

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF	)	
COMMERCIAL PROPANE SERVICE, LLC AND	)	
OLD BRIDGE GAS UTILITY LLC FOR APPROVAL	)	CASE NO.
OF OLD BRIDGE GAS UTILITY LLC'S	)	2024-00382
ACQUISITION OF COMMERCIAL PROPANE	)	
SERVICE LLC'S UTILITY ASSETS IN OLD	)	
BRIDGE SUBDIVISION, DANVILLE, KENTUCKY	)	

ORDER

On December 6, 2024,<sup>1</sup> Commercial Propane Service, LLC (CPS) and Old Bridge Gas Utility, LLC (Old Bridge Gas) (jointly, Joint Applicants) filed an application, pursuant to KRS 278.020(6) and KRS 278.020(7), requesting approval of Old Bridge Gas's acquisition of CPS's utility assets, a utility subject to the Commission's jurisdiction. By Order dated December 17, 2024, the Commission established a procedural schedule and found that the case should be continued for an additional 60 days, up to and including April 5, 2025. There are no intervenors in this case. Joint Applicants responded to three rounds of discovery.<sup>2</sup> This matter now stands submitted for a decision based upon the written record.

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<sup>1</sup> Joint Applicants tendered the application on December 4, 2024, and the application was rejected for filing deficiencies by letter on December 5, 2024. On December 6, 2024, the Joint Applicants tendered documents to cure the deficiency, and the application was deemed filed on December 6, 2024.

<sup>2</sup> Joint Applicants' Response to Commission Staff's First Request for Information (Staff's First Request) (filed Jan. 17, 2025); Joint Applicants' Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Feb. 7, 2025); Joint Applicants' Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Feb. 27, 2025).

## LEGAL STANDARD

KRS 278.020(6) provides that:

No person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission by sale of assets, transfer of stock, or otherwise, or abandon the same, without prior approval by the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service.

KRS 278.020(7) similarly provides that no entity “shall acquire control, either directly or indirectly, of any utility furnishing utility service in this state, without having first obtaining the approval of the commission.” That statute further provides that the Commission “shall approve any proposed acquisition when it finds that the same is to be made in accordance with law, for a proper purpose and is consistent with the public interest.”<sup>3</sup>

In Case No. 9059,<sup>4</sup> the Commission established criteria for recovering an acquisition adjustment in rates (Delta Test):

The Commission maintains its position that the net original cost of plant devoted to utility use is the fair value for ratemaking purposes, unless the utility can prove, with conclusive evidence that the overall operations and financial condition of the utility have benefited from acquisitions at prices in excess of net book value. The burden of proof is upon the utility to justify its investment at the price in excess of net original cost based on economic and quality of service criteria. In order to meet this burden of proof, evidence must be submitted that shows that the purchase price was established upon arms-length negotiations, the initial investment plus the cost of restoring the facilities to required standards will not adversely impact the overall costs and rates of the existing and new customers, operational economies can be achieved through the acquisition, the purchase price of utility and non-utility property can be clearly identified, and

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<sup>3</sup> KRS 278.020(7).

<sup>4</sup> Case No. 9059, *An Adjustment of Rates of Delta Natural Gas Company, Inc.* (Ky. PSC Sept. 11, 1985).

the purchase will result in overall benefits in the financial and service aspects of the utility's operations.

### BACKGROUND

Michael Roberts is the owner and president of CPS.<sup>5</sup> CPS is a Kentucky limited-liability company (LLC) that provides bottled-gas service to customers in Kentucky, installs bulk-plant storage facilities, and repairs and services commercial propane systems.<sup>6</sup> CPS currently owns a utility, which provides propane gas service to approximately 50 customers.<sup>7</sup> The utility assets include an 18,000-gallon propane tank located in the Old Bridge Subdivision in Boyle County, Kentucky.<sup>8</sup> The tank supplies propane gas using underground pipeline(s) to homes, which are all equipped with a regulator and a gas meter.<sup>9</sup> The utility reads the gas meters monthly and bills customers based on the amount of gas used.<sup>10</sup> The utility charges a meter fee to cover the cost of meter reading and maintenance of the system as well as billing, compliance, and regulatory expenses that may arise.<sup>11</sup>

Old Bridge Gas, the potential buyer of CPS, is a limited liability corporation (LLC) comprised of two members, Timothy Sayers and Rebecca Sayers, who will each have a 50 percent interest in the to be acquired company.<sup>12</sup> Old Bridge Gas is a newly formed

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<sup>5</sup> Application at 2.

