

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY FRONTIER GAS
COMPANY, LLC FOR APPROVAL OF TRANSFER
OF PEOPLE'S GAS COMPANY ASSETS

)
)CASE NO. 2009-00492
)

PETITION FOR TRANSFER OF ASSETS

Kentucky Frontier Gas Company, LLC (Frontier), by counsel, petitions for an order approving the transfer of the assets of the People's Gas Company pursuant to KRS 278.020(5).

In support of its petition the following information is provided:

1. Peoples is a Kentucky corporation, with a mailing address of Box 245, Stanville, KY 41659-02452.

2. Peoples is a privately held stock corporation operating as a natural gas utility pursuant to KRS Chapter 278;

3. Frontier and Peoples have entered into an agreement for the acquisition of Peoples' assets by Frontier.

4. KRS 278.020(4) provides that "[n]o person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission ... without prior approval by the commission."

KRS 278.020(5) provides that "[n]o individual, group, syndicate, general or limited partnership, association, corporation, joint stock company, trust, or other entity (an "acquirer"), whether or not organized under the laws of this state, shall acquire control, either directly or indirectly, of any utility furnishing utility service in this state, without having first obtained the approval of the commission."

5. Kentucky Frontier Gas, LLC is a Colorado company authorized to do business in Kentucky. Its address is 4891 Independence St., Wheat Ridge CO 80033. Managing partners are Robert Oxford and Steven Shute. A copy of its articles organization and its certificate to operate in Kentucky were filed in Case No. 2008-00394. It owns and operates East Kentucky Gas (Floyd County Gas), Belfrey Gas, Alert Gas Farm Tap System, and Mike Little Gas Company pursuant to the order in Case No. 2008-00394 issued on November 25, 2008. Descriptions of its operating procedures, personnel and management qualifications were included in that application and are incorporated by reference.

6. An agreement for the transfer of assets to Frontier is attached. Peoples currently has 68 customers. Two maps of the gas system are attached.

7. Pursuant to KRS 278.020, Frontier and Peoples request authorization to transfer the assets of Peoples to Frontier.

8. The transfer will have no effect on the ability of Peoples to continue to operate or finance the operations of its natural gas service in Kentucky. Frontier's present office and field personnel will assume day to day operations of Peoples and will require no additional personnel to continue to provide service. Frontier has adequate gas supply agreements to continue to purchase gas and to assure continued adequate supply. The transfer will have no negative impact on the current financial, managerial or technical ability of either company to operate and will provide Peoples with a much stronger corporate structure, including operating personnel, financial stability, secure gas supply and long term viability.

9. The consolidation of Peoples along with the existing operating gas utilities of Frontier as well as with Auxier Gas Company, whose application for transfer of

stock is pending in Case No. 2009-00442, is expected to create a more viable corporate entity than the stand alone operation of Peoples. Many utility functions - billing, accounting, customer calls, emergency response, operator training and regulatory compliance – will be enhanced by a common, central organization.

10. Peoples' operations will be consolidated into Frontier's offices along with those of Auxier Road Gas Company's at Auxier's Prestonsburg facility within the next three months.

11. Frontier is familiar with Peoples' rates, charges and tariffs and is proposing no rate change or acquisition adjustment at this time. Frontier proposes to adopt the currently approved General Rates and tariffs of Peoples. Frontier anticipates these rates will stay in effect until consolidated with its other gas utilities without any diminution of service. A current balance sheet and income statement for Peoples is attached

12. Frontier will finance the purchase with cash on hand without the need for issuance of debt or equity. No other debt or liabilities of Peoples is being assumed by Frontier. There are no customer deposits being held by Peoples.

13. Frontier has secured Peoples current gas supply and will continue to arrange for the most reliable cost effective supply available.

14. Frontier has the technical, managerial and financial ability to operate Peoples as reflected in its current Kentucky gas operations. Its current financial activities are reflected on the attached balance sheet and income statement. The acquired companies will be managed by experienced gas distribution personnel. General management assignments are as follows:

Bob Oxford will be Chief Executive Officer, based in Colorado. He

will oversee all financial, gas management and acquisition matters.

Steven Shute will be President, based in Colorado. He will oversee all technical and operations matters and will serve as Chief Engineer.

Larry Rich will serve as VP and General Manager of utility operations. He will be based in the Frontier central office near Prestonsburg, and will manage all day-to-day operations.

This is the same management team approved to acquire the gas utilities in Case No. 2008-00394.

15. Larry Rich and Steve Shute will be primarily responsible for safety compliance pursuant to C.F.R. 49 § 192. There will be no change in the function of any of the pipeline components..

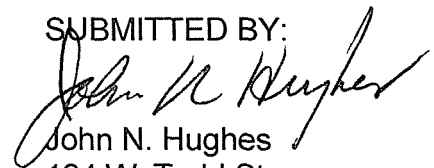
16. Journal entries for the transfer will be provided upon closing.

17. The transfer of the assets is in accord with law, is in the public interest and is for a proper purpose.

Based on the information provided, Frontier has the managerial, technical and financial ability to continue to operate Peoples. It is in the public interest for this transfer to be approved.

For these reasons, Frontier requests that the transfer be approved.

SUBMITTED BY:



John N. Hughes
124 W. Todd St.
Frankfort, KY 40601
502-227-7270

Attorney for
Applicant

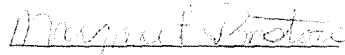
AFFIDAVIT

Affiant, Robert J. Oxford, after being first sworn, deposes and says he is authorized on behalf of the Kentucky Frontier, LLC to file this petition for the acquisition of the assets of Peoples Gas Company, that the petition and the statements are true and correct to the best of his knowledge and belief except as to those matters that are based on information provided to him and as to those he believes to be true and correct.



