



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
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psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

March 7, 2011

PARTIES OF RECORD

Re: Case No. 2007-00403

Attached is a Certification of Records being filed in the post-case correspondence file of the case referenced above. If you wish to make any comments regarding the contents of this memorandum, please do so within five days of receipt of this letter. If you have any questions, please call Virginia Gregg of the Commission staff at 502-564-3940, ext. 407.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

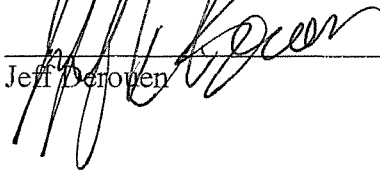
VG/kar
Attachment

CERTIFICATION OF RECORDS

Jeff Derouen, after being duly sworn, states:

1. I am Executive Director of the Public Service Commission of Kentucky.
2. As Executive Director of the Public Service Commission, I am responsible for maintaining the official records of Commission proceedings. See KRS 278.100.
3. Commission Staff, at my direction, reviewed the records of the Commission and I certify that since 1994, B.T.U. Gas Company, Inc. has been a public utility under the jurisdiction of the Commission.
4. I certify that in each annual report filed with the Commission since 2001, Pamela Williams has been listed as the sole owner of B.T.U. Gas Company, Inc., and no application has been filed for the transfer of ownership or control of B.T.U. Gas Company, Inc. nor has such a transfer been authorized by the Commission.
5. I further certify that the documents attached hereto, which consist of the annual reports filed by B.T.U. Gas Company, Inc., from 2003 through 2007, the Order of the Public Service Commission entered September 23, 2010 in case no. 2007-00403, and the Petition to Revise Penalty Payment Schedule in case number 2007-00403 received by the Public Service Commission on October 11, 2010, and signed William Kirkland, counsel to B. T. U. Gas Company, Inc., are true and correct copies of such documents as they exist in the official records of case number 2007-00403 before the Public Service Commission, or in the records of the Public Service Commission, generally.

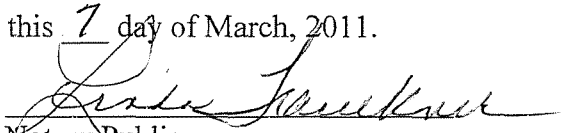
Dated: 3-7-2011



Jeff Derouen

COMMONWEALTH OF KENTUCKY))
))
 COUNTY OF FRANKLIN))

Subscribed and sworn to before me by Jeff Derouen this 7 day of March, 2011.



Notary Public
 State-at-Large

My commission expires: Feb. 9, 2014.

Class C and D Gas Utility

ANNUAL REPORT

OF

BTU Gas Company, Inc.

Exact Legal Name of Reporting Utility

PO Box 707

Salyersville, Ky 41465

(Address of Utility)

TO THE
PUBLIC SERVICE COMMISSION
OF THE
COMMONWEALTH OF KENTUCKY

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2003

BTU00131

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 20__03

1. Amount of Principal Payment during calendar year \$ _____
2. Is Principal current? (Yes) _____ (No) _____
3. Is Interest current? (Yes) _____ (No) _____
4. Has all long-term debt been approved by the Public Service Commission?
Yes ___ No ___ PSC Case Number _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are the financial statements examined by a Certified Public Accountant?
(Yes) _____ (No) x _____

If yes, which service was performed?

Audit _____
Compilation _____
Review _____

Please enclose a copy of the accountant's report with the annual report.

Page 1 of 2
AUDIT OF THE ANNUAL REPORT
GAS COMPANIES

Page No.	Line No.		Page No.	Line No.	Yes	No	If No, Explain Why
1	3	agrees with	3	12	X		
1	4	agrees with	3	15	X		
1	5	agrees with	3	16	X		
2	2 & 3	agrees with	6	Capital Stock (f)	X		
2	8	agrees with	8	Account 216 Balance End of Year (b)	X		
2	16	agrees with	7	Long Term Debt Total (d)	X		
2	24	agrees with	7	Notes Payable Total (e)	X		
2	30	agrees with	7	Interest Accrued Total (e)	X		
2	31	agrees with	8	Misc. Current and Accrued Liabilities	X		
3	1	agrees with	5	39(f)	X		
3	15	agrees with	3	34	X		
3	15	agrees with	6	25	X		
9	5	agrees with	13	(f)	X		
9	15	agrees with	11	26	X		
9	17	agrees with	12	Total Amortization Expense	X		
9	18	agrees with	12	Account 408.1	X		
9	19	agrees with	12	Total Income Taxes - Utility Operating Income	X		
9	29	agrees with	7	Interest Accrued Long-Term Debt (c)	X		

09/20/2009 11:03

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JONES PAK CPA

PAGE 06

BTU00133

Page 2 of 2
AUDIT OF THE ANNUAL REPORT
GAS COMPANIES

<u>Page No.</u>	<u>Line No.</u>		<u>Page No.</u>	<u>Line No.</u>	<u>Yes</u>	<u>No</u>	<u>If No, Explain Why</u>
9	32	agrees with	7	Interest Accrued Other (c)	X		
9	33	agrees with	12	Total Income Taxes - Nonutility Operating Income	X		
9	37	agrees with	12	Account 408.2	X		
9	39	agrees with	18	Balance Transferred From Income (433)	X		
10	5	agrees with	14	(j)	X		
10	6	agrees with	14	(j)	X		
14	(j)	agrees with	15	3 & 4 (b)	X		
15	9	agrees with	15	20	X		
15	11	agrees with	9	6(c)	X		
Principal Payment Page has been completed					X		
Oath Page has been completed					X		

09/28/2009 11:03

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JONES PAK CPA

PAGE 07

BTU00134

GENERAL INFORMATION

1. Give the location, including street & number and telephone number, including the area code, of the principal office in Kentucky.
HC 60 Oakley Rd. PO Box 707
Salyersville, Ky 41464
(606) 884-2000
2. Name, title, address and telephone number, including area code, of the Person to be contacted concerning this report.
Pam Williams President
(606) 884-2000
3. Name and title of officer having custody of the books of account, address of office and telephone number, including area code, where the books of account are kept.
"same as above"
4. Name of State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law.
Kentucky
June 1994
5. If the respondent controls or is controlled by any other corporation, business trust, or similar organization, give a concise explanation of the manner and extent of control.
n/a
6. Give the names and addresses of the ten major stockholders of the respondent and the voting powers of each at the end of the year.
Pam Williams- 100%
7. Give the number of employees: Full-time 1 Part-time: _____
8. Name of City, Town, Community and County in which you furnish gas service and the number of customers in each.

PRINCIPAL OFFICERS

Line No.	Title	Name of Officer or Director	Principal Business Address	Annual Salary And/or Fee
1	President	Pam Williams	PO Box 707	\$12,250.00
2			Salyersville, Ky 41465	
3				
4				
5				
6				
7				
8				
9				
10				

BALANCE SHEET			
Line No.	ASSETS AND OTHER DEBITS	Balance First of Year	Balance Last of Year
1	UTILITY PLANT		
2			
3	Utility Plant (101-107,114,116)	317,208.03	317,208.03
4	Less: Accum. Prov. for Depr., Depletion, and Amortization (108,111)	(118,878.76)	(135,276.83)
5	Net Utility Plant	198,329.27	181,932.20
6			
7	OTHER PROPERTY AND INVESTMENTS		
8	Nonutility Property-Net (121-122)		
9	Other Investments (124)		
10	Other Special Funds (128)		
11			
12	Total Other Property and Investments		
13			
14	CURRENT AND ACCRUED ASSETS		
15	Cash (131)	4,705.37	(2,480.01)
16	Temporary Cash Investments (136)		
17	Notes Receivable (141)		
18	Customer Accounts Receivable (142)	37,941.13	46,229.45
19	Other Accounts Receivable (143)		
20	Accum. Prov. for Uncollectible Accs.-CR. (144)		
21	Plant Materials and Operating Supplies (154)		
22	Gas Stored - Current (164.1)		
23	Prepayments (165)		
24	Miscellaneous Current and Accrued Assets (174)		
25			
26			
27	Total Current and Accrued Assets	42,646.50	43,749.44
28			
29	DEFERRED DEBITS		
30	Unamortized Debt Expense (181)		
31	Extraordinary Property Losses (182.1)		
32	Miscellaneous Deferred Debits (186)		
33	Def. Losses from Disposition of Util. Plt. (187)		
34	Unamort. Loss on Reacquired Debt (189)		
35	Accum. Deferred Income Taxes (190)		
36	Unrecovered Purchased Gas Costs (191)		
37			
38	Total Deferred Debits		
39			
40	TOTAL ASSETS AND OTHER DEBITS	240,975.77	225,681.64

BALANCE SHEET			
Line No.	LIABILITIES AND OTHER CREDITS	Balance First of Year	Balance Last of Year
1	PROPRIETARY CAPITAL		
2	Common Stock Issued (201)		
3	Preferred Stock Issued(204)		
4	Misc. Paid-In Capital (211)		
5	Discount on Capital Stock (213)		
6	Capital Stock Expense (214)		
7	Appropriated Retained Earnings (215)		
8	Unappropriated Retained Earnings (216)	130,943.30	137,065.94
9	Reacquired Capital Stock (217)		
10	Total Proprietary Capital	130,943.30	137,065.94
11			
12	LONG-TERM DEBT		
13	Bonds (221)		
14	Advances From Associated Companies (223)		
15	Other Long-Term Debt (224)		
16	Total Long-Term Debt		
17	OTHER NONCURRENT LIABILITIES		
18	Accum. Provision for Property Insurance (228.1)		
19	Accum. Provision for Injuries and Damage (228.2)		
20	Accum. Provision for Pensions and Benefits(228.3)		
21	Accum. Miscellaneous Operating Provisions (228.4)		
22	Total Other Noncurrent Liabilities		
23	CURRENT AND ACCRUED LIABILITIES		
24	Notes Payable (231)		
25	Accounts Payable (232)	24,120.77	16,305.00
26	Notes Payable to Associated Companies (233)		
27	Accounts Payable to Associated Companies (234)	29,754.29	29,754.29
28	Customer Deposits (235)	36,716.67	41,200.00
29	Taxes Accrued (236)	16,798.37	1,356.41
30	Interest Accrued (237)	2,642.37	-0-
31	Misc. Current and Accrued Liabilities (242)		
32	Total Current and Accrued Liabilities	110,032.47	88,615.70
33	DEFERRED CREDITS		
34	Customer Advances for Construction (252)		
35	Other Deferred Credits (253)		
36	Accum. Deferred Investment Tax Credits (255)		
37	Accum. Deferred Income Taxes (281-283)		
38	Total Deferred Credits		
39			
40	TOTAL LIABILITIES AND OTHER CREDITS	240,975.77	225,681.64

ANALYSIS OF GAS UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, DEPLETION AND AMORTIZATION			
Line No.	Acct. No.	Item	Amount
1	101	Gas Plant in Service-Classified (From Page 5, Line 39(f))	317,208.03
2	101.1	Property Under Capital Leases	
3	102	Gas Plant Purchased or Sold	
4	105	Completed Construction Not Classified	
5		Total	
6	104	Gas Plant Leased to Others	
7	105	Gas Plant Held for Future Use	
8	107	Construction Work in Progress-Gas	
9	114	Gas Plant Acquisition Adjustments	
10	116	Other Gas Plant Adjustments	
11			
12		Total Utility Plant (Forward to Page 1, line 3)	317,208.03
13	108	Less: Accum. Prov. For Depreciation of Gas Utility Plant	135,275.83
14	111	Accum. Prov. for Amortization and Depletion of Gas Utility Plant	
15		Total (Forward to Page 1, line 4)	135,275.83
16		Net Utility Plant (Forward to Page 1, line 5)	181,932.20
DETAIL OF ACCUMULATED PROVISION FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF GAS UTILITY PLANT			
17		In Service:	
19		Depreciation	135,275.83
20		Depletion	
21		Amortization	
22		Total - In Service	
23		Leased to Others:	
24		Depreciation	
25		Depletion	
26		Amortization	
27		Total - Leased to Others	
28		Held for Future Use:	
29		Depreciation	
30		Depletion	
31		Amortization	
32		Total - Held for Future Use	
33		Amortization of Gas Plant Acquisition Adjustments	
34		TOTAL ACCUMULATED PROVISIONS (Same as line 15, above)	135,275.83
NOTES TO BALANCE SHEET			
This space is provided for important notes regarding the balance sheet			