<sup>6</sup> Application at 2.

<sup>7</sup> Application at 2

<sup>8</sup> Application at 2.

<sup>9</sup> Application at 2.

<sup>10</sup> Application at 2.

<sup>11</sup> Application at 2.

<sup>12</sup> Application at 1.

LLC for the purpose of this transaction.<sup>13</sup> Upon the close of the transaction and approval of the asset transfer by the Commission, Old Bridge Gas will enter into an agreement with Sayers LPG, LLC (Sayers LPG), an LLC in which Timothy Sayers and Rebecca Sayers are also the exclusive owners each with fifty percent interest in the company, to operate the utility.<sup>14</sup> Sayers LPG will be responsible for the operation of the utility including gas delivery to customers, meter reading, maintenance of the utility, billing, and any other operational needs for the utility.<sup>15</sup> The Joint Applicants provided a copy of the Joint Purchase and Sale Agreement with the Application.<sup>16</sup> The application asserts that the reason for the transfer is that Michael Roberts, the owner and president of CPS, is retiring.<sup>17</sup>

The Joint Applicants asserted that Old Bridge Gas has the technical ability to provide reasonable service. Mr. Sayers, a member of both Old Bridge Gas and Sayers LPG, has worked as an operator in the propane industry for 27 years.<sup>18</sup> Most recently, Mr. Sayers served as Vice President of Retail Operations, nationwide, at Ferrellgas, a company serving over 600,000 customers and operated by 4,000 employees.<sup>19</sup> In this role, Mr. Sayers oversaw 2,200 employees and was responsible for \$350,000,000

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<sup>13</sup> Application at 1.

<sup>14</sup> Application at 1.

<sup>15</sup> Application at 2.

<sup>16</sup> Application, Exhibit 1.

<sup>17</sup> Application at 2.

<sup>18</sup> Application at 3.

<sup>19</sup> Joint Applicants' Response to Staff's First Request, Item 1a.

earnings before interest, tax, depreciation, and amortization (EBITDA).<sup>20</sup> Mr. Sayers also has a Class B commercial driver's license with tanker and hazmat endorsements. He also has completed the Certified Employee Training Program created by the Propane Education and Resource Counsel created to ensure that members of the propane industry perform job duties safely and effectively and is necessary for propane marketers to meet the National Fire Protection Association (NFPA) 58 Liquefied Petroleum Gas Code and NFPA 54 National Fuel Gas Code requirements.<sup>21</sup>

Per its agreement with Old Bridge Gas, Sayers LPG will continue to work with the utility's current employee Chuck Howell, who has served as a driver and service technician for CPS.<sup>22</sup> He has extensive firsthand experience with CPS and will provide continuity of service for CPS's customers.<sup>23</sup> To comply with regulatory and other compliance requirements, Old Bridge Gas will also contract with Russmar, a firm that provides regulatory and compliance consultation services to natural gas utilities throughout the Commonwealth.<sup>24</sup> CPS currently contracts with Russmar for utility support services, and the contract costs CPS \$5,000 per year.<sup>25</sup> Old Bridge Gas will use the revenue generated from rates to pay for Russmar's services as the revenues are more than sufficient to cover the services.<sup>26</sup> Old Bridge Gas does not anticipate having to

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<sup>20</sup> Joint Applicants' Response to Staff's First Request, Item 1a.

<sup>21</sup> Application at 3.

<sup>22</sup> Application at 3.

<sup>23</sup> Application at 3.

<sup>24</sup> Application at 3.

<sup>25</sup> Joint Applicants' Response to Staff's Second Request, Item 2.

