29, 1993, the city of Albany, Kentucky, and Royal Energy Company, Inc. ("Royal Energy") filed a joint application for approval of the transfer and sale of the Albany Gas Utility Company ("Albany Gas") pursuant to KRS 278.020(4) and (5). After reviewing the joint application, the Commission finds that KRS 278.020(4) and (5) are not applicable to the proposed transfer because the transferor, the city of Albany is not a utility as defined by KRS 278.010 and is not subject to the provisions of KRS 278.020(4). Likewise, Royal Energy, the transferee, is not acquiring utility property subject to Commission approval under KRS 278.020(5). However, once the transfer is accomplished, Royal Energy would become a utility under the jurisdiction of this Commission and, prior to offering its services to the public, would be required to file a tariff in accordance with KRS 278.160 and applicable regulations. As Royal Energy is required to obtain a Certificate of Public Convenience and Necessity pursuant to KRS 278.020(1) and file a proposed tariff prior to beginning its initial operations, the application of the city of Albany and Royal Energy for approval

to sell and transfer the Albany Gas Utility is converted to an application of Royal Energy for a Certificate of Public Convenience and Necessity to provide local gas distribution services to the public.

IT IS THEREFORE ORDERED that:

1. Royal Energy shall file with the Commission an original and 12 copies of the information contained in Appendix A, attached hereto and incorporated herein, with a copy to all parties of record. Careful attention should be given to copied material to ensure that it is legible. The information requested herein is due within 20 days of the date of this Order.

2. An Informal Conference is scheduled for January 20, 1994 at 1:30 p.m., Eastern Standard Time, in Conference Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky.

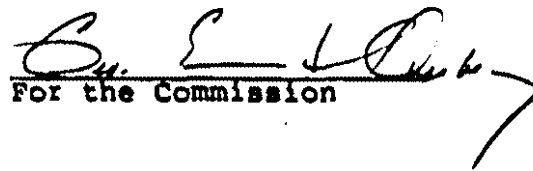
3. From the date of this Order, the parties shall use the following case style on all documents concerning this case:

In the Matter of:

THE APPLICATION OF ROYAL ENERGY COMPANY,)
INC. FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO PROVIDE) CASE NO. 93-443
LOCAL GAS DISTRIBUTION SERVICES TO THE)
PUBLIC)

Done at Frankfort, Kentucky, this 20th day of December, 1993.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director

APPENDIX A

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 93-443 DATED 12/20/93

1. Provide a detailed balance sheet for Albany Gas for November 30, 1993 or the most recent date available. The balance sheet should be prepared in accordance with the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USoA") for gas utilities.

2. Provide a detailed income statement for Albany Gas for each of the 2 most recent fiscal years.

3. Provide the following pro forma financial statements in accordance with the USoA for Albany Gas following the sale of the utility to Royal Energy:

a. A 12 month income statement including all anticipated revenues and expenses.

b. A 12 month statement of cash flows.

c. A balance sheet (if sale is to be recorded as an asset purchase).

4. Provide detailed information regarding any outstanding liabilities on the books of Albany Gas.

5. Provide detailed information regarding any pending litigation involving Albany Gas.

6. Provide a detailed schedule of plant and accumulated depreciation for Albany Gas. This schedule should identify plant in accordance with the USoA and should separately identify the depreciation methodology used for each plant account.

7. What effect will the proposed stock sale have on the operations of the utility?

8. The petition refers to the sale as a transfer of stock. However, the Sales and Purchase Agreement presented in Exhibit E of the petition refers only to the transfer of the gas franchise agreement and assignment of pipeline and equipment. Indicate whether this is a sale of stock between 2 entities or whether this is actually an asset purchase agreement.

9. For the periods October 1, 1990 - September 30, 1991; October 1, 1991 - September 30, 1992; and October 1, 1992 - September 30, 1993; provide the names of each gas supplier to Albany Gas and the amount of gas each supplier provided (Mcfs/month/supplier).

10. For the period October 1993 - present, who has been the supplier of gas to Albany Gas? For each supplier, provide a copy of the gas supply contract and the amount of gas supplied each month.

11. Does Royal Energy intend to use the present supplier(s) of gas to Albany Gas for the remainder of the heating season (through March 1994)? If not, whom?

12. For each gas supplier Royal Energy intends to use who will utilize local production, provide the following information:

a. The name and location (county) of each well used to provide gas to Albany Gas, the name of the lease where each well is located, and the year each well was drilled.

b. Copies of the production history for each well (Mcfs produced per month) or results of the well tests performed which include an estimate of deliverability.

13. In its Joint Application, at paragraph 6, Royal Energy states that it is the present holder of a Management Agreement from the city of Albany and is responsible for all aspects of Albany Gas business.

a. When did Royal Energy assume this role?

b. Since that date, have Royal Energy's responsibilities included determining the gas needs of Albany Gas and arranging for a gas supply?

14. For the October 1, 1992 - March 31, 1993 heating season, provide the following information:

a. The total amount of gas billed by Albany Gas to its customers separated into residential and commercial classes.

b. For all gas consumed, what was the average normal daily load and the peak daily load for Albany Gas, and on what day did the peak load occur?

15. On October 14, 1993, Tony Ferguson contacted Commission Staff and stated that the wells his company, Conquest Oil and Gas, ("Conquest") was using to supply Albany Gas were running out of gas; and that absent other gas supply arrangements, he would be notifying customers of Albany Gas to change over to propane.

a. Identify the wells which were in use at the time this discussion occurred.

b. How was this potential disruption of gas supply resolved?

16. What is the business relationship between Conquest and Royal Energy? Is Mr. Ferguson a shareholder of Conquest?

17. What is the status of the efforts of Mr. Ferguson, or any other party, to the knowledge of Royal Energy, to arrange for a gas supply from East Tennessee Natural Gas Company? With whom have these efforts been discussed? Have efforts been directed at any other pipeline companies?

18. Provide a detailed description of the experience of Tony Ferguson and John Parrott in the operation of a local gas distribution company.

19. What will be the duties of Russell Roberts Perry in the day-to-day operation of Royal Energy Company, Inc.?

20. What will be the duties of Billy K. Armstrong in the day-to-day operation of Royal Energy Company, Inc.?

21. Provide a complete copy of the current rules, regulations, rates and charges of Albany Gas that Royal Energy plans to adopt.

22. Provide pro forma tariffs for Royal Energy including rates, rules, and regulations to conform with 807 KAR 5:011.

23. Does Royal Energy propose any form of purchased gas adjustment clause? If so, this should be included in pro forma tariffs.