Page 1 of 2		GAS UTILITY PLANT IN SERVICE		
Report in column (e) entries reclassifying property from one account to another. Corrections of entries of the preceding year should be recorded in column (c) or column (d), as they are corrections of additions or retirements				
Line No.	Account (a)	Balance First of Year (b)	Additions (c)	Retirements (d)
1	Intangible Plant - Account 301-303 (Attach Schedule)			
2	Gas Production, Storage and Processing Plant - Account 304-364 (Attach Schedule)			
TRANSMISSION PLANT				
3	Land and Land Rights (365.1)			
4	Rights-Of-Way (365.2)			
5	Structures and Improvements (366)			
6	Mains (367)	225,636.20		
7	Compressor Station Equipment (368)			
8	Measuring and Regulating Station Equipment (369)			
9	Communication Equipment (370)			
10	Other Equipment (371)			
11	Total Transmission Plant			
DISTRIBUTION PLANT				
12	Land and Land Rights (374)			
13	Structures and Improvements (375)			
14	Mains (376)			
15	Compressor Station Equipment (377)			
16	Measuring and Regulating Station Equipment - General (378)			
17	Measuring & Regulating Station Equipment - City Gate (379)			
18	Services (380)			
19	Meters (381)	31,055.79		
20	Meter Installations (382)			
21	House Regulators (383)	15,957.85		
22	House Regulator Installations (384)			
23	Industrial Measuring & Regulating Station Equipment (385)			
24	Other Property on Customers Premises (386)			
25	Other Equipment (387)			
26	Total Distribution Plant			
GENERAL PLANT				
27	Land and Land Rights (389)			
28	Structures and Improvements (390)			
29	Office Furniture and Equipment (391)			
30	Transportation Equipment (392)			
31	Stores Equipment (393)			
32	Tools, Shop and Garage Equipment (394)	9,892.52		
33	Laboratory Equipment (395)			
34	Power Operated Equipment (396)	30,305.51		
35	Communication Equipment (397)			
36	Miscellaneous Equipment (398)	4,360.16		
37	Other Tangible Property (399)			
38	Total General Plant			
39	TOTAL GAS PLANT IN SERVICE	317,208.03		

Page 2 of 2			
GAS UTILITY PLANT IN SERVICE			
Report in column (e) entries reclassifying property from one account to another. Corrections of entries of the preceding year should be recorded in column (c) or column (d), as they are corrections of additions or retirements			
Line No.	Account (a)	Adjustments (+ cr-) (e)	Balance End of Year (f)
1	Intangible Plant - Account 301-303 (Attach Schedule)		
2	Gas Production, Storage and Processing Plant - Account 304-364 (Attach Schedule)		
TRANSMISSION PLANT			
3	Land and Land Rights (365.1)		
4	Rights-Of-Way (365.2)		
5	Structures and Improvements (366)		
6	Mains (367)		225,636.20
7	Compressor Station Equipment (368)		
8	Measuring and Regulating Station Equipment (369)		
9	Communication Equipment (370)		
10	Other Equipment (371)		
11	Total Transmission Plant		
DISTRIBUTION PLANT			
12	Land and Land Rights (374)		
13	Structures and Improvements (375)		
14	Mains (376)		
15	Compressor Station Equipment (377)		
16	Measuring and Regulating Station Equipment - General (378)		
17	Measuring & Regulating Station Equipment - City Gate (379)		
18	Services (380)		
19	Meters (381)		31,055.79
20	Meter Installations (382)		
21	House Regulators (383)		15,957.85
22	House Regulator Installations (384)		
23	Industrial Measuring & Regulating Station Equipment (385)		
24	Other Property on Customers Premises (386)		
25	Other Equipment (387)		
26	Total Distribution Plant		
GENERAL PLANT			
27	Land and Land Rights (389)		
28	Structures and Improvements (390)		
29	Office Furniture and Equipment (391)		
30	Transportation Equipment (392)		
31	Stores Equipment (393)		
32	Tools, Shop and Garage Equipment (394)		9,892.52
33	Laboratory Equipment (395)		
34	Power Operated Equipment (396)		30,305.51
35	Communication Equipment (397)		
36	Miscellaneous Equipment (398)		4,360.16
37	Other Tangible Property (399)		
38	Total General Plant		
39	TOTAL GAS PLANT IN SERVICE		317,208.03

ACCUMULATED PROVISION FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF GAS UTILITY PLANT		
Line No.	Item	Amount
1	Balance Beginning of Year	118,878.76
2	Accruals for Year:	
3	Depreciation	16,397.07
4	Depletion	
5	Amortization	
6	Other Accounts (detail):	
7		
8		
9	Total Accruals for Year	16,397.07
10	Credit Adjustments (describe):	
11		
12		
13	Total Credits for Year	16,397.07
14		
15	Net Charges for Plant Retired:	
16	Book Cost of Plant Retired (same as Page 4, Line 39(d))	XXXXXXXXXXXX
17	Add: Cost of Removal	XXXXXXXXXXXX
18	Less: Salvage	XXXXXXXXXXXX
19	Net Charges for Plant Retired	
20	Debit Adjustments (describe):	
21		
22		
23	Total Debit Adjustments for Year	
24		
25	Balance End of Year	135,275.83

CAPITAL STOCK					
Class and Series of Stock (a)	No. of Shares Auth. (b)	Par Value Per Share of Par Value Stk (c)	Stated Val. Per Share of Nonpar Stock (d)	Outstanding Per Balance Sheet	
				Shares (e)	Amount (f)
n/a					

7

LONG-TERM DEBT					
List Each Original Issue Amt., Class & Series of Obligation (a)	Date of Issue (b)	Date of Maturity (c)	Outstanding Per Balance Sheet (d)	Interest Expense For The Year	
				Rate (e)	Amount (f)
n/a					
Total					
NOTES PAYABLE					
Name of Payee (a)	Date of Note (b)	Date of Maturity (c)	Interest Rate (d)	Balance End of Year (e)	
n/a					
Total					
INTEREST ACCRUED					
Description of Obligation (a)	Int. Accr. Balance First of Year (b)	Int. Accr. During Year (c)	Int. Paid During Year (d)	Interest Accrued Balance End of Year (e)	
Long Term Debt:					
Note Payable:					
Customer Deposits:	2,642.37	2,472.00	5,114.37	0	
Other:					
Total	2,642.37	2,472.00	5,114.37	0	

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES

Sub-Account and Description	Amount
n/a	
Total	

STATEMENT OF RETAINED EARNINGS FOR THE YEAR

Item (a)	This Year (b)	Last Year (c)
UNAPPROPRIATED RETAINED EARNINGS (ACCT. 216):		
Balance Beginning of Year	130,943.30	129,083.02
Balance Transferred From Income (433)	6,122.64	1,860.28
Misc. Credits (Specify Account Number & Title):		
Total Credits to Unappropriated Retained Earnings		
Dividends Declared-Preferred Stock (437)		
Dividends Declared-Common Stock (438)		
Miscellaneous Debits (Specify Account Number & Title):		
Adjustments to Retained Earnings (439) (Describe)		
Total Debits to Unappropriated Retained Earnings		
Net Addition to Unappropriated Retained Earnings		
Balance End of Year	137,065.94	130,943.30

STATEMENT OF INCOME FOR THE YEAR				
Line No.	Account (b)	Average No. Customers (b)	MCF of Nat. Gas Sold (c)	Amount (d)
OPERATING REVENUES				
1	Residential Sales (480)	403	28,879.00	
2	Commercial and Industrial Sales (481)	9	698.00	
3	Interdepartmental Sales (484)			
4	Total Sales to Ultimate Consumers			
5	Sales for Resale (483)			
6	Total Gas Service Revenues	412	29,577.00	169,683.74
OTHER OPERATING REVENUES				
7	Forfeited Discounts (487)			
8	Miscellaneous Service Revenues (488)			
9	Revenues From Transportation of Gas of Others (489)			
10	Revenues From Natural Gas Processed by Others (491)			
11	Rent From Gas Property (493)			
12	Other Gas Revenues (495)			
13	Total Other Operating Revenues			
14	Total Gas Operating Revenues			169,683.74
OPERATING EXPENSES				
15	Total Gas Operation & Maintenance Expenses (from page 11, line 26)			142,672.38
16	Depreciation Expense (403)			16,397.07
17	Amortization Expense (404-407) (from page 12)			
18	Taxes Other Than Income Taxes (408.1) (from page 12)			2,019.65
19	Total Income Taxes-Utility Operations (409.1, 410.1, 411.1, 411.4) (from page 12)			
20	Total Gas Operating Expenses			161,089.10
21	Net Operating Income			8,594.64
OTHER INCOME				
22	Other Nonutility Income - Net (415-418)			
23	Interest and Dividend Income (419)			
24	Miscellaneous Nonoperating Income (421)			
25	Other Accounts (Specify Account Number and Title):			
26				
27				
28	Total Other Income			
OTHER DEDUCTIONS				
29	Interest on Long-Term Debt (427)			
30	Amortization of Debt Discount and Expense (428)			
31	Other Nonutility Deductions (426.1 - 426.5)			
32	Other Interest Expense (431)			2,472.00
33	Total Income Taxes - Nonutility operations (408.2, 410.2, 411.2, 411.5) (from Page 12)			
34	Other Accounts (Specify Account Number and Title):			
35				
36				
37	Taxes Other Than Income Taxes (408.2) (from Page 12)			
38	Total Other Deductions			2,472.00
39	NET INCOME			6,122.64

GAS OPERATION AND MAINTENANCE EXPENSES		
Line No.	Account (a)	Amount (b)
1	MANUFACTURED GAS PRODUCTION Total-Account 710-742 (Attach Schedule by Accounts)	
2	NATURAL GAS PRODUCTION EXPENSES Total-Account 750-791 (Attach Schedule by Accounts)	
3	EXPLORATION AND DEVELOPMENT EXPENSES Total-Account 795-798 (Attach Schedule by Accounts)	
4	STORAGE EXPENSES Total-Account 814-843 (Attach Schedule by Accounts)	
5	OTHER GAS SUPPLY EXPENSES Natural Gas City Gate Purchases (804)	83,091.60
6	Other Gas Purchases (805)	
7	Purchased Gas Cost Adjustments (805.1)	
8	Purchased Gas Expenses (807)	
9	Gas Withdrawn From Storage - Debit (808.1)	
10	Gas Delivered to Storage - Credit (808.2)	
11	Gas Used For Other Utility Operations - Credit (812)	
12	Other Gas Supply Expenses (813)	
13	Total Other Gas Supply Expenses	83,091.60
14	TRANSMISSION EXPENSES Operation Supervision and Engineering (850)	
15	Compressor Station Labor and Expenses (853)	
16	Measuring and Regulating Station Expenses (857)	
17	Transmission and Compression of Gas by Others (858)	
18	Rents (860)	
19	Maintenance of Mains (863)	
20	Maintenance of Compressor Station Equipment (864)	
21	Total Transmission Expenses	
22	DISTRIBUTION EXPENSES Operation Supervision and Engineering (870)	
23	Compressor Station Labor and Expenses (872)	
24	Mains and Services Expenses (874)	14,769.31
25	Measuring and Regulating Station Expenses (875)	
26	Meter and House Regulator Expenses (878)	
27	Other Expenses (880)	
28	Rents (881)	8,916.48
29	Maintenance Supervision and Engineering (885)	
30	Maintenance of Mains (887)	
31	Maintenance of Services (892)	
32	Maintenance of Meters and House Regulators (893)	
33	Maintenance of Other Equipment (894)	
34	Total Distribution Expenses	23,685.79

GAS OPERATION AND MAINTENANCE EXPENSES (Con'L)		
Line No.	Account (a)	Amount (b)
CUSTOMER ACCOUNTS EXPENSE		
1	Meter Reading Expenses (902)	2,933.64
2	Customer Records and Collection Expenses (903)	
3	Uncollectible Accounts (904)	
4	Total Customer Accounts Expense	2,933.64
5		
CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
6	Miscellaneous Customer Service and Informational Expenses (910)	
ADMINISTRATIVE AND GENERAL EXPENSES		
7	Administrative and General Salaries (920)	12,250.00
8	Office Supplies and Expenses (921)	11,890.88
9	Administrative Expenses Transferred - Credit (922)	
10	Outside Services Employed (923)	400.00
11	Property Insurance (924)	
12	Injuries and Damages (925)	
13	Employee Pensions and Benefits (925)	
14	Franchise Requirements (927)	
15	Regulatory Commission Expenses (928)	
16	Duplicate Charges - Credit (929)	
17	General Advertising Expenses (930.1)	1,548.94
18	Miscellaneous General Expenses (930.2)	5,671.53
19	Rents (931)	1,200.00
20	Maintenance of General Plant (932)	
21	Total Administrative and General Expenses	32,961.35
22		
23		
24		
25		
26	TOTAL GAS OPERATION AND MAINTENANCE EXPENSES (to Page 9, Line 15)	142,672.38
NUMBER OF CUSTOMERS		
End of Year		
	Residential (480)	403
	Commercial and Industrial (481)	9
	Interdepartmental Sales (484)	
	Total - Ultimate Customer	
	Sales for Resale (483)	
	Total Gas Service Customers	412

