

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY FRONTIER)	
GAS COMPANY, LLC FOR APPROVAL OF)	CASE NO.
TRANSFER OF PEOPLE'S GAS COMPANY)	2009-00492
ASSETS)	

O R D E R

Kentucky Frontier Gas, LLC ("Kentucky Frontier") has applied for authorization to acquire the assets of People's Gas, Inc.¹ ("People's Gas"), a natural gas utility. Finding that the statutory prerequisites have been met for the acquisition, we authorize Kentucky Frontier's acquisition of the assets of People's Gas.

PROCEDURE

On December 11, 2009, Kentucky Frontier applied for Commission authorization to acquire all the assets of People's Gas. Kentucky Frontier states in its application that it will purchase all the inventory and assets of People's Gas in the Phelps, Kentucky area pursuant to the "Term Sheet for the acquisition of the assets of Peoples Gas Company" ("Term Sheet").

There are no other parties to the case and no one requested intervention.

¹ The application refers to the utility as People's Gas Company. The registered name of the utility is People's Gas, Inc. It is a corporation, which Kentucky Frontier acknowledges in paragraph two of its application. People's Gas Company and People's Gas, Inc. are one and the same.

FINDINGS OF FACT

The Commission, based on the evidence of record and being otherwise sufficiently advised, finds that:

1. The Commission previously approved the acquisition of three natural gas utilities by Kentucky Frontier in Case No. 2008-00394.² Pursuant to that Order, Kentucky Frontier currently owns and operates East Kentucky Gas, Belfry Gas, and Mike Little Gas Company, as well as Alert Gas Farm Tap System.

2. People's Gas, a Kentucky corporation, owns and operates facilities that distribute and furnish natural gas to approximately 68 customers in and around Phelps, Kentucky.

3. Kentucky Frontier is a limited liability company formed under the laws of Colorado and is authorized to conduct business in Kentucky.

4. Kentucky Frontier has entered into an agreement, the Term Sheet, with Randall Hayes, the sole officer and director of People's Gas, to purchase the assets of People's Gas for cash.

5. The Term Sheet defines the assets to include the gas distribution system consisting of mains and services in and around Phelps, Kentucky. Meters, regulator stations, pipe, parts and inventory, tools and other related gas utility system equipment, right-of-ways, permits, franchises, certificates, Ky PSC-DOT customer records, and all files pertaining to the gas utility are included. Assets do not include mineral leases, vehicles, corporate stock, accounts receivable, or buildings other than meter houses.

² Case No 2008-00394, Application of Kentucky Frontier Gas, LLC for Approval of Financing and Transfer of Control (Ky. PSC Nov. 25, 2008).

6. Kentucky Frontier proposes to purchase People's Gas for \$20,000 cash and will not need to issue debt or equity to finance this transaction.

7. Upon completion of the proposed transaction, Kentucky Frontier, LLC will own the assets of People's Gas.

8. Kentucky Frontier does not propose any immediate changes to the rates, regulations, or conditions of service of People's Gas. It has stated its intention to establish a single Gas Cost Recovery methodology at a later date.

9. Kentucky Frontier's management has extensive experience in the operation and management of gas pipeline and distribution systems.

10. Steven Shute will serve as President of Kentucky Frontier and will act as its Chief Engineer.³

11. Consolidating People's Gas with the existing operating gas utilities under the ownership and control of Kentucky Frontier will likely result in greater economies of scale, reduce wasteful duplication of costs and efforts, and result in a greater degree of service.

CONCLUSIONS OF LAW

Based upon the above findings of fact, the Commission makes the following conclusions of law:

1. People's Gas and Kentucky Frontier are utilities subject to Commission jurisdiction.⁴

³ Anyone practicing engineering in Kentucky should hold a license and consult KRS 322.120.

⁴ KRS 278.010(3)(b).

2. Both Kentucky Frontier and People's Gas are "persons" for purposes of KRS Chapter 278.⁵

3. KRS 278.020(5) 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." Since Kentucky Frontier is a person and proposes to acquire ownership of People's Gas, this statute is applicable to and requires Commission approval of the proposed transfer.

4. KRS 278.020(6) 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 has the financial, technical, and managerial abilities to provide reasonable service to the present customers of People's Gas.

6. The proposed transfer of People's Gas is in accordance with law, for a proper purpose, and consistent with the public interest.

IT IS THEREFORE ORDERED that:

1. Kentucky Frontier's proposed acquisition of the assets of People's Gas is approved.

2. Commission authorization of the proposed acquisition of the assets of People's Gas is effective for one year from the date of this Order and shall lapse if not completed within this time period.

⁵ KRS 278.010(2).

3. Within 10 days of completion of the transfer of assets as approved, Kentucky Frontier shall notify the Commission in writing of the completion thereof.

4. Upon completion of the approved acquisition, Kentucky Frontier shall file a signed and dated adoption notice in accordance with 807 KAR 5:011, Section 11.

5. Within 10 days of the filing of such adoption notice, Kentucky Frontier shall issue and file with the Commission in its own name the utility's tariff, or such other tariff as it proposes to put into effect in lieu thereof in the form prescribed in 807 KAR 5:011, Section 11.

6. Within 20 days of the completion of the proposed transfer, Kentucky Frontier shall file the journal entries it proposes to record the approved acquisition. The acquisition shall be recorded in accordance with the Uniform System of Accounts.

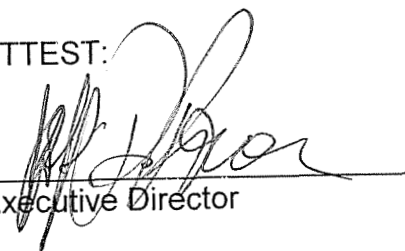
7. Nothing in this Order shall be construed as authorizing rate-making treatment of any plant acquisition adjustment or the recovery of any cost or expense associated with the proposed acquisition of control in Kentucky Frontier's general rates. These issues are deferred until Kentucky Frontier's next rate case proceeding.

8. People's Gas, as it ceases to exist as a result of the proposed acquisition by Kentucky Frontier, shall be responsible for submitting its financial and statistical report to the Commission, as described in 807 KAR 5:006, Section 3, for the period in calendar year 2009 during which it owned and operated its natural gas distribution system.

9. Any documents filed in the future pursuant to ordering paragraphs 2, 3, 4 or 6 herein shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission

ENTERED
JAN 29 2010 *M*
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

Randall A Hayes
President
Peoples Gas, Inc.
P. O. Box 245
Stanville, KY 41659-0245

Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KY 40601

Robert Oxford
Managing Partner
Kentucky Frontier Gas, LLC
4891 Independence Street, Suite 200
Wheat Ridge, CO 80033