<sup>26</sup> Joint Applicants' Response to Staff's Second Request, Item 2.

increase rates as a result of the continuation of the contract with Russmar.<sup>27</sup> Additionally, pursuant to the Management Agreement, Jared Sayers, a Sayers LPG employee and related to Timothy Sayers, is already working with the utility's customers regarding billing and other service questions, and he is informally notifying customers of the pending transfer.<sup>28</sup>

Joint Applicants argued that Old Bridge Gas has the financial ability to provide reasonable service. CPS is self-sustaining through the fees charged for the propane gas its customers use.<sup>29</sup> The Joint Applicants provided financial reports for 2023.<sup>30</sup> The Joint Applicants believe the utility's assets are in working condition and are not in need of immediate repair or part replacement.<sup>31</sup> Joint Applicants stated that, based on previous financial performance, the utility's expected future retained earnings are sufficient to recover any cost of part replacement or repair, should the need arise.<sup>32</sup>

Joint Applicants stated that Old Bridge Gas will acquire funding for the acquisition through a loan from Bank of the Bluegrass.<sup>33</sup> Joint Applicants provided evidence that Bank of the Bluegrass approved a \$584,000 loan to co-borrowers Sayers LPG and Old Bridge Gas.<sup>34</sup> Old Bridge Gas and Sayers LPG will apply the \$584,000 loan between the

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<sup>27</sup> Joint Applicants' Response to Staff's Second Request, Item 2.

<sup>28</sup> Joint Applicants' Statement on Hearing (filed Feb. 7, 2025) at 8.

<sup>29</sup> Application at 4.

<sup>30</sup> Application at Exhibit 2.

<sup>31</sup> Joint Applicants' Statement on Hearing at 5.

<sup>32</sup> Joint Applicants' Statement on Hearing at 5.

<sup>33</sup> Application at 4.

<sup>34</sup> Joint Applicants' Response to Staff's First Request, Item 13.

two entities.<sup>35</sup> Bank of the Bluegrass has advanced \$484,000 to Sayers LPG for the purchase of CPS propane distribution business assets.<sup>36</sup> This constitutes 80 percent of the purchase price of CPS's entire asset portfolio including its propane distribution assets and the utility.<sup>37</sup> Joint Applicants stated that the negotiated aggregate purchase price of all CPS assets is \$730,000.<sup>38</sup> This valuation includes real property, separate from any property on which the Old Bridge Gas utility sits, valued at \$238,520 and CPS's propane distribution assets valued at \$391,420, that were purchased by Sayers LPG.<sup>39</sup>

Based on the aggregate valuation, CPS determined the Old Bridge Gas utility to be valued at approximately \$100,000.<sup>40</sup> The only consideration that will be exchanged for the Old Bridge Gas utility is the \$100,000 purchase price.<sup>41</sup> Upon transaction approval, Bank of the Bluegrass will advance a \$100,000 bank note to Old Bridge Gas to fulfill the Purchase and Sale Agreement Old Bridge Gas entered with CPS for the payment in full for<sup>42</sup> Timothy Sayers.<sup>43</sup> However, Old Bridge LLC does not anticipate having to increase rates as a result of the loan.<sup>44</sup> In addition to the \$730,000 aggregate purchase price described above: (i) Old Bridge Gas purchased the Old Bridge Gas propane

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<sup>35</sup> Joint Applicants' Response to Staff's Third Request, Item 2c.

<sup>36</sup> Joint Applicants' Response to Staff's First Request, Item 13.

<sup>37</sup> Joint Applicants' Response to Staff's Third Request, Item 2b.

<sup>38</sup> Joint Applicants' Response to Staff's Third Request, Item 2d.

<sup>39</sup> Joint Applicants' Response to Staff's Third Request, Item 2d.

<sup>40</sup> Joint Applicant's Response to Staff's Third Request, Item 2d.

<sup>41</sup> Joint Applicants' Response to Staff's Third Request, Item 2e.

<sup>42</sup> Joint Applicants' Response to Staff's First Request, Item 12.