TAXES OTHER THAN INCOME TAXES (408)		
Show hereunder the various tax items which make up the amounts listed under Account Numbers 408.1 and 408.2 on page 9, lines 18 and 37.		
Line No.	Item (a)	Amount (b)
1	Payroll Taxes	1,284.16
2	Public Service Commission Assessment	
3	Other (Specify):	
4	Other Tax / License	735.49
5		
6		
7		
8		
9	Total (Same as page 9, lines 18 and 37)	2,019.65
OPERATING AND NONOPERATING INCOME TAXES		
Acct. No.	Account (a)	Amount (b)
409.1	Income Taxes, Utility Operating Income - Federal	
409.1	Income Taxes, Utility Operating Income - State	
409.1	Income Taxes, Utility Operating Income - Other	
410.1	Provision for Deferred Income Taxes, Utility Operating Income	
411.1	Provision for Deferred Income Taxes - Credit, Utility Operating Income	
411.4	Investment Tax Credit Adjustments, Utility Operations	
	Total Income Taxes - Utility Operating Income (to page 9, line 19)	
409.2	Income Taxes, Other Income & Deductions - Federal	
409.2	Income Taxes, Other Income & Deductions - State	
409.2	Income Taxes, Other Income & Deductions - Other	
410.2	Provision for Deferred Income Taxes, Other Income & Deductions	
411.2	Provision for Deferred Income Taxes - Credit, Other Income & Deductions	
411.5	Investment Tax Credit Adjustments, Nonutility Operations	
	Total Income Taxes - Nonutility Operating Inc. (to page 9, line 33)	
AMORTIZATION EXPENSE		
Acct. No.	Account (a)	Amount (b)
404.1	Amortization and Depletion of Producing Natural Gas Land and Land Rights	
405	Amortization of Other Gas Plant	
406	Amortization of Gas Plant Acquisition Adjustments	
407.1	Amortization of Property Losses	
407.2	Amortization of Conversion Expenses	
	Total Amortization Expense (Same as page 9, line 17)	

SALES FOR RESALE - NATURAL GAS (Account 483)

1. Report particulars concerning sales of natural gas during the year to other gas utilities for resale. Sales to each customer should be identified in column (c) where applicable, by rate schedule designation contained in the company's tariff.
2. Natural gas for the purpose of this schedule means either natural gas unmixed, or any other mixture of natural and manufactured gas.
3. Point of delivery, column (b), should show name of city or town or state, and such other designation necessary to enable identification on maps of respondent's pipeline system.
4. Designate any sales which are other than firm sales, i.e., sales for storage, etc.
5. Where consolidated bills for more than one point of delivery are rendered under a FERC rate schedule, the several points of delivery shall be indicated in column (b) and the remainder of the information reported in a consolidated basis corresponding to the billing. Where, however, consolidated bills for more than one point of delivery are not rendered under a FERC rate schedule, the required information shall be furnished for each point of delivery.
6. Designate if BTU per cubic foot of gas is different for any delivery point from that shown in the heading of column (d).

Name of Other Gas Utility (Designate Associated Co) (a)	Point of Delivery (b)	FERC Tariff Rate Sch. Design (c)	Approx. BTU per Cubic Foot (d)	MCF of Gas Sold (14.73 PSIA 60 F) (e)	Revenue for Year (see #5, above) (f)	Average Revenue per MCF (g)

GAS PURCHASES (Accounts 804 and 805)

1. Report particulars of gas purchases during the year. 2. Natural gas for the purpose of classification herein is either natural gas unmixed, or any mixture of natural and manufactured gas. 3. Provide subheadings and totals for prescribed accounts 804-Natural Gas City Gate Purchases, and 805 - Other gas Purchases. 4. Where purchases are from utilized fields, or vendor is a partnership or joint interest arrangement, specify such fact in column (a) and give name of unit operator, principal partner, or largest owner of joint interest, as approp. 5. For well head and field line purchases indicate the gas field or production area, county and state. 6. Field purchases of less than \$25,000 per year from individual non-associated vendors may be grouped by fields or production areas. Show numbers of purchases so grouped. 7. Show in column (c) the Seller's FERC rate schedule designation and date of contract, including such designations for purchases from independent producers. Intrastate purchases for which there is no required filing of a FERC rate schedule shall be specified "intrastate", and dates of contracts shown. If for any purchases more than one rate schedule was in effect during the year, show the most recent rate schedule designation and in a footnote give superseded rate schedules and date of supersession, or a succinct explanation. The Operator's rate schedule designation is sufficient in cases where there are no co-owners under the same purchase contract, but the entire volume of gas and amount, columns (h) and (i) must be shown for the purchase under the particular contract. Rate schedule designations are not required with respect to small purchases grouped as permitted in instruction 6.

Name of Vendor (Designate Associated Companies) (a)	Point of Receipt (b)	Seller's FERC Rate Schedule Designation and Date of Contract (c)	Check Appropriate Class				Approx. BTU per Cubic Foot (h)	MCF of Gas 14.73 PISA 60 F (i)	Amount (j)	Avg. Amt. per MCF (cents) (k)
			Well Mouth (d)	Field Liner (e)	Gasoline Plant Outlet (f)	Other (g)				
P&J Resources							29,577.00	83,091.60	2.81	

GAS ACCOUNT - NATURAL GAS

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent. Natural gas means either natural gas unmixed and any mixture of natural and manufactured gas.
2. Enter in column (b) the MCFs as reported in schedules indicated for the respective items of receipts and deliveries.
3. If the respondent operates two or more systems which are not inter-connected, separate schedules should be submitted. Insert pages should be used for this purpose.

Line No.	Item (a)	MCF (14.73 PSIA at 60 F) (b)
GAS RECEIVED		
1	Natural Gas Produced	
2	Purchases:	
3	Natural Gas City Gate Purchases (Account 804)	29,577
4	Other Gas Purchases (Account 805)*	
5	Other Receipts (Specify):	
6		
7		
8		
9	Total Receipts	29,577
10		
GAS DELIVERED		
11	Natural Gas Sales (same as page 9, column (c), line 6)	29,577
12	Other Deliveries (specify):	
13		
14		
15		
16	Total Deliveries	29,577
17		
18	Unaccounted for Gas	
19	Natural Gas Used by Respondent	
20	Total Deliveries and Unaccounted For Gas	29,577

* This type of gas purchase represents manufactured gas, refinery gas or any gas other than natural gas

PERTINENT NOTES TO THE EXHIBITS AND SUPPORTING
SCHEDULES CONTAINED IN THIS ANNUAL REPORT

OATH

State of Kentucky)
County of Magoffin) ss.:

Before me, the undersigned officer duly authorized to administer oaths, there personally appeared Pam Williams,
(Name of affiant)

who, being sworn by me, says on oath that he is in charge of the records of BTU Gas Company, Inc
(Exact legal name of company)

and that the foregoing report is true to the best of his/her knowledge and belief, and that it covers the period from January 1, 20 03, to December 31, 20 03.

Pam Williams
(Signature of affiant)

Subscribed and sworn before me this 29th day
of April, 20 04.

Reshie R. Reynolds
Notary Public, County of Magoffin
My Commission expires 12/4, 2005

(Seal)

Class C and D Gas Utility

ANNUAL REPORT

OF

BTU Gas Company, Inc.
Exact Legal Name of Reporting Utility

P.O. Box 707

Salversville, KY 41465
(Address of Utility)

TO THE
PUBLIC SERVICE COMMISSION
OF THE
COMMONWEALTH OF KENTUCKY

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2004

BTU00111

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 20__

1. Amount of Principal Payment during calendar year \$ _____
2. Is Principal current? (Yes) _____ (No) _____
3. Is Interest current? (Yes) _____ (No) _____
4. Has all long-term debt been approved by the Public Service Commission?
Yes _____ No _____ PSC Case Number _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are the financial statements examined by a Certified Public Accountant?
(Yes) _____ (No) x _____

If yes, which service was performed?

Audit _____
Compilation _____
Review _____

Please enclose a copy of the accountant's report with the annual report.

Additional Requested Information

Utility Name BTU Gas Company, Inc.

FEIN # (Federal Employer Identification Number)

6	1	-	1	2	7	3	6	4	8
---	---	---	---	---	---	---	---	---	---

Contact Person Pamela Williams

Contact Person's E-Mail Address _____

Utility's Web Address _____

Please complete the above information, if it is available.

If there are multiple staff who may be contacts please include their names and e-mail addresses also.

Page 1 of 2
AUDIT OF THE ANNUAL REPORT
GAS COMPANIES

Page No.	Line No.		Page No.	Line No.	Yes	No	If No, Explain Why
1	3	agrees with	3	12	X		
1	4	agrees with	3	15	X		
1	5	agrees with	3	16	X		
2	2 & 3	agrees with	6	Capital Stock (f)	X		
2	8	agrees with	8	Account 216 Balance End of Year (b)	X		
2	16	agrees with	7	Long Term Debt Total (d)	X		
2	24	agrees with	7	Notes Payable Total (e)	X		
2	30	agrees with	7	Interest Accrued Total (e)	X		
2	31	agrees with	8	Misc. Current and Accrued Liabilities	X		
3	1	agrees with	5	39(f)	X		
3	15	agrees with	3	34	X		
3	15	agrees with	6	25	X		
9	5	agrees with	13	(f)	X		
9	15	agrees with	11	26	X		
9	17	agrees with	12	Total Amortization Expense	X		
9	18	agrees with	12	Account 408.1	X		
9	19	agrees with	12	Total Income Taxes - Utility Operating Income	X		
9	29	agrees with	7	Interest Accrued Long-Term Debt (c)	X		

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Page 2 of 2
AUDIT OF THE ANNUAL REPORT
GAS COMPANIES

<u>Page No.</u>	<u>Line No.</u>		<u>Page No.</u>	<u>Line No.</u>	<u>Yes</u>	<u>No</u>	<u>If No, Explain Why</u>
9	32	agrees with	7	Interest Accrued Other (c)	X		
9	33	agrees with	12	Total Income Taxes - Nonutility Operating Income	X		
9	37	agrees with	12	Account 408.2	X		
9	39	agrees with	8	Balance Transferred From Income (433)	X		
10	5	agrees with	14	(j)	X		
10	6	agrees with	14	(l)	X		
14	(f)	agrees with	15	3 & 4 (b)	X		
15	9	agrees with	15	20	X		
15	11	agrees with	9	6(c)	X		
Principal Payment Page has been completed							
Oath Page has been completed					X		

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JONES PACK CPA

PAGE 08

BTU00116

Additional Information Required by Commission Orders

Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments

Case #	Date of Order	Item/Explanation

Attach additional sheets if more room is needed

GENERAL INFORMATION

1. Give the location, including street & number and telephone number, including the area code, of the principal office in Kentucky.
HC 60 Oakley Rd - P.O. Box 707
Salversville, KY 41465
(606)884-2000
2. Name, title, address and telephone number, including area code, of the Person to be contacted concerning this report.
Pamela Williams - President
(606)884-2000
3. Name and title of officer having custody of the books of account, address of office and telephone number, including area code, where the books of account are kept.
"Same as above"
4. Name of State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law give reference to such law.
Kentucky
June 1994
5. If the respondent controls or is controlled by any other corporation, business trust, or similar organization, give a concise explanation of the manner and extent of control.
N/A
6. Give the names and addresses of the ten major stockholders of the respondent and the voting powers of each at the end of the year.
Pamela Williams-100%
7. Give the number of employees: Full-time 1 Part-time: _____
8. Name of City, Town, Community and County in which you furnish gas service and the number of customers in each.

PRINCIPAL OFFICERS

Line No.	Title	Name of Officer or Director	Principal Business Address	Annual Salary And/or Fee
1	Pres.	Pamela Williams	P.O. Box 707 Salversville, KY 41465	\$12,000.00
2				
3				
4				
5				
6				
7				
8				
9				
10				

1
BALANCE SHEET

Line No.	ASSETS AND OTHER DEBITS	Balance First of Year	Balance Last of Year
1	UTILITY PLANT		
2			
3	Utility Plant (101-107,114,116)	317,208.03	691,764.58
4	Less: Accum. Prov. for Depr., Depletion, and Amortization (108,111)	(135,278.83)	(181,469.90)
5	Net Utility Plant	181,932.20	510,294.68
6			
7	OTHER PROPERTY AND INVESTMENTS		
8	Nonutility Property-Net (121-122)		
9	Other Investments (124)		
10	Other Special Funds (128)		
11			
12	Total Other Property and Investments		
13			
14	CURRENT AND ACCRUED ASSETS		
15	Cash (131)	(2,480.01)	(8,757.76)
16	Temporary Cash Investments (136)		
17	Notes Receivable (141)		
18	Customer Accounts Receivable (142)		
19	Other Accounts Receivable (143)	46,229.45	51,630.64
20	Accum. Prov. for Uncollectible Accts.-CR. (144)		
21	Plant Materials and Operating Supplies (154)		
22	Gas Stored - Current (164.1)		
23	Prepayments (165)		
24	Miscellaneous Current and Accrued Assets (174)		
25			
26			
27	Total Current and Accrued Assets	43,749.44	42,872.88
28			
29	DEFERRED DEBITS		
30	Unamortized Debt Expense (181)		
31	Extraordinary Property Losses (182.1)		
32	Miscellaneous Deferred Debits (186)		
33	Def. Losses from Disposition of Util. PPL (187)		
34	Unamort. Loss on Reacquired Debt (188)		
35	Accum. Deferred Income Taxes (190)		
36	Unrecovered Purchased Gas Costs (191)		
37			
38	Total Deferred Debits		
39			
40	TOTAL ASSETS AND OTHER DEBITS	225,681.64	553,167.56