Robert J. Oxford, Member Manager

This instrument was produced, signed and sworn by Robert Oxford to be his act and deed the 12th day of December, 2009.



Notary Public

My Commission expires: 10/25/2011

PEOPLES GAS, INC.
P.O. BOX 245
STANVILLE, KY 41659-0245
606-478-9488
606-478-2767

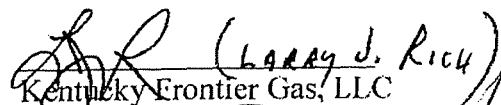
November 20, 2009

To: Kentucky Frontier Gas, LLC.

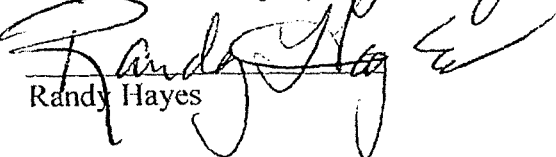
Re: Term Sheet for the acquisition of the assets of Peoples Gas Company

1. Kentucky Frontier Gas, LLC or "Frontier" will purchase the Phelps area inventory assets of Peoples Gas Company for \$20,000 to be paid in cash. Assets include the gas distribution system mains and services in and around Phelps, KY, including meters, regulator stations, pipe, parts and inventory, tools and other related gas utility system equipment, along with all rights-of-ways, permits, franchises, certificates, Ky PSC-DOT-customer records and all files pertaining to the gas utility. It does not include; mineral leases, vehicles, corporate stock, accounts receivables, and buildings, other than meter houses.
2. Frontier does not assume any corporate, personal debt, and/or litigations of Peoples Gas Company or Randy Hayes.
3. Frontier will not hire any of Peoples Gas Company employees.
4. The terms of this proposal are subject to due diligence that will be performed by Frontier within 30 days of the acceptance of this proposal and will be more fully described in a Asset Purchase Agreement to be executed by all parties upon approval of transfer of assets by KPSC. Frontier will, upon the signing of this Term Sheet, immediately file an application with the KPSC for approval of the transfer of assets to Frontier.
5. Closing is expected to occur on December 31, 2009, and the Effective Date shall be January 1, 2010.
6. Frontier has inspected the Phelps area property and both parties agree and understand this purchase is on a where is / as is basis.

AGREED TO this 30TH day of November, 2009.

By: 
Larry J. Rich
Kentucky Frontier Gas, LLC

By: 
Randy Hayes
Peoples Gas Company

By: 
Randy Hayes

PEOPLES GAS COMPANY, INC.
Balance Sheet
As of December 3, 2009

	Dec 3, 09
ASSETS	
Current Assets	
Checking/Savings	
FIRST COMMONWEALTH	10,494.37
Total Checking/Savings	10,494.37
Accounts Receivable	
ACCOUNTS RECEIVABLE	11,157.82
Total Accounts Receivable	11,157.82
Total Current Assets	21,652.19
Fixed Assets	
DEPRECIABLE ASSETS	
ACCUMULATED DEPRECIATION	-71,133.00
DEPRECIABLE ASSETS - Other	90,702.00
Total DEPRECIABLE ASSETS	19,569.00
Total Fixed Assets	19,569.00
TOTAL ASSETS	41,221.19
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
N/P - RANDY & KATHY HAYES	87,036.76
Total Other Current Liabilities	87,036.76
Total Current Liabilities	87,036.76
Total Liabilities	87,036.76
Equity	
CAPITAL STOCK	11,000.00
RETAINED EARNINGS	-75,764.82
Net Income	18,949.25
Total Equity	-45,815.57
TOTAL LIABILITIES & EQUITY	41,221.19

12:37 PM
12/03/09
Accrual Basis

PEOPLES GAS COMPANY, INC.
Profit & Loss
January 1 through December 3, 2009

	<u>Jan 1 - Dec 3, 09</u>
Income	
NATURAL GAS INCOME	133,551.61
MISCELLANEOUS INCOME	12,898.75
Total Income	<u>146,450.36</u>
Expense	
FUEL	50.00
LIABILITY INSURANCE	432.59
SERVICE CHARGE	33.38
BANK FEE	12.80
CONTRACT SERVICES	2,132.62
NATURAL GAS EXPENSE	119,442.80
OFFICE EXPENSE	376.55
POSTAGE & SHIPPING	14.87
PROFESSIONAL FEES	1,575.40
RENTAL EXPENSE	954.00
SUPPLIES & PARTS	53.70
TAXES	2,422.40
Total Expense	<u>127,501.11</u>
Net Income	<u><u>18,949.25</u></u>

ADOPTION NOTICE

The undersigned ___ Kentucky Frontier Gas LLC _____
(Name of Utility) System

of ___ Prestonsburg, KY _____ hereby adopts, ratifies, and makes its
own, in every respect as if the same had been originally filed and posted by it, all tariffs
and supplements containing rates, rules and regulations for furnishing
_____ natural gas _____ service at _____ Phelps, KY and area
(Nature of Service)


in the Commonwealth of Kentucky, filed with the Public Service Commission of
Kentucky by ___ Peoples Gas Company _____ of _____ Phelps, KY _____
(Name of Predecessor)

and in effect on the _31_ day of _December_____, 20_09_, the date on which
the public service business of the said ___ Peoples Gas Company _____
(Name of Predecessor)

was taken over by it.

This notice is issued on the ___11___ day of ___December_____,
20_09___, in conformity with 807 KAR 5:011, Section 11, of the Regulations for the filing
of Tariffs of Public Utilities with the Public Service Commission of Kentucky.

___ Kentucky Frontier Gas LLC

By ___ Robert Oxford _____


Authorized by Ky.P.S.C. Order No. _____