

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF PUBLIC GAS COMPANY)
AND KENTUCKY ENERGY DEVELOPMENT, LLC)
FOR APPROVAL OF TRANSFER AND) CASE NO. 2002-00374
ACQUISITION OF OWNERSHIP AND CONTROL)

O R D E R

On October 11, 2002, Public Gas Company (Public) and Kentucky Energy Development, LLC (KED)(collectively Joint Applicants) filed with the Commission an application to approve the proposed acquisition of Public by KED. To ensure that this matter is handled efficiently and expeditiously, the Commission has established a procedural schedule for its review of Joint Applicants proposed acquisition. Therefore, the Commission, having been sufficiently advised, HEREBY ORDERS that:

1. The parties shall adhere to the procedural schedule set forth in Appendix A to this Order.
2. Joint Applicants shall respond to Commission Staff s data requests attached as Appendix B to this Order no later than November 11, 2002.

Done at Frankfort, Kentucky, this 30th day of October, 2002.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2002-00374 DATED October 30, 2002

Joint Applicants shall respond to Commission
Staff's data requests no later than..... November 11, 2002

Joint Applicants shall publish notice of public
hearing no later than November 11, 2002

Public Hearing for the purposes of cross-examination
of witnesses will begin at 1:30 p.m., Eastern Standard Time,
in Hearing Room 1 of the Commission's offices
at 211 Sower Boulevard, Frankfort, Kentucky November 18, 2002

Briefs, if any, shall be filed no later than..... November 25, 2002

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2002-00374 DATED October 30, 2002

Joint Applicants, pursuant to Administrative Regulation 807 KAR 5:001, are requested to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before November 11, 2002. 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 person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to Item No. 7 of the Joint Application. Provide financial statements for Marbel Investments and Mapes Energy for the past 2 years and provide a description of each company's operations.

2. Item No. 20(a) of the Joint Application describes Gene Mapes's experience in the natural gas industry and states that Mr. Mapes served as general manager for Kentucky-Ohio Gas Company (KOG) prior to joining Mapes & Company in early 1989. Commission Staff is aware that KOG went into bankruptcy in the late 1980 s. Describe the events that precipitated KOG's bankruptcy filing.

3. Item No. 22 of the Joint Application states that pursuant to Administrative Regulation 807 KAR 5:011, Section 11, KED will cause Public to adopt the rates on file with the Commission as its own. Explain whether KED expects Public's rates to be affected either positively or negatively in the future as a result of its requested transfer of ownership and control.

4. Paragraph 3.4 of the Stock Purchase and Merger Agreement (Agreement) states that the Merger Transactions (i.e., the Jefferson Gas Transaction and the Kentucky Gas Transaction) will be treated for tax purposes as a sale of assets to, and assumption of liabilities by, KED. Describe the immediate and future effect, if any, this treatment will have on the books of Public.

5. Refer to Exhibit D, Pro Forma Balance Sheet for Public Gas, page 2, line 14, Advances from Associated Companies (223). Explain in detail which associated companies have provided advances, the amounts, repayment schedules, and any supporting documentation. Explain whether the decrease in Advances from Associated Companies is because of the Capital Contribution described in Paragraph 7.10 of the Agreement. Provide the reasons for the transaction described in Paragraph 7.10.

6. Refer to Schedule 5.26 of the Agreement.

a. Explain whether Public intends to recover from ratepayers either the bonus to Kenneth Baker or the severance package to Mark Enderle.

b. Explain why Mr. Enderle will receive a severance package when Item No. 18 of the Joint Application states that Mr. Enderle is expected to retain his present responsibilities following completion of the proposed transaction.

c. Schedule 5.26 includes a settlement agreement between the current owners of Public and Public's president, Kenneth L. Baker. This agreement states that the owners believe Mr. Baker may have mismanaged Public as well as other companies. Explain why the current owners believe mismanagement occurred. As KED plans to retain Mr. Baker in a management position, does KED have any concerns related to this matter?

7. Schedule 5.27(t) of the Agreement is an Operating Agreement between Jefferson Gas Transmission Company, Inc. and Zebulon Gas Association, Inc. Will the transfer of stock as proposed have any effect on that Operating Agreement?

8. Will KED utilize the same billing and customer service systems currently utilized by Public? If not, what steps will KED take to ensure a smooth transition for Public's customers?

9. Has KED secured employment contracts with Kenneth Baker and Mark Enderle? If yes, what are the terms of those contracts?

10. Will the proposed transfer result in the elimination of any Public employees? If yes, how many?

11. What plans, if any, has KED made to notify customers of the proposed transfer?

12. Provide a scaled map or maps showing the mains of Public's system and indicate the pipe diameter and the type of material.

13. What is the maximum operating pressure (MAOP) in Public's system? If the MAOP is different for each section of the system, indicate the MAOP for each section on the map.

14. What is the current number of customers for each class?