ANALYSIS OF GAS UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, DEPLETION AND AMORTIZATION			
Line No.	Acct. No.	Item	Amount
1	101	Gas Plant in Service-Classified (From Page 5, Line 39(f))	691,764.58
2	101.1	Property Under Capital Leases	
3	102	Gas Plant Purchased or Sold	
4	108	Completed Construction Not Classified	
5		Total	
6	104	Gas Plant Leased to Others	
7	105	Gas Plant Held for Future Use	
8	107	Construction Work in Progress-Gas	
9	114	Gas Plant Acquisition Adjustments	
10	116	Other Gas Plant Adjustments	
11			
12		Total Utility Plant (Forward to Page 1, line 3)	691,764.58
13		Less:	
	108	Accum. Prov. For Depreciation of Gas Utility Plant	181,469.90
14	111	Accum. Prov. for Amortization and Depletion of Gas Utility Plant	181,469.90
15		Total (Forward to Page 1, line 4)	510,294.68
16		Net Utility Plant (Forward to Page 1, line 5)	
DETAIL OF ACCUMULATED PROVISION FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF GAS UTILITY PLANT			
17		In Service:	
19		Depreciation	181,469.90
20		Depletion	
21		Amortization	
22		Total - In Service	
23		Leased to Others:	
24		Depreciation	
25		Depletion	
26		Amortization	
27		Total - Leased to Others	
28		Held for Future Use:	
29		Depreciation	
30		Depletion	
31		Amortization	
32		Total - Held for Future Use	
33		Amortization of Gas Plant Acquisition Adjustments	
34		TOTAL ACCUMULATED PROVISIONS (Same as line 15, above)	181,469.90
NOTES TO BALANCE SHEET			
This space is provided for important notes regarding the balance sheet			

Page 2 of 2
 Report in column (e) entries reclassifying property from one account to another. Corrections of entries of the preceding year should be recorded in column (c) or column (d), as they are corrections of additions or retirements

Line No.	Account (a)	Adjustments (+ or -) (e)	Balance End of Year (f)
1	Intangible Plant - Account 301-303 (Attach Schedule)		
2	Gas Production, Storage and Processing Plant - Account 304-304 (Attach Schedule)		
3	TRANSMISSION PLANT Land and Land Rights (365.1)		
4	Rights-Of-Way (365.2)		
5	Structures and Improvements (366)		
6	Mains (367)		
7	Compressor Station Equipment (368)		538,471.20
8	Measuring and Regulating Station Equipment (369)		
9	Communication Equipment (370)		
10	Other Equipment (371)		
11	Total Transmission Plant		
12	DISTRIBUTION PLANT Land and Land Rights (374)		
13	Structures and Improvements (375)		
14	Mains (376)		
15	Compressor Station Equipment (377)		
16	Measuring and Regulating Station Equipment - General (378)		
17	Measuring & Regulating Station Equipment - City Gate (379)		
18	Services (380)		
19	Meters (381)		
20	Meter installations (382)		40,934.79
21	House Regulators (383)		
22	House Regulator installations (384)		22,543.85
23	Industrial Measuring & Regulating Station Equipment (385)		
24	Other Property on Customers Premises (386)		
25	Other Equipment (387)		
26	Total Distribution Plant		
27	GENERAL PLANT Land and Land Rights (389)		
28	Structures and Improvements (390)		
29	Office Furniture and Equipment (391)		
30	Transportation Equipment (392)		
31	Stores Equipment (393)		
32	Tools, Shop and Garage Equipment (394)		9,892.52
33	Laboratory Equipment (395)		
34	Power Operated Equipment (396)		72,962.56
35	Communication Equipment (397)		
36	Miscellaneous Equipment (398)		6,959.66
37	Other Tangible Property (399)		
38	Total General Plant		
39	TOTAL GAS PLANT IN SERVICE		691,764.58

7

LONG-TERM DEBT					
List Each Original Issue Amt., Class & Series of Obligation (a)	Date of Issue (b)	Date of Maturity (c)	Outstanding Per Balance Sheet (d)	Interest Expense For The Year	
				Rate (e)	Amount (f)
N/A					
Total					
NOTES PAYABLE					
Name of Payee (a)	Date of Note (b)	Date of Maturity (c)	Interest Rate (d)	Balance End of Year (e)	
Ford Credit	1-28-04	2-28-09	3.9%	35,065.58	
US Small Business Administration	11-28-04	11-8-24	2.9%	328,296.11	
Total				363,361.69	
INTEREST ACCRUED					
Description of Obligation (a)	Int. Accr. Balance First of Year (b)	Int. Accr. During Year (c)	Int. Paid During Year (d)	Interest Accrued Balance End of Year (e)	
Long Term Debt:					
Note Payable:	-0-	2,371.76	2,371.76	-0-	
Customer Deposits:					
Other:					
Total					

STATEMENT OF INCOME FOR THE YEAR				
Line No.	Account (a)	Average No. Customers (b)	MCF of Nat. Gas Sold (c)	Amount (d)
OPERATING REVENUES				
1	Residential Sales (480)	427	31,096	
2	Commercial and Industrial Sales (481)			
3	Interdepartmental Sales (484)	10	1,637	
4	Total Sales to Ultimate Consumers			
5	Sales for Resale (483)			
6	Total Gas Service Revenues			
		437	32,733	239,621.06
OTHER OPERATING REVENUES				
7	Forfeited Discounts (487)			
8	Miscellaneous Service Revenues (488)			
9	Revenues From Transportation of Gas of Others (489)			
10	Revenues From Natural Gas Processed by Others (491)			
11	Rent From Gas Property (493)			
12	Other Gas Revenues (485)			
13	Total Other Operating Revenues			
14	Total Gas Operating Revenues			239,621.06
OPERATING EXPENSES				
15	Total Gas Operation & Maintenance Expenses (from page 11, line 26)			208,426.78
16	Depreciation Expense (403)			46,194.07
17	Amortization Expense (404-407) (from page 12)			
18	Taxes Other Than Income Taxes (408.1) (from page 12)			11,600.29
19	Total Income Taxes-Utility Operations (409.1, 410.1, 411.1, 411.4) (from page 12)			
20	Total Gas Operating Expenses			266,221.14
21	Net Operating Income			(26,600.08)
OTHER INCOME				
22	Other Nonutility Income - Net (415-416)			
23	Interest and Dividend Income (419)			
24	Miscellaneous Nonoperating Income (421)			
25	Other Accounts (Specify Account Number and Title):			
26				
27				
28	Total Other Income			
OTHER DEDUCTIONS				
29	Interest on Long-Term Debt (427)			
30	Amortization of Debt Discount and Expense (428)			
31	Other Nonutility Deductions (428.1 - 428.5)			
32	Other Interest Expense (431)			
33	Total Income Taxes - Nonutility operations (409.2, 410.2, 411.2, 411.5) (from Page 12)			2,371.76
34	Other Accounts (Specify Account Number and Title):			
35				
36				
37	Taxes Other Than Income Taxes (408.2) (from Page 12)			
38	Total Other Deductions			2,371.76
39	NET INCOME			(28,971.84)

GAS OPERATION AND MAINTENANCE EXPENSES (Con't)		
Line No.	Account (a)	Amount (b)
CUSTOMER ACCOUNTS EXPENSE		
1	Meter Reading Expenses (902)	3,961.19
2	Customer Records and Collection Expenses (903)	
3	Uncollectible Accounts (904)	
4	Total Customer Accounts Expense	3,961.19
5		
CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
6	Miscellaneous Customer Service and Informational Expenses (910)	
ADMINISTRATIVE AND GENERAL EXPENSES		
7	Administrative and General Salaries (920)	12,000.00
8	Office Supplies and Expenses (921)	6,470.47
9	Administrative Expenses Transferred - Credit (922)	
10	Outside Services Employed (923)	10,000.00
11	Property Insurance (924)	
12	Injuries and Damages (925)	
13	Employee Pensions and Benefits (925)	
14	Franchise Requirements (927)	
15	Regulatory Commission Expenses (928)	
16	Duplicate Charges - Credit (929)	
17	General Advertising Expenses (930.1)	1,650.00
18	Miscellaneous General Expenses (930.2)	13,175.97
19	Rents (931)	1,942.80
20	Maintenance of General Plant (932)	
21	Total Administrative and General Expenses	45,239.24
22		
23		
24		
25		
26	TOTAL GAS OPERATION AND MAINTENANCE EXPENSES (to Page 9, Line 15)	208,426.78
NUMBER OF CUSTOMERS		
End of Year		
	Residential (480)	427
	Commercial and Industrial (481)	10
	Interdepartmental Sales (484)	
	Total - Ultimate Customer	
	Sales for Resale (483)	
	Total Gas Service Customers	437

1. Report particulars concerning sales of natural gas during the year to other gas utilities for resale. Sales to each customer should be identified in column (c) where applicable, by rate schedule designation contained in the company's tariff.

2. Natural gas for the purpose of this schedule means either natural gas unmixed, or any other mixture of natural and manufactured gas.

3. Point of delivery, column (b), should show name of city or town or state, and such other designation necessary to enable identification on maps of respondent's pipeline system.

4. Designate any sales which are other than firm sales, i.e., sales for storage, etc.

5. Where consolidated bills for more than one point of delivery are rendered under a FERC rate schedule, the several points of delivery shall be indicated in column (b) and the remainder of the information reported in a consolidated basis corresponding to the billing. Where, however, consolidated bills for more than one point of delivery are not rendered under a FERC rate schedule, the required information shall be furnished for each point of delivery.

6. Designate if BTU per cubic foot of gas is different for any delivery point from that shown in the heading of column (d).

Name of Other Gas Utility (Designate Associated Co) (a)	Point of Delivery (b)	FERC Tariff Rate Sch. Design (c)	Approx. BTU per Cubic Foot (d)	MCF of Gas Sold (14.73 PSIA 60 F) (e)	Revenue for Year (see #5, above) (f)	Average Revenue per MCF (g)
N/A						

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JONES PACK CPA

PAGE 17

BTU00125

GAS ACCOUNT - NATURAL GAS

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent. Natural gas means either natural gas unmixed and any mixture of natural and manufactured gas.
2. Enter in column (b) the MCFs as reported in schedules indicated for the respective items of receipts and deliveries.
3. If the respondent operates two or more systems which are not inter-connected, separate schedules should be submitted. Insert pages should be used for this purpose.

Line No.	Item (a)	MCF (14.73 PSIA at 60 F) (b)
GAS RECEIVED		
1	Natural Gas Produced	
2	Purchases:	
3	Natural Gas City Gate Purchases (Account 804)	32,733
4	Other Gas Purchases (Account 805)*	
5	Other Receipts (Specify):	
6		
7		
8		
9	Total Receipts	32,733
10		
GAS DELIVERED		
11	Natural Gas Sales (same as page 9, column (c), line 6)	32,733
12	Other Deliveries (specify):	
13		
14		
15		
16	Total Deliveries	32,733
17		
18	Unaccounted for Gas	
19	Natural Gas Used by Respondent	
20	Total Deliveries and Unaccounted For Gas	32,733

* This type of gas purchase represents manufactured gas, refinery gas or any gas other than natural gas

OATH

State of Kentucky)
County of Magoffin) ss.:

Before me, the undersigned officer duly authorized to administer oaths, there personally appeared Pamela Williams,
(Name of affiant)
who, being sworn by me, says on oath that he is in charge of the records of BTU Gas Company, Inc.
(Exact legal name of company)
and that the foregoing report is true to the best of his/her knowledge and belief, and that it covers the period from January 1, 2004, to December 31, 2004.

(Signature of affiant)

Subscribed and sworn before me this _____ day
of _____, 20_____.

Notary Public, County of _____
My Commission expires _____, 20_____

(Seal)

Rev. 7/19/2004

KEN_ KY PUBLIC SERVICE COMMISSION
REPORT OF GROSS OPERATING REVENUES DERIVED FROM INTRA-KENTUCKY
BUSINESS FOR THE YEAR ENDING DECEMBER 31, 2004

BTU GAS Company, Inc. (Utility Reporting) PO Box 707 - Salyersville, KY 41465 (Address)

FEIN # (Federal Employer Identification Number)

6 1 - 1 2 7 3 6 4 8

(DO NOT INCLUDE TAXES COLLECTED)

- (1) Gross Revenues of Electric Utility.....\$ _____
 - (2) Gross Revenues of Gas Utility.....\$ 239,621.⁰⁰
 - (3) Gross Revenues of Water Utility.....\$ _____
 - (4) Gross Revenues of Sewer Utility.....\$ _____
 - (5) Other Operating Revenues.....\$ _____
- *** TOTAL GROSS REVENUES.....\$ 239,621.⁰⁰**

OATH

State of Kentucky.....)
) ss.
 County of Magese.....)

Pamela Williams being duly sworn, states that he/she is
 (Officer)

President of the BTU GAS Company, Inc. that the above
 (Official Title) (Utility Reporting)

report of gross revenues is in exact accordance with BTU GAS Company, Inc., and that such
 (Utility Reporting)

books accurately show the gross revenues of: BTU GAS Company, Inc., derived from
 (Utility Reporting)

Intra-Kentucky business for the calendar year ending December 31, 2004:

 (Officer) President
 (Title)

This the _____ day of _____, 20____

(Notary Public)

(County)

(Commission Expires)

NOTE: ANY DIFFERENCE BETWEEN THE AMOUNT OF THE GROSS REVENUES SHOWN IN THE ANNUAL REPORT AND THE AMOUNT APPEARING ON THIS STATEMENT MUST BE RECONCILED ON THE REVERSE OF THIS REPORT.