<sup>43</sup> Joint Applicants' Statement on Hearing at 5.

<sup>44</sup> Joint Applicants' Response to Staff's Second Request, Item 6b.

inventory as of October 1, 2024, for \$3,715.92; (ii) Sayers LPG purchased CPS's non-Old Bridge Gas propane inventory as of October 1, 2024, for \$3,191.88; and (iii) Sayers LPG purchased CPS's non-Old Bridge Gas accounts receivable for \$3,711.26.<sup>45</sup>

Joint Applicants contend that Old Bridge Gas has the managerial capacity to provide reasonable service. As previously discussed, Mr. Sayers has 27 years of experience in the propane industry.<sup>46</sup> He has worked in both field and corporate capacities overseeing the operation of similar propane utilities.<sup>47</sup> He has overseen the installation of propane systems, the continual operation of natural gas systems, and has performed administrative functions such as billing and managing accounts receivable.<sup>48</sup> Mr. Sayers will manage the utility and will have a direct ownership investment in the ongoing successful operation of the utility as a member of both Old Bridge Gas and Sayers LPG.<sup>49</sup> Timothy Sayers will be responsible for the operation and management of Old Bridge Gas, Ms. Sayers will not have any managerial or operational role with the utility.<sup>50</sup> Ms. Sayers does not have professional experience in the propane industry or in managing regulated utilities.<sup>51</sup>

Additionally, the Joint Applicants explained the decision to form an LLC, Old Bridge Gas, instead of having Mr. Sayers and/or Ms. Sayers take over Mr. Robert's ownership

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<sup>45</sup> Joint Applicants' Response to Staff's Third Request, Item 2e.

<sup>46</sup> Application at 4.

<sup>47</sup> Application at 4.

<sup>48</sup> Application at 4.

<sup>49</sup> Application at 4.

<sup>50</sup> Joint Applicants' Response to Staff's Second Request, Item 1.

<sup>51</sup> Joint Applicants' Response to Staff's Second Request, Item 1.



interest in CPS.<sup>52</sup> Old Bridge Gas was formed based on advice of counsel and accounting professionals.<sup>53</sup> Joint Applicants explained that forming a limited liability company prevents any potential liabilities, current or future, from attaching to Mr. Sayers and/or Ms. Sayers as personal liabilities.<sup>54</sup> Further, Joint Applicants explained the distinct legal entity allows the Old Bridge Gas owners to segregate the utility's operations from the operating entity, Sayers LPG, which provides tax advantages and other strategic business advantages for Mr. Sayers and/or Ms. Sayers and Sayers LPG.<sup>55</sup>

Joint Applicants provided all current liabilities of Sayers LPG.<sup>56</sup> Sayers LPG will also be responsible for the operation of Old Bridge Gas and will incur the wholesale cost of propane for its customers; employee salaries for Jared Sayers, Chuck Howell, and Timothy Sayers; and other generally recurring business expenses for the operation of the utility upon the approval of the transfer.<sup>57</sup>

Joint Applicants outlined the net book value of each asset, along with the total net book value of all assets, that Old Bridge Gas plans to acquire from CPS. CPS provided Old Bridge Gas a Future Depreciation Report for the year 2023, that detailed the depreciated value of all CPS assets.<sup>58</sup> The Joint Applicants provided a copy of the Future

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<sup>52</sup> Joint Applicants' Response to Staff's First Request, Item 2.

<sup>53</sup> Joint Applicants' Response to Staff's First Request, Item 2.

<sup>54</sup> Joint Applicants' Response to Staff's First Request, Item 2.

<sup>55</sup> Joint Applicants' Response to Staff's First Request, Item 2.

<sup>56</sup> Joint Applicants' Response to Staff's First Request, Item 12.

<sup>57</sup> Joint Applicants' Response to Staff's First Request, Item 13.

<sup>58</sup> Joint Applicants' Response to Staff's Third Request, Item 1.

