

2012-0029
PSC First Request Number 1
Respondent: Thomas J. Smith

1. Describe in detail how Gas Natural Inc. ("Gas Natural") plans to fund the purchase price of Public Gas Company, Inc. ("Public Gas). If the purchase is to be financed, provide details of the loan agreement.

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Response: This purchase will be funded from cash on hand. There is no debt financing associated with the purchase.

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PSC First Request Number 1
Respondent: Jonathan A. Harrington

2. Using the information provided in the Joint Application, provide the proposed journal entry or entries Gas Natural will make to record the ownership transfer.

Response:

**Gas Natural Inc
Potential Journal entries for PGC acquisition**

Calculations:

	<u>PGC</u>	<u>FMV*</u>	<u>GNI amount Recorded</u>
Current Assets	189,000	200,000	200,000
Plant, net	360,000	600,000	360,000
Current Liabilities	(437,000)	(500,000)	(500,000)
Acquisition Adjustment	-	-	240,000
Goodwill	-	<u>1,300,000</u>	<u>1,300,000</u>
	<u>112,000</u>	<u>1,600,000</u>	<u>1,600,000</u>

*** The fair market value is currently unknown so this assumes fair value is the purchase price.**

Proposed journal entry (based on the facts above):

	<u>Debit</u>	<u>Credit</u>
Current Assets	200,000	
Plant, net	360,000	
Acquisition Adjustment	240,000	
Goodwill	1,300,000	
Current Liabilities		500,000
Cash		1,600,000

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3. Paragraph 7 of the Joint Application describes Exhibit 3 as a corporate organization table for Gas Natural after acquiring the capital stock of Public Gas. Explain where Public Gas will be on the organization chart.

Response: Public Gas Company will be a direct subsidiary of Gas Natural, Inc.

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Respondent: Bert R. Layne (Request 4(a))
Respondent: Thomas J. Smith (Request 4(b))

4. The Joint Application, page 4, paragraph 8, discusses the fact that Jefferson Gas, LLC will continue to provide Public Gas its full gas requirement for customers of record as of November 11, 2011
 - a. Explain the ownership of Jefferson Gas, LLC prior to and following Gas Natural's Acquisition.
 - b. Describe the due diligence Gas Natural performed to satisfy itself that the price of gas from Jefferson Gas, LLC is the least-cost option to provide natural gas service to Public Gas's customers.

Response:

a. Jefferson Gas, LLC, (“Jefferson”), is wholly owned by Kentucky Energy Development, LLC, and has been since Jefferson’s formation as a Kentucky limited liability company in April, 2002. Kentucky Energy Development, LLC, (“KED”), is a Kentucky limited liability company owned by Marbel Investments, LLC, Marshall B. Belden, Jr., Diana Davis-Belden, and Mapes Energy, LLC.

KEDs’ members have a long and substantial history in the natural gas industry.

The ownership of Jefferson will be unchanged after Gas Natural’s acquisition of Public Gas.

b. At the present time, Public Gas has no point of delivery on any interstate pipeline. The nearest interstate pipeline, Columbia Gas Transmission, LLC] is several miles distant from any Public Gas facilities. There are no other local producers currently capable of delivering directly into Public Gas’s distribution system. Gas Natural will review alternative options for supply, but presently the firm supply offered by Jefferson appears to be the least cost option as well as the only currently available source of supply.