OATH

State of Kentucky)
) ss.:
County of Magoffin)

Before me, the undersigned officer duly authorized to administer oaths, there personally appeared Pamela Williams,
(Name of affiant)
who, being sworn by me, says on oath that he is in charge of the records of BTU Gas Company, Inc.
(Exact legal name of company)

and that the foregoing report is true to the best of his/her knowledge and belief, and that it covers the period from January 1, 2004, to December 31, 2004.

Pam Williams
(Signature of affiant)

Subscribed and sworn before me this 14 day
of March, 2008.

Samira K Long
Notary Public, County of Magoffin.
My Commission expires April 29, 2008

(Seal)

Amended 8/23/2005

Class C and D Gas Utility

ANNUAL REPORT

OF

BTU GAS COMPANY, INC.

Exact Legal Name of Reporting utility

P.O. Box 707

Salyersville, KY 41465

(Address of utility)

TO THE
PUBLIC SERVICE COMMISSION
OF THE
COMMONWEALTH OF KENTUCKY

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 20⁰⁵

BTU00060

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 2005

1. Amount of Principal Payment during calendar year \$ _____

2. Is Principal current? (Yes) _____ (No) _____

3. Is Interest current? (Yes) _____ (No) _____

4. Has all long-term debt been approved by the Public Service

Commission?

Yes ___ No ___ PSC Case Number _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are the financial statements examined by a Certified Public Accountant?
(Yes) _____ (No) X _____

If yes, which service was performed?

Audit _____
Compilation _____
Review _____

Please enclose a copy of the accountant's report with the annual report.

Page 1 of 2
AUDIT OF THE ANNUAL REPORT
GAS COMPANIES

<u>Page No.</u>	<u>Line No.</u>		<u>Page No.</u>	<u>Line No.</u>	<u>Yes</u>	<u>No</u>	<u>If No, Explain Why</u>
1	3	agrees with	3	12	X		
1	4	agrees with	3	15	X		
1	5	agrees with	3	18	X		
2	2 & 3	agrees with	6	Capital Stock (f)	X		
2	8	agrees with	8	Account 216 Balance End of Year (b)	X		
2	16	agrees with	7	Long Term Debt Total (d)	X		
2	24	agrees with	7	Notes Payable Total (e)	X		
2	30	agrees with	7	Interest Accrued Total (e)	X		
2	31	agrees with	8	Misc. Current and Accrued Liabilities	X		
3	1	agrees with	5	39(f)	X		
3	15	agrees with	3	34	X		
3	15	agrees with	6	25	X		
9	5	agrees with	13	(f)	X		
9	15	agrees with	11	28	X		
9	17	agrees with	12	Total Amortization Expense	X		
9	18	agrees with	12	Account 408.1	X		
9	19	agrees with	12	Total Income Taxes - Utility Operating Income	X		
9	29	agrees with	7	Interest Accrued Long-Term Debt (c)	X		

BTU00062

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JONES PACK OFA

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Page 2 of 2
AUDIT OF THE ANNUAL REPORT
GAS COMPANIES

<u>Page No.</u>	<u>Line No.</u>		<u>Page No.</u>	<u>Line No.</u>	<u>Yes</u>	<u>No</u>	<u>If No, Explain Why</u>
9	32	agrees with	7	Interest Accrued Other (c)	X		
9	33	agrees with	12	Total Income Taxes - Nonutility Operating Income	X		
9	37	agrees with	12	Account 408.2	X		
9	39	agrees with	8	Balance Transferred From Income (433)	X		
10	5	agrees with	14	(j)	X		
10	6	agrees with	14	(j)	X		
14	(i)	agrees with	15	3 & 4 (b)	X		
15	9	agrees with	15	20	X		
15	11	agrees with	9	6(c)	X		
Principal Payment Page has been completed					X		
Oath Page has been completed					X		

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JONES PACK CPA

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BTU00063

Additional Information Required by Commission Orders		
Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments		
Case #	Date of Order	Item/Explanation

Attach additional sheets if more room is needed

GENERAL INFORMATION

1. Give the location, including street & number and telephone number, including the area code, of the principal office in Kentucky.
HC 60 Oakley Rd - P.O. Box 707
Salversville, KY 41465
(606)884-2000
2. Name, title, address and telephone number, including area code, of the Person to be contacted concerning this report.
Pamela Williams - President
(606)884-2000
3. Name and title of officer having custody of the books of account, address of office and telephone number, including area code, where the books of account are kept.
"Same as Above"
4. Name of State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law.
Kentucky
June, 1994
5. If the respondent controls or is controlled by any other corporation, business trust, or similar organization, give a concise explanation of the manner and extent of control.
N/A
6. Give the names and addresses of the ten major stockholders of the respondent and the voting powers of each at the end of the year.
Pamela Williams - 100%
7. Give the number of employees: Full-time 1 Part-time: _____
8. Name of City, Town, Community and County in which you furnish gas service and the number of customers in each.

PRINCIPAL OFFICERS

Line No.	Title	Name of Officer or Director	Principal Business Address	Annual Salary And/or Fee
1	Pres.	Pamela Williams	P.O. Box 707	9,500.00
2			Salversville, KY 41465	
3				
4				
5				
6				
7				
8				
9				
10				

1

BALANCE SHEET			
Line No.	ASSETS AND OTHER DEBITS	Balance First of Year	Balance Last of Year
1	UTILITY PLANT		
2			
3	Utility Plant (101-107,114,116)	691,764.58	649,108.62
4	Less: Accum. Prov. for Depr., Depletion, and Amortization (108,111)	<181,469.90>	<238,000.90>
5	Net Utility Plant	510,294.68	411,107.72
6			
7	OTHER PROPERTY AND INVESTMENTS		
8	Nonutility Property-Net (121-122)		
9	Other Investments (124)		
10	Other Special Funds (128)		
11			
12	Total Other Property and Investments		
13			
14	CURRENT AND ACCRUED ASSETS		
15	Cash (131)	<8,757.76>	9,816.24
16	Temporary Cash Investments (136)		
17	Notes Receivable (141)		
18	Customer Accounts Receivable (142)	51,630.64	41,191.33
19	Other Accounts Receivable (143)		
20	Accum. Prov. for Uncollectible Accts.-CR. (144)		
21	Plant Materials and Operating Supplies (154)		
22	Gas Stored - Current (164.1)		
23	Prepayments (165)		
24	Miscellaneous Current and Accrued Assets (174)		
25			
26			
27	Total Current and Accrued Assets	42,872.88	51,007.57
28			
29	DEFERRED DEBITS		
30	Unamortized Debt Expense (181)		
31	Extraordinary Property Losses (182.1)		
32	Miscellaneous Deferred Debits (186)		
33	Def. Losses from Disposition of Util. Plt. (187)		
34	Unamort. Loss on Reacquired Debt (189)		
35	Accum. Deferred Income Taxes (190)		
36	Unrecovered Purchased Gas Costs (191)		
37			
38	Total Deferred Debits		
39			
40	TOTAL ASSETS AND OTHER DEBITS	553,167.56	462,115.29

BALANCE SHEET			
Line No.	LIABILITIES AND OTHER CREDITS	Balance First of Year	Balance Last of Year
1	PROPRIETARY CAPITAL		
2	Common Stock Issued (201)		
3	Preferred Stock Issued(204)		
4	Misc. Paid-In Capital (211)		
5	Discount on Capital Stock (213)		
6	Capital Stock Expense (214)		
7	Appropriated Retained Earnings (215)		
8	Unappropriated Retained Earnings (216)	108,094.10	<42,988.37>
9	Reacquired Capital Stock (217)		
10	Total Proprietary Capital	108,094.10	<42,988.37>
11			
12	LONG-TERM DEBT		
13	Bonds (221)		
14	Advances From Associated Companies (223)		
15	Other Long-Term Debt (224)		
16	Total Long-Term Debt		
17	OTHER NONCURRENT LIABILITIES		
18	Accum. Provision for Property Insurance (228.1)		
19	Accum. Provision for Injuries and Damage (228.2)		
20	Accum. Provision for Pensions and Benefits(228.3)		
21	Accum. Miscellaneous Operating Provisions (228.4)		
22	Total Other Noncurrent Liabilities		
23	CURRENT AND ACCRUED LIABILITIES		
24	Notes Payable (231)	363,361.69	322,261.27
25	Accounts Payable (232)	6,911.56	
26	Notes Payable to Associated Companies (233)		
27	Accounts Payable to Associated Companies (234)	29,754.29	138,299.07
28	Customer Deposits (235)	43,700.00	43,700.00
29	Taxes Accrued (236)	1,345.92	843.32
30	Interest Accrued (237)		
31	Misc. Current and Accrued Liabilities (242)		
32	Total Current and Accrued Liabilities	445,073.46	505,103.66
33	DEFERRED CREDITS		
34	Customer Advances for Construction (252)		
35	Other Deferred Credits (253)		
36	Accum. Deferred Investment Tax Credits (255)		
37	Accum. Deferred Income Taxes (281-283)		
38	Total Deferred Credits		
39			
40	TOTAL LIABILITIES AND OTHER CREDITS	553,167.56	462,115.29

ANALYSIS OF GAS UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, DEPLETION AND AMORTIZATION			
Line No.	Acct. No.	Item	Amount
1	101	Gas Plant In Service-Classified (From Page 5, Line 39(f))	649,108.62
2	101.1	Property Under Capital Leases	
3	102	Gas Plant Purchased or Sold	
4	106	Completed Construction Not Classified	
5		Total	
6	104	Gas Plant Leased to Others	
7	105	Gas Plant Held for Future Use	
8	107	Construction Work In Progress-Gas	
9	114	Gas Plant Acquisition Adjustments	
10	116	Other Gas Plant Adjustments	
11			
12		Total Utility Plant (Forward to Page 1, line 3)	649,108.62
13		Less:	238,000.90
	108	Accum. Prov. For Depreciation of Gas Utility Plant	
14	111	Accum. Prov. for Amortization and Depletion of Gas Utility Plant	
15		Total (Forward to Page 1, line 4)	238,000.90
16		Net Utility Plant (Forward to Page 1, line 5)	411,107.72
DETAIL OF ACCUMULATED PROVISION FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF GAS UTILITY PLANT			
17		In Service:	
19		Depreciation	238,000.90
20		Depletion	
21		Amortization	
22		Total - In Service	
23		Leased to Others:	
24		Depreciation	
25		Depletion	
26		Amortization	
27		Total - Leased to Others	
28		Held for Future Use:	
29		Depreciation	
30		Depletion	
31		Amortization	
32		Total - Held for Future Use	
33		Amortization of Gas Plant Acquisition Adjustments	
34		TOTAL ACCUMULATED PROVISIONS (Same as line 15, above)	238,000.90
NOTES TO BALANCE SHEET			
This space is provided for important notes regarding the balance sheet			

Page 1 of 2		GAS UTILITY PLANT IN SERVICE		
Report in column (e) entries reclassifying property from one account to another. Corrections of entries of the preceding year should be recorded in column (c) or column (d), as they are corrections of additions or retirements				
Line No.	Account (a)	Balance First of Year (b)	Additions (c)	Retirements (d)
1	Intangible Plant - Account 301-303 (Attach Schedule)			
2	Gas Production, Storage and Processing Plant - Account 304-364 (Attach Schedule)			
TRANSMISSION PLANT				
3	Land and Land Rights (365.1)			
4	Rights-Of-Way (365.2)			
5	Structures and Improvements (366)			
6	Mains (367)	538,471.20		
7	Compressor Station Equipment (368)			
8	Measuring and Regulating Station Equipment (369)			
9	Communication Equipment (370)			
10	Other Equipment (371)			
11	Total Transmission Plant			
DISTRIBUTION PLANT				
12	Land and Land Rights (374)			
13	Structures and Improvements (375)			
14	Mains (376)			
15	Compressor Station Equipment (377)			
16	Measuring and Regulating Station Equipment - General (378)			
17	Measuring & Regulating Station Equipment - City Gate (379)			
18	Services (380)			
19	Meters (381)	40,934.79		
20	Meter Installations (382)			
21	House Regulators (383)	22,543.85		
22	House Regulator Installations (384)			
23	Industrial Measuring & Regulating Station Equipment (385)			
24	Other Property on Customers Premises (386)			
25	Other Equipment (387)			
26	Total Distribution Plant			
GENERAL PLANT				
27	Land and Land Rights (389)			
28	Structures and Improvements (390)			
29	Office Furniture and Equipment (391)			
30	Transportation Equipment (392)			
31	Stores Equipment (393)			
32	Tools, Shop and Garage Equipment (394)	9,892.52		
33	Laboratory Equipment (395)			
34	Power Operated Equipment (396)	72,962.56		
35	Communication Equipment (397)			
36	Miscellaneous Equipment (398)	6,959.66		
37	Other Tangible Property (399)			
38	Total General Plant			
39	TOTAL GAS PLANT IN SERVICE	691,764.58		