Depreciation Report.<sup>59</sup> This list was for all assets of CPS, most of which were acquired by Sayers LPG.<sup>60</sup> The assets acquired by Old Bridge Gas are Mains, Meters, Land and Land Rights and a DTEX Odorant Level Detector.<sup>61</sup> The net book value for the assets Old Bridge Gas is acquiring is \$0.<sup>62</sup>

As part of the Purchase and Sale Agreement and Management Agreement between Old Bridge Gas and CPS, Old Bridge Gas assumed complete operational responsibility for the utility prior to the Commission's approval of the transaction.<sup>63</sup> The current winter season has been incredibly harsh and required the utility's customers to rely heavily on propane to meet their heating needs.<sup>64</sup> Joint Applicants stated that Old Bridge Gas has provided all customers with uninterrupted propane services during the intense cold temperatures and will continue to provide reasonable service to its customers.<sup>65</sup> Old Bridge Gas has no intention of seeking a rate increase at this time.<sup>66</sup>

### DISCUSSION AND FINDINGS

Having considered the record and being otherwise sufficiently advised, the Commission finds that the acquisition of CPS by Old Bridge Gas should be approved.

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<sup>59</sup> Joint Applicants' Response to Staff's Third Request, Item 1 Exhibit 3.

<sup>60</sup> Joint Applicants' Response to Staff's Third Request, Item 1.

<sup>61</sup> Joint Applicants' Response to Staff's Third Request, Item 1.

<sup>62</sup> Joint Applicants' Response to Staff's Third Request, Item 1.

<sup>63</sup> Joint Applicants' Statement on Hearing at 9.

<sup>64</sup> Joint Applicants' Statement on Hearing at 9.

<sup>65</sup> Joint Applicants' Statement on Hearing at 9.

<sup>66</sup> Joint Applicants' Statement on Hearing at 9.

Joint Applicants demonstrated that they have the financial ability to provide reasonable service. Old Bridge Gas has secured a \$584,000 loan, covering 80 percent of the asset purchase from CPS; and upon transaction approval the Bank of Bluegrass will advance a \$100,000 note, demonstrating strong financial planning without raising customer rates. Additionally, CPS is in decent financial condition, as shown by revenue covering expenses and maintaining positive earnings in 2022 and 2023. The utility's assets are in good condition, with future earnings expected to cover any repair costs, further demonstrating the financial ability to provide reasonable service. Furthermore, Old Bridge Gas has stated it did not anticipate seeking a rate increase as a result of this acquisition. Therefore, the Commission finds that Old Bridge Gas has the financial ability to provide reasonable service.

Joint Applicants also provided evidence of Old Bridge Gas's technical ability to provide reasonable service. Old Bridge Gas stated it will contract with Russmar, a firm providing regulatory and compliance consultation services to natural gas utilities throughout the Commonwealth, to ensure essential utility support services. Mr. Sayers holds a Class B commercial driver's license with tanker and hazmat endorsements and has completed the Certified Employee Training Program by the Propane Education and Resource Council, ensuring safe and effective job performance in the propane industry. Additionally, Mr. Sayers has 27 years of experience in the propane industry, having worked at Ferrellgas from his graduation from college until March 2024. Sayers LPG will continue to collaborate with Chuck Howell, a seasoned driver and service technician at CPS, to maintain service continuity for customers. Finally, Jared Sayers has been handling billing and service issues since October 31, 2024, ensuring quick responses and

strong customer relationships, demonstrating continuity and technical ability to provide reasonable service. Therefore, the Commission finds that Old Bridge Gas has the technical ability to provide reasonable service.

Joint Applicants provided evidence of Old Bridge Gas's managerial ability to provide reasonable service. Mr. Sayers previously held an executive role at Ferrellgas, first as the Northeast Region Vice President for five years and then as the Vice President of Retail Operations for four years. He has managed propane system installations, natural gas operations, and administrative tasks such as billing and accounts receivable. Mr. Sayers will directly manage the utility, investing in its success as a member of both Old Bridge Gas and Sayers LPG. Therefore, the Commission finds that that Old Bridge Gas has the managerial ability to provide reasonable service.