Page 2 of 2 GAS UTILITY PLANT IN SERVICE			
Report in column (a) entries reclassifying property from one account to another. Corrections of entries of the preceding year should be recorded in column (c) or column (d), as they are corrections of additions or retirements			
Line No.	Account (a)	Adjustments (+ or -) (e)	Balance End of Year (f)
1	Intangible Plant - Account 301-303 (Attach Schedule)		
2	Gas Production, Storage and Processing Plant - Account 304-364 (Attach Schedule)		
3	TRANSMISSION PLANT Land and Land Rights (365.1)		
4	Rights-Of-Way (365.2)		
5	Structures and Improvements (366)		
6	Mains (367)		538,471.20
7	Compressor Station Equipment (368)		
8	Measuring and Regulating Station Equipment (369)		
9	Communication Equipment (370)		
10	Other Equipment (371)		
11	Total Transmission Plant		
12	DISTRIBUTION PLANT Land and Land Rights (374)		
13	Structures and Improvements (375)		
14	Mains (376)		
15	Compressor Station Equipment (377)		
16	Measuring and Regulating Station Equipment - General (378)		
17	Measuring & Regulating Station Equipment - City Gas (379)		
18	Services (380)		
19	Meters (381)		40,934.79
20	Meter Installations (382)		
21	House Regulators (383)		
22	House Regulator Installations (384)		22,543.85
23	Industrial Measuring & Regulating Station Equipment (385)		
24	Other Property on Customers Premises (386)		
25	Other Equipment (387)		
26	Total Distribution Plant		
27	GENERAL PLANT Land and Land Rights (389)		
28	Structures and Improvements (390)		
29	Office Furniture and Equipment (391)		
30	Transportation Equipment (392)		
31	Store Equipment (393)		
32	Tools, Shop and Garage Equipment (394)		9,892.52
33	Laboratory Equipment (395)		
34	Power Operated Equipment (396)	<42,655.96>	30,306.60
35	Communication Equipment (397)		
36	Miscellaneous Equipment (398)		6,959.66
37	Other Tangible Property (399)		
38	Total General Plant		
39	TOTAL GAS PLANT IN SERVICE	<42,655.96>	649,108.62

ACCUMULATED PROVISION FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF GAS UTILITY PLANT		
Line No.	Item	Amount
1	Balance Beginning of Year	181,469.90
2	Accruals for Year:	
3	Depreciation	62,627.00
4	Depletion	
5	Amortization	
6	Other Accounts (detail):	
7		
8		
9	Total Accruals for Year	62,627.00
10	Credit Adjustments (describe):	
11		
12		
13	Total Credits for Year	
14		
15	Net Charges for Plant Retired:	
16	Book Cost of Plant Retired (same as Page 4, Line 39(d))	XXXXXXXXXXXX
17	Add: Cost of Removal	XXXXXXXXXXXX
18	Less: Salvage	XXXXXXXXXXXX
19	Net Charges for Plant Retired	
20	Debit Adjustments (describe):	
21	Adjustment for Traded Vehicle (Shareholder)	<6,096.00>
22		
23	Total Debit Adjustments for Year	<6,096.00>
24		
25	Balance End of Year	238,000.90

CAPITAL STOCK

Class and Series of Stock (a)	No. of Shares Auth. (b)	Par Value Per Share of Par Value Stk (c)	Stated Val. Per Share of Nonpar Stock (d)	Outstanding Per Balance Sheet	
				Shares (e)	Amount (f)
N/A					

STATEMENT OF INCOME FOR THE YEAR:				
Line No.	Account (a)	Average No. Customers (b)	MCF of Nat. Gas Sold (c)	Amount (d)
OPERATING REVENUES				
1	Residential Sales (480)	445	47,284	
2	Commercial and Industrial Sales (481)			
3	Interdepartmental Sales (484)	12	876	
4	Total Sales to Ultimate Consumers			
5	Sales for Resale (483)			
6	Total Gas Service Revenues	457	48,160	268,858.29
OTHER OPERATING REVENUES				
7	Forfeited Discounts (487)			
8	Miscellaneous Service Revenues (488)			
9	Revenues From Transportation of Gas of Others (489)			
10	Revenues From Natural Gas Processed by Others (491)			
11	Rent From Gas Property (493)			
12	Other Gas Revenues (495)			
13	Total Other Operating Revenues			
14	Total Gas Operating Revenues			268,858.29
OPERATING EXPENSES				
15	Total Gas Operation & Maintenance Expenses (from page 11, line 25)			199,887.68
16	Depreciation Expense (403)			62,627.00
17	Amortization Expense (404-407) (from page 12)			
18	Taxes Other Than Income Taxes (408.1) (from page 12)			11,493.20
19	Total Income Taxes-Utility Operations (409.1, 410.1, 411.1, 411.4) (from page 12)			255.00
20	Total Gas Operating Expenses			274,262.88
21	Net Operating Income			<5,404.59>
OTHER INCOME				
22	Other Nonutility Income - Net (416-418)			
23	Interest and Dividend Income (419)			
24	Miscellaneous Nonoperating Income (421)			
25	Other Accounts (Specify Account Number and Title):			
26				
27				
28	Total Other Income			
OTHER DEDUCTIONS				
29	Interest on Long-Term Debt (427)			
30	Amortization of Debt Discount and Expense (428)			
31	Other Nonutility Deductions (428.1 - 428.5)			
32	Other Interest Expense (431)			10,619.16
33	Total Income Taxes - Nonutility operations (409.2, 410.2, 411.2, 411.5) (from Page 12)			
34	Other Accounts (Specify Account Number and Title):			
35				
36				
37	Taxes Other Than Income Taxes (408.2) (from Page 12)			
38	Total Other Deductions			
39	NET INCOME			<16,023.75>

GAS OPERATION AND MAINTENANCE EXPENSES		
Line No.	Account (a)	Amount (b)
1	MANUFACTURED GAS PRODUCTION Total-Account 710-742 (Attach Schedule by Accounts)	
2	NATURAL GAS PRODUCTION EXPENSES Total-Account 750-791 (Attach Schedule by Accounts)	
3	EXPLORATION AND DEVELOPMENT EXPENSES Total-Account 795-798 (Attach Schedule by Accounts)	
4	STORAGE EXPENSES Total-Account 814-843 (Attach Schedule by Accounts)	
5	OTHER GAS SUPPLY EXPENSES Natural Gas City Gate Purchases (804)	144,480.00
6	Other Gas Purchases (805)	
7	Purchased Gas Cost Adjustments (805.1)	
8	Purchased Gas Expenses (807)	
9	Gas Withdrawn From Storage - Debit (808.1)	
10	Gas Delivered to Storage - Credit (808.2)	
11	Gas Used For Other Utility Operations - Credit (812)	
12	Other Gas Supply Expenses (813)	
13	Total Other Gas Supply Expenses	144,480.00
14	TRANSMISSION EXPENSES Operation Supervision and Engineering (850)	
15	Compressor Station Labor and Expenses (853)	
16	Measuring and Regulating Station Expenses (857)	
17	Transmission and Compression of Gas by Others (858)	
18	Rents (860)	
19	Maintenance of Mains (863)	
20	Maintenance of Compressor Station Equipment (864)	
21	Total Transmission Expenses	
22	DISTRIBUTION EXPENSES Operation Supervision and Engineering (870)	
23	Compressor Station Labor and Expenses (872)	
24	Mains and Services Expenses (874)	
25	Measuring and Regulating Station Expenses (875)	
26	Meter and House Regulator Expenses (878)	
27	Other Expenses (880)	
28	Rents (881)	
29	Maintenance Supervision and Engineering (885)	
30	Maintenance of Mains (887)	
31	Maintenance of Services (892)	
32	Maintenance of Meters and House Regulators (893)	
33	Maintenance of Other Equipment (894)	
34	Total Distribution Expenses	144,480.00

GAS OPERATION AND MAINTENANCE EXPENSES (Cont.)		
Line No.	Account (a)	Amount (b)
CUSTOMER ACCOUNTS EXPENSE		
1	Meter Reading Expenses (902)	
2	Customer Records and Collection Expenses (903)	
3	Uncollectible Accounts (904)	
4	Total Customer Accounts Expense	
5		
CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
6	Miscellaneous Customer Service and Informational Expenses (910)	
ADMINISTRATIVE AND GENERAL EXPENSES		
7	Administrative and General Salaries (920)	9,500.00
8	Office Supplies and Expenses (921)	7,723.55
9	Administrative Expenses Transferred - Credit (922)	
10	Outside Services Employed (923)	
11	Property Insurance (924)	
12	Injuries and Damages (925)	
13	Employee Pensions and Benefits (926)	
14	Franchise Requirements (927)	
15	Regulatory Commission Expenses (928)	
16	Duplicate Charges - Credit (929)	
17	General Advertising Expenses (930.1)	406.10
18	Miscellaneous General Expenses (930.2)	36,504.59
19	Rents (931)	1,273.44
20	Maintenance of General Plant (932)	
21	Total Administrative and General Expenses	55,407.68
22		
23		
24		
25		
26	TOTAL GAS OPERATION AND MAINTENANCE EXPENSES (to Page 9, Line 15)	199,887.68
NUMBER OF CUSTOMERS		
End of Year		
	Residential (480)	445
	Commercial and Industrial (481)	12
	Interdepartmental Sales (484)	
	Total - Ultimate Customer	
	Sales for Resale (483)	
	Total Gas Service Customers	457

TAXES OTHER THAN INCOME TAXES (408)		
Show hereunder the various tax items which make up the amounts listed under Account Numbers 408.1 and 408.2 on page 9, lines 18 and 37.		
Line No.	Item (a)	Amount (b)
1	Payroll Taxes	1,654.50
2	Public Service Commission Assessment	
3	Other (Specify):	
4	Other Tax & License	4,587.71
5	School Tax	5,250.99
6		
7		
8		
9	Total (Same as page 9, lines 18 and 37)	11,493.20
OPERATING AND NONOPERATING INCOME TAXES		
Acct. No.	Account (a)	Amount (b)
409.1	Income Taxes, Utility Operating Income – Federal	
409.1	Income Taxes, Utility Operating Income – State	255.00
409.1	Income Taxes, Utility Operating Income – Other	
410.1	Provision for Deferred Income Taxes, Utility Operating Income	
411.1	Provision for Deferred Income Taxes - Credit, Utility Operating Income	
411.4	Investment Tax Credit Adjustments, Utility Operations	
	Total Income Taxes - Utility Operating Income (to page 9, line 19)	255.00
409.2	Income Taxes, Other Income & Deductions – Federal	
409.2	Income Taxes, Other Income & Deductions – State	
409.2	Income Taxes, Other Income & Deductions – Other	
410.2	Provision for Deferred Income Taxes, Other Income & Deductions	
411.2	Provision for Deferred Income Taxes – Credit, Other Income & Deductions	
411.5	Investment Tax Credit Adjustments, Nonutility Operations	
	Total Income Taxes – Nonutility Operating Inc. (to page 9, line 33)	
AMORTIZATION EXPENSE		
Acct. No.	Account (a)	Amount (b)
404.1	Amortization and Depletion of Producing Natural Gas Land and Land Rights	
405	Amortization of Other Gas Plant	
406	Amortization of Gas Plant Acquisition Adjustments	
407.1	Amortization of Property Losses	
407.2	Amortization of Conversion Expenses	
	Total Amortization Expense (Same as page 9, line 17)	

1. Report particulars concerning sales of natural gas during the year to other gas utilities for resale. Sales to each customer should be identified in column (c) where applicable, by rate schedule designation contained in the company's tariff.
2. Natural gas for the purpose of this schedule means either natural gas unmixed, or any other mixture of natural and manufactured gas.
3. Point of delivery, column (b), should show name of city or town or state, and such other designation necessary to enable identification on maps of respondent's pipeline system.
4. Designate any sales which are other than firm sales, i.e., sales for storage, etc.
5. Where consolidated bills for more than one point of delivery are rendered under a FERC rate schedule, the several points of delivery shall be indicated in column (b) and the remainder of the information reported in a consolidated basis corresponding to the billing. Where, however, consolidated bills for more than one point of delivery are not rendered under a FERC rate schedule, the required information shall be furnished for each point of delivery.
6. Designate if BTU per cubic foot of gas is different for any delivery point from that shown in the heading of column (d).

Name of Other Gas Utility (Designate Associated Co) (a)	Point of Delivery (b)	FERC Tariff Rate Sch. Design (c)	Approx. BTU per Cubic Foot (d)	MCF of Gas Sold (14.73 PSIA 60 F) (e)	Revenue for Year (see #5, above) (f)	Average Revenue per MCF (g)
N/A						

1. Report particulars of gas purchases during the year. 2. Natural gas for the purpose of classification herein is either natural gas unprocessed, or any mixture of natural and manufactured gas. 3. Provide subheadings and totals for prescribed accounts 804-Natural Gas City Gate Purchases, and 805 - Other gas Purchases. 4. Where purchases are from unitized fields, or vendor is a partnership or joint interest arrangement, specify such fact in column (a) and give name of unit operator, principal partner, or largest owner of joint interest, as approp. 5. For well head and field line purchases indicate the gas field or production area, county and state. 6. Field purchases of less than \$25,000 per year from individual non-associated vendors may be grouped by fields or production areas. Show numbers of purchases so grouped. 7. Show in column (c) the Seller's FERC rate schedule designation and date of contract, including such designations for purchases from independent producers. Intra-state purchases for which there is no required filing of a FERC rate schedule shall be specified "intra-state", and dates of contracts shown. If for any purchases more than one rate schedule was in effect during the year, show the most recent rate schedule designation and in a footnote give superseded rate schedules and date of supersession, or a succinct explanation. The Operator's rate schedule designation is sufficient in cases where there are no co-owners under the same purchase contract, but the entire volume of gas and amount, columns (h) and (i) must be shown for the purchase under the particular contract. Rate schedule designations are not required with respect to small purchases grouped as permitted in instruction 6.

Name of Vendor (Designate Associated Companies) (a)	Point of Receipt (b)	Seller's FERC Rate Schedule Designation and Date of Contract (c)	Check Appropriate Class				Approx. BTU per Cubic Foot (h)	MCF of Gas 14.73 PISA 60 F (i)	Amount (j)	Avg. Amt. per MCF (cents) (k)
			Well Mouth (d)	Field Line (e)	Gasline Plant Outlet (f)	Other (g)				
P&J Resources, Inc.	Salersville KY			X				48,160	144,480.00	3.00

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GAS ACCOUNT - NATURAL GAS

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent. Natural gas means either natural gas unmixed and any mixture of natural and manufactured gas.
2. Enter in column (b) the MCFs as reported in schedules indicated for the respective items of receipts and deliveries.
3. If the respondent operates two or more systems which are not inter-connected, separate schedules should be submitted. Insert pages should be used for this purpose.

Line No.	Item (a)	MCF (14.73 PSIA at 60 F) (b)
GAS RECEIVED		
1	Natural Gas Produced	
2	Purchases:	
3	Natural Gas City Gate Purchases (Account 804)	48,160
4	Other Gas Purchases (Account 805)*	
5	Other Receipts (Specify):	
6		
7		
8		
9	Total Receipts	48,160
10		
GAS DELIVERED		
11	Natural Gas Sales (same as page 9, column (c), line 6)	48,160
12	Other Deliveries (specify):	
13		
14		
15		
16	Total Deliveries	48,160
17		
18	Unaccounted for Gas	
19	Natural Gas Used by Respondent	
20	Total Deliveries and Unaccounted For Gas	48,160

* This type of gas purchase represents manufactured gas, refinery gas or any gas other than natural gas

**PERTINENT NOTES TO THE EXHIBITS AND SUPPORTING
SCHEDULES CONTAINED IN THIS ANNUAL REPORT**

[This section is currently blank.]

OATH

Commonwealth of Kentucky)
County of _____) ss:

I, Pamela Williams, having appeared before the undersigned officer duly authorized to administer oaths and being duly sworn, state under oath that I am Pamela Williams of BTU Gas Company, Inc. ("Respondent"); that I have supervision over the books of account and other financial records of the Respondent and have control over the manner in which they are kept; that such books and records have, during the period covered by the foregoing report, been maintained in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky; that I have carefully examined the foregoing report and to the best of my knowledge and belief the information contained in this report is, so far as it relates to matters of accounts, in accordance with the said books of account; that all other statements of fact contained in the foregoing report are true; and that the foregoing report is a correct and complete statement of the business and affairs of the Respondent in every respect and manner during the period of time from and including January 1, 2005, to and including December 31, 2005

(Signature of Officer)

Subscribed and sworn to before me, a _____, in and for the State and County named in the above this _____ day of _____, 20____

(Apply Seal Here)

My Commission Expires _____

(Signature of officer authorized to administer oath)

[Persons making willful false statements in this report may be punished by fine or imprisonment under KRS 523.040 and 523.100.]

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OATH

Commonwealth of Kentucky)
County of Floyd) ss:

I, Pamela Williams, having appeared before the undersigned officer duly authorized to administer oaths and being duly sworn, state under oath that I am Pamela Williams of BTU Gas Company, Inc. ("Respondent"); that I have supervision over the books of account and other financial records of the Respondent and have control over the manner in which they are kept; that such books and records have, during the period covered by the foregoing report, been maintained in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky; that I have carefully examined the foregoing report and to the best of my knowledge and belief the information contained in this report is, so far as it relates to matters of accounts, in accordance with the said books of account; that all other statements of fact contained in the foregoing report are true; and that the foregoing report is a correct and complete statement of the business and affairs of the Respondent in every respect and manner during the period of time from and including January 1, 2005, to and including December 31, 2005

Pam Williams
(Signature of Officer)

Subscribed and sworn to before me, a Notary, in and for the State and County named in the above this 28th day of April, 2006

(Apply Seal Here)

My Commission Expires January 21st, 2007

Samuel E. Ratiff
(Signature of officer authorized to administer oath)

[Persons making willful false statements in this report may be punished by fine or imprisonment under KRS 523.040 and 523.100.]

Amended 8/23/2005

Class C and D Gas Utility

ANNUAL REPORT

OF

~~BTU Gas Company, Inc.~~
Exact Legal Name of Reporting Utility

~~P.O. Box 707~~

~~Salyersville, KY 41465~~
(Address of Utility)

TO THE
PUBLIC SERVICE COMMISSION
OF THE
COMMONWEALTH OF KENTUCKY

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2006

BTU00085

Amended 8/23/2005

Class C and D Gas Utility

ANNUAL REPORT

OF

BTU Gas Company, Inc.

Exact Legal Name of Reporting Utility

P.O. Box 707

Salyersville, KY 41465

(Address of Utility)

TO THE
PUBLIC SERVICE COMMISSION
OF THE
COMMONWEALTH OF KENTUCKY

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 20⁰⁶

BTU00086

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 2006

1. Amount of Principal Payment during calendar year \$ _____
2. Is Principal current? (Yes) _____ (No) _____
3. Is Interest current? (Yes) _____ (No) _____
4. Has all long-term debt been approved by the Public Service Commission?
Yes _____ No _____ PSC Case Number _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are the financial statements examined by a Certified Public Accountant?
(Yes) _____ (No) X _____

If yes, which service was performed?

Audit _____
Compilation _____
Review _____

Please enclose a copy of the accountant's report with the annual report.

Page 1 of 2
AUDIT OF THE ANNUAL REPORT
GAS COMPANIES

Page No.	Line No.		Page No.	Line No.	Yes	No	If No, Explain Why
1	3	agrees with	3	12	X		
1	4	agrees with	3	15	X		
1	5	agrees with	3	16	X		
2	2 & 3	agrees with	6	Capital Stock (f)	X		
2	8	agrees with	8	Account 216 Balance End of Year (b)	X		
2	16	agrees with	7	Long Term Debt Total (d)	X		
2	24	agrees with	7	Notes Payable Total (e)	X		
2	30	agrees with	7	Interest Accrued Total (e)	X		
2	31	agrees with	8	Misc. Current and Accrued Liabilities	X		
3	1	agrees with	5	39(f)	X		
3	15	agrees with	3	34	X		
3	15	agrees with	6	25	X		
9	5	agrees with	13	(f)	X		
9	15	agrees with	11	26	X		
9	17	agrees with	12	Total Amorlization Expense	X		
9	18	agrees with	12	Account 408.1	X		
9	19	agrees with	12	Total Income Taxes - Utility Operating Income	X		
9	29	agrees with	7	Interest Accrued Long-Term Debt (c)	X		

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**AUDIT OF THE ANNUAL REPORT
 GAS COMPANIES**

<u>Page No.</u>	<u>Line No.</u>		<u>Page No.</u>	<u>Line No.</u>	<u>Yes</u>	<u>No</u>	<u>If No, Explain Why</u>
9	32	agrees with	7	Interest Accrued Other (c)	X		
9	33	agrees with	12	Total Income Taxes - Nonutility Operating Income	X		
9	37	agrees with	12	Account 408.2	X		
9	39	agrees with	8	Balance Transferred From Income (433)	X		
10	5	agrees with	14	(i)	X		
10	6	agrees with	14	(j)	X		
14	(i)	agrees with	15	3 & 4 (b)	X		
15	9	agrees with	15	20	X		
15	11	agrees with	9	6(c)	X		
Principal Payment Page has been completed					X		
Oath Page has been completed					X		

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JONES PAK CPA

PAGE 05

BTU00089

Additional Information Required by Commission Orders		
Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments		
Case #	Date of Order	Item/Explanation
Attach additional sheets if more room is needed		

GENERAL INFORMATION

1. Give the location, including street & number and telephone number, including the area code, of the principal office in Kentucky.
HC 60 Oakley Rd - PO Box 707
Salyersville, KY 41465
(606) 884-2000
2. Name, title, address and telephone number, including area code, of the Person to be contacted concerning this report.
Pamela Williams - President
(606) 884-2000
3. Name and title of officer having custody of the books of account, address of office and telephone number, including area code, where the books of account are kept.
"Same as Above"
4. Name of State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law.
Kentucky
June, 1994
5. If the respondent controls or is controlled by any other corporation, business trust, or similar organization, give a concise explanation of the manner and extent of control.
N/A
6. Give the names and addresses of the ten major stockholders of the respondent and the voting powers of each at the end of the year.
Pamela Williams - 100%
7. Give the number of employees: Full-time 1 Part-time: _____
8. Name of City, Town, Community and County in which you furnish gas service and the number of customers in each.
Magoffin County

PRINCIPAL OFFICERS

Line No.	Title	Name of Officer or Director	Principal Business Address	Annual Salary And/or Fee
1	Pres	Pamela Williams	PO Box 707	-0-
2			Salyersville, KY 41465	
3				
4				
5				
6				
7				
8				
9				
10				

BALANCE SHEET			
Line No.	ASSETS AND OTHER DEBITS	Balance First of Year	Balance Last of Year
1	UTILITY PLANT		
2			
3	Utility Plant (101-107,114,116)	649,108.62	657,957.12
4	Less: Accum. Prov. for Depr., Depletion, and Amortization (108,111)	<238,000.90>	<301,259.90>
5	Net Utility Plant	411,107.72	356,697.22
6			
7	OTHER PROPERTY AND INVESTMENTS		
8	Nonutility Property-Net (121-122)		
9	Other Investments (124)		
10	Other Special Funds (128)		
11			
12	Total Other Property and Investments		
13			
14	CURRENT AND ACCRUED ASSETS		
15	Cash (131)	9,816.24	12,677.05
16	Temporary Cash Investments (136)		
17	Notes Receivable (141)		
18	Customer Accounts Receivable (142)	41,191.33	41,230.54
19	Other Accounts Receivable (143)		
20	Accum. Prov. for Uncollectible Accts.-CR. (144)		
21	Plant Materials and Operating Supplies (154)		
22	Gas Stored - Current (164.1)		
23	Prepayments (165)		
24	Miscellaneous Current and Accrued Assets (174)		
25			
26			
27	Total Current and Accrued Assets	51,007.57	53,907.59
28			
29	DEFERRED DEBITS		
30	Unamortized Debt Expense (181)		
31	Extraordinary Property Losses (182.1)		
32	Miscellaneous Deferred Debits (186)		
33	Def. Losses from Disposition of Util. PPL (187)		
34	Unamort. Loss on Reacquired Debt (189)		
35	Accum. Deferred Income Taxes (190)		
36	Unrecovered Purchased Gas Costs (191)		
37			
38	Total Deferred Debits		
39			
40	TOTAL ASSETS AND OTHER DEBITS	462,115.29	410,604.81

BALANCE SHEET			
Line No.	LIABILITIES AND OTHER CREDITS	Balance First of Year	Balance Last of Year
1	PROPRIETARY CAPITAL		
2	Common Stock Issued (201)		
3	Preferred Stock Issued(204)		
4	Misc. Paid-In Capital (211)		
5	Discount on Capital Stock (213)		
6	Capital Stock Expense (214)		
7	Appropriated Retained Earnings (215)		
8	Unappropriated Retained Earnings (216)	<42,988.37>	<47,072.92>
9	Reacquired Capital Stock (217)		
10	Total Proprietary Capital	<42,988.37>	<47,072.92>
11			
12	LONG-TERM DEBT		
13	Bonds (221)		
14	Advances From Associated Companies (223)		
15	Other Long-Term Debt (224)		
16	Total Long-Term Debt		
17	OTHER NONCURRENT LIABILITIES		
18	Accum. Provision for Property Insurance (228.1)		
19	Accum. Provision for Injuries and Damage (228.2)		
20	Accum. Provision for Pensions and Benefits(228.3)		
21	Accum. Miscellaneous Operating Provisions (228.4)		
22	Total Other Noncurrent Liabilities		
23	CURRENT AND ACCRUED LIABILITIES		
24	Notes Payable (231)	322,261.27	309,646.06
25	Accounts Payable (232)		
26	Notes Payable to Associated Companies (233)		
27	Accounts Payable to Associated Companies (234)	138,299.07	104,156.67
28	Customer Deposits (235)	43,700.00	43,700.00
29	Taxes Accrued (236)	843.32	175.00
30	Interest Accrued (237)		
31	Misc. Current and Accrued Liabilities (242)		
32	Total Current and Accrued Liabilities	505,103.66	457,677.73
33	DEFERRED CREDITS		
34	Customer Advances for Construction (252)		
35	Other Deferred Credits (253)		
36	Accum. Deferred Investment Tax Credits (255)		
37	Accum. Deferred Income Taxes (281-283)		
38	Total Deferred Credits		
39			
40	TOTAL LIABILITIES AND OTHER CREDITS	462,115.29	410,604.81