The Joint Applicants provided evidence that the acquisition complies with the law, satisfying the requirements set forth in KRS 278.020(6), and the transaction is contractually conditioned upon Commission approval. Old Bridge Gas has demonstrated its technical, financial, and managerial ability to operate the utility without detriment to customers, thereby making the transaction compliant with applicable law. The Joint Applicants showed that the acquisition serves a proper purpose due to CPS owner's retirement. To ensure continued safe and reliable propane service for Old Bridge Gas Subdivision, CPS needed a buyer. Old Bridge Gas, with Timothy Sayers' industry experience, Chuck Howell's operational knowledge, Jared Sayers' customer billing and service expertise, and Russmar's regulatory support, the evidence supports the conclusion that the new LLC will be well-equipped to serve customers. Old Bridge Gas anticipates no service disruption or change in customer service quality, fulfilling the proper

purpose of maintaining utility operations. Joint Applicants have demonstrated that the acquisition aligns with the public interest by maintaining service levels and rates. The transfer to Old Bridge Gas will ensure a smooth transition using existing resources and experienced personnel. Additionally, Old Bridge Gas provided uninterrupted service during harsh winters, further supporting the public interest. Therefore, the Commission finds that Joint Applicants satisfy the requirements set forth in KRS 278.020(6).

The Commission has previously held that the recovery of the net plant acquisition adjustment shall be addressed on a case-by-case basis and that the net original cost of the plant devoted to utility use is the fair value for rate-making purposes unless there is conclusive evidence that the overall operations and financial condition of the utility have benefited from the acquisition at a price in excess of the net book value.<sup>67</sup> While the recovery of any plant acquisition adjustment is not before the Commission in this matter; the acceptance of the application should not be construed as finding that Old Bridge Gas will be entitled to recover any such amounts in rates. The Commission will address the recovery of any plant acquisition adjustment when reviewing any rates proposed by Old Bridge Gas in which it seeks to recover that amount.

The evidence provided appears that the \$100,000 purchase price is an acquisition premium. The negotiated aggregate purchase price for all CPS assets of \$730,000, which includes real property, and CPS' propane distribution assets. The net book value for the assets Old Bridge Gas is acquiring is \$0. The burden of proof is upon the utility to justify its investment at the price in excess of net original cost based on economic and

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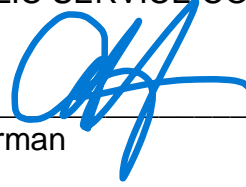
<sup>67</sup> Case No. 9059, *An Adjustment of Rates of Delta Natural Gas Company, Inc.* (Ky. PSC Sept. 11, 1985).

quality of service criteria. As the net book value of the assets is currently zero, and the purchase price of all CPS assets is valued at \$730,000, the \$100,000 appears to be an acquisition premium that may not be recoverable in rates pursuant to the test laid out in Case No. 9059. The Commission will evaluate the reasonableness of the purchase price, if Old Bridge Gas pursues a change in rates in the future.

IT IS THEREFORE ORDERED that:

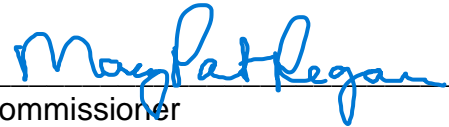
1. The transfer and acquisition of CPS to Old Bridge Gas as described in the application is approved.
2. Within five days of the completion of the approved acquisition and transfer, Joint Applicants shall file written notice setting forth the date that the acquisition was completed.
3. Within five days of the completion of the approved acquisition and transfer, Joint Applicants shall provide evidence that all utility assets owned and used in connection with the utility's propane gas system were paid in full, pursuant to the Purchase and Sale Agreement.
4. Any filings made pursuant to ordering paragraph 2 and ordering paragraph 3 shall reference this case number and be filed in post-case correspondence.
5. This case is closed and removed from the docket.

PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman



Commissioner

ATTEST:



Executive Director

ENTERED  
APR 03 2025 AH  
KENTUCKY PUBLIC  
SERVICE COMMISSION

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