ANALYSIS OF GAS UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, DEPLETION AND AMORTIZATION			
Line No.	Acct. No.	Item	Amount
1	101	Gas Plant in Service-Classified (From Page 5, Line 39(f))	657,957.12
2	101.1	Property Under Capital Leases	
3	102	Gas Plant Purchased or Sold	
4	106	Completed Construction Not Classified	
5		Total	
6	104	Gas Plant Leased to Others	
7	105	Gas Plant Held for Future Use	
8	107	Construction Work in Progress-Gas	
9	114	Gas Plant Acquisition Adjustments	
10	116	Other Gas Plant Adjustments	
11			
12		Total Utility Plant (Forward to Page 1, line 3)	657,957.12
13		Less:	
	108	Accum. Prov. For Depreciation of Gas Utility Plant	301,259.90
14	111	Accum. Prov. for Amortization and Depletion of Gas Utility Plant	
15		Total (Forward to Page 1, line 4)	301,259.90
16		Net Utility Plant (Forward to Page 1, line 5)	356,697.22
DETAIL OF ACCUMULATED PROVISION FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF GAS UTILITY PLANT			
17		In Service:	
18		Depreciation	301,259.90
20		Depletion	
21		Amortization	
22		Total - In Service	
23		Leased to Others:	
24		Depreciation	
25		Depletion	
26		Amortization	
27		Total - Leased to Others	
28		Held for Future Use:	
29		Depreciation	
30		Depletion	
31		Amortization	
32		Total - Held for Future Use	
33		Amortization of Gas Plant Acquisition Adjustments	
34		TOTAL ACCUMULATED PROVISIONS (Same as line 15, above)	301,259.90
NOTES TO BALANCE SHEET			
This space is provided for important notes regarding the balance sheet			

Page 1 of 2		GAS UTILITY PLANT IN SERVICE		
Report in column (a) entries reclassifying property from one account to another. Corrections of entries of the preceding year should be recorded in column (c) or column (d), as they are corrections of additions or retirements				
Line No.	Account (a)	Balance First of Year (b)	Additions (c)	Retirements (d)
1	Intangible Plant - Account 301-303 (Attach Schedule)			
2	Gas Production, Storage and Processing Plant - Account 304-364 (Attach Schedule)			
TRANSMISSION PLANT				
3	Land and Land Rights (365.1)			
4	Rights-Of-Way (365.2)			
5	Structures and Improvements (366)			
6	Mains (367)	538,471.20		
7	Compressor Station Equipment (368)			
8	Measuring and Regulating Station Equipment (369)			
9	Communication Equipment (370)			
10	Other Equipment (371)			
11	Total Transmission Plant			
DISTRIBUTION PLANT				
12	Land and Land Rights (374)			
13	Structures and Improvements (375)			
14	Mains (376)			
15	Compressor Station Equipment (377)			
16	Measuring and Regulating Station Equipment - General (378)			
17	Measuring & Regulating Station Equipment - City Gate (379)			
18	Services (380)			
19	Meters (381)	40,934.79	8,848.50	
20	Meter Installations (382)			
21	House Regulators (383)	22,543.85		
22	House Regulator Installations (384)			
23	Industrial Measuring & Regulating Station Equipment (385)			
24	Other Property on Customers Premises (386)			
25	Other Equipment (387)			
26	Total Distribution Plant			
GENERAL PLANT				
27	Land and Land Rights (388)			
28	Structures and Improvements (390)			
29	Office Furniture and Equipment (391)			
30	Transportation Equipment (392)			
31	Stores Equipment (393)			
32	Tools, Shop and Garage Equipment (394)	9,892.52		
33	Laboratory Equipment (395)			
34	Power Operated Equipment (396)	30,306.60		
35	Communication Equipment (397)			
36	Miscellaneous Equipment (398)	6,959.66		
37	Other Tangible Property (399)			
38	Total General Plant			
39	TOTAL GAS PLANT IN SERVICE	649,108.62	8,848.50	

Page 2 of 2			
GAS UTILITY PLANT IN SERVICE			
Report in column (e) entries reclassifying property from one account to another. Corrections of entries of the preceding year should be recorded in column (c) or column (d), as they are corrections of additions or retirements			
Line No.	Account (a)	Adjustments (+ or -) (e)	Balance End of Year (f)
1	Intangible Plant - Account 301-303 (Attach Schedule)		
2	Gas Production, Storage and Processing Plant - Account 304-304 (Attach Schedule)		
3	TRANSMISSION PLANT Land and Land Rights (365.1)		
4	Rights-Of-Way (365.2)		
5	Structures and Improvements (366)		
6	Mains (367)		538,471.20
7	Compressor Station Equipment (368)		
8	Measuring and Regulating Station Equipment (369)		
9	Communication Equipment (370)		
10	Other Equipment (371)		
11	Total Transmission Plant		
12	DISTRIBUTION PLANT Land and Land Rights (374)		
13	Structures and Improvements (375)		
14	Mains (376)		
15	Compressor Station Equipment (377)		
16	Measuring and Regulating Station Equipment - General (378)		
17	Measuring & Regulating Station Equipment - City Gate (379)		
18	Services (380)		
19	Meters (381)		49,783.29
20	Meter Installations (382)		
21	House Regulators (383)		22,543.85
22	House Regulator Installations (384)		
23	Industrial Measuring & Regulating Station Equipment (385)		
24	Other Property on Customers Premises (386)		
25	Other Equipment (387)		
26	Total Distribution Plant		
27	GENERAL PLANT Land and Land Rights (389)		
28	Structures and Improvements (390)		
29	Office Furniture and Equipment (391)		
30	Transportation Equipment (392)		
31	Stores Equipment (393)		
32	Tools, Shop and Garage Equipment (394)		9,892.52
33	Laboratory Equipment (395)		
34	Power Operated Equipment (396)		30,306.60
35	Communication Equipment (397)		
36	Miscellaneous Equipment (398)		6,959.66
37	Other Tangible Property (399)		
38	Total General Plant		
39	TOTAL GAS PLANT IN SERVICE		657,957.12

ACCUMULATED PROVISION FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF GAS UTILITY PLANT		
Line No.	Item	Amount
1	Balance Beginning of Year	238,000.90
2	Accruals for Year:	
3	Depreciation	63,259.00
4	Depletion	
5	Amortization	
6	Other Accounts (detail):	
7		
8		
9	Total Accruals for Year	63,259.00
10	Credit Adjustments (describe):	
11		
12		
13	Total Credits for Year	
14		
15	Net Charges for Plant Retired:	
16	Book Cost of Plant Retired (same as Page 4, Line 39(d))	XXXXXXXXXXXX
17	Add: Cost of Removal	XXXXXXXXXXXX
18	Less: Salvage	XXXXXXXXXXXX
19	Net Charges for Plant Retired	
20	Debit Adjustments(describe):	
21		
22		
23	Total Debit Adjustments for Year	
24		
25	Balance End of Year	301,259.90

CAPITAL STOCK

Class and Series of Stock (a)	No. of Shares Auth. (b)	Par Value Per Share of Par Value Stk (c)	Stated Val. Per Share of Nonpar Stock (d)	Outstanding Per Balance Sheet	
				Shares (e)	Amount (f)
N/A					

STATEMENT OF INCOME FOR THE YEAR				
Line No.	Account (a)	Average No. Customers (b)	MCF of Nat. Gas Sold (c)	Amount (d)
OPERATING REVENUES				
1	Residential Sales (480)	440	48,423	
2	Commercial and Industrial Sales (481)	12	912	
3	Interdepartmental Sales (484)			
4	Total Sales to Ultimate Consumer			
5	Sales for Resale (483)			
6	Total Gas Service Revenues	452	49,335	264,716.48
OTHER OPERATING REVENUES				
7	Forfeited Discounts (487)			
8	Miscellaneous Service Revenues (488)			
9	Revenues From Transportation of Gas of Others (489)			
10	Revenues From Natural Gas Processed by Others (491)			
11	Rent From Gas Property (493)			
12	Other Gas Revenues (495)			
13	Total Other Operating Revenues			
14	Total Gas Operating Revenues			264,716.48
OPERATING EXPENSES				
15	Total Gas Operation & Maintenance Expenses (from page 11, line 25)			188,966.44
16	Depreciation Expense (403)			63,259.00
17	Amortization Expense (404-407) (from page 12)			
18	Taxes Other Than Income Taxes (408.1) (from page 12)			7,290.80
19	Total Income Taxes-Utility Operations (408.1, 410.1, 411.1, 411.4) (from page 12)			
20	Total Gas Operating Expenses			
21	Net Operating Income			5,200.24
OTHER INCOME				
22	Other Nonutility Income - Net (415-418)			
23	Interest and Dividend Income (419)			
24	Miscellaneous Nonoperating Income (421)			
25	Other Accounts (Specify Account Number and Title):			
26				
27				
28	Total Other Income			
OTHER DEDUCTIONS				
29	Interest on Long-Term Debt (427)			
30	Amortization of Debt Discount and Expense (428)			
31	Other Nonutility Deductions (428.1 - 428.5)			
32	Other Interest Expense (431)			9,284.79
33	Total Income Taxes - Nonutility operations (409.2, 410.2, 411.2, 411.5) (from Page 12)			
34	Other Accounts (Specify Account Number and Title):			
35				
36				
37	Taxes Other Than Income Taxes (408.2) (from Page 12)			
38	Total Other Deductions			
39	NET INCOME			<4,084.55>

GAS OPERATION AND MAINTENANCE EXPENSES		
Line No.	Account (a)	Amount (b)
1	MANUFACTURED GAS PRODUCTION Total-Account 710-742 (Attach Schedule by Accounts)	
2	NATURAL GAS PRODUCTION EXPENSES Total-Account 750-791 (Attach Schedule by Accounts)	
3	EXPLORATION AND DEVELOPMENT EXPENSES Total-Account 795-798 (Attach Schedule by Accounts)	
4	STORAGE EXPENSES Total-Account 814-843 (Attach Schedule by Accounts)	
5	OTHER GAS SUPPLY EXPENSES Natural Gas City Gate Purchases (804)	148,007.06
6	Other Gas Purchases (805)	
7	Purchased Gas Cost Adjustments (805.1)	
8	Purchased Gas Expenses (807)	
9	Gas Withdrawn From Storage - Debit (808.1)	
10	Gas Delivered to Storage - Credit (808.2)	
11	Gas Used For Other Utility Operations - Credit (812)	
12	Other Gas Supply Expenses (813)	
13	Total Other Gas Supply Expenses	148,007.06
14	TRANSMISSION EXPENSES Operation Supervision and Engineering (850)	
15	Compressor Station Labor and Expenses (853)	
16	Measuring and Regulating Station Expenses (857)	
17	Transmission and Compression of Gas by Others (858)	
18	Rents (860)	
19	Maintenance of Mains (863)	
20	Maintenance of Compressor Station Equipment (864)	
21	Total Transmission Expenses	
22	DISTRIBUTION EXPENSES Operation Supervision and Engineering (870)	
23	Compressor Station Labor and Expenses (872)	
24	Mains and Services Expenses (874)	
25	Measuring and Regulating Station Expenses (875)	
26	Meter and House Regulator Expenses (876)	
27	Other Expenses (880)	
28	Rents (881)	
29	Maintenance Supervision and Engineering (885)	
30	Maintenance of Mains (887)	
31	Maintenance of Services (892)	
32	Maintenance of Meters and House Regulators (893)	
33	Maintenance of Other Equipment (894)	
34	Total Distribution Expenses	148,007.06

GAS OPERATION AND MAINTENANCE EXPENSES (Con't.)		
Line No.	Account (a)	Amount (b)
CUSTOMER ACCOUNTS EXPENSE		
1	Meter Reading Expenses (902)	
2	Customer Records and Collection Expenses (903)	
3	Uncollectible Accounts (904)	
4	Total Customer Accounts Expense	
5		
CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
6	Miscellaneous Customer Service and Informational Expenses (910)	
ADMINISTRATIVE AND GENERAL EXPENSES		
7	Administrative and General Salaries (920)	
8	Office Supplies and Expenses (921)	7,009.39
9	Administrative Expenses Transferred - Credit (922)	
10	Outside Services Employed (923)	1,800.00
11	Property Insurance (924)	
12	Injuries and Damages (925)	
13	Employee Pensions and Benefits (926)	
14	Franchise Requirements (927)	
15	Regulatory Commission Expenses (928)	
16	Duplicate Charges - Credit (929)	
17	General Advertising Expenses (930.1)	1,000.00
18	Miscellaneous General Expenses (930.2)	19,149.99
19	Rents (931)	12,000.00
20	Maintenance of General Plant (932)	
21	Total Administrative and General Expenses	40,959.38
22		
23		
24		
25		
26	TOTAL GAS OPERATION AND MAINTENANCE EXPENSES (to Page 9, Line 15)	188,966.44
NUMBER OF CUSTOMERS		
End of Year		
	Residential (480)	440
	Commercial and Industrial (481)	12
	Interdepartmental Sales (484)	
	Total - Ultimate Customer	
	Sales for Resale (483)	
	Total Gas Service Customers	452

TAXES OTHER THAN INCOME TAXES (408)

Show hereunder the various tax items which make up the amounts listed under Account Numbers 408.1 and 408.2 on page 9, lines 18 and 37.

Line No.	Item (a)	Amount (b)
1	Payroll Taxes	
2	Public Service Commission Assessment	
3	Other (Specify):	
4	Prop. Tax (Including - School Tax)	4,742.50
5	Sales Tax	2,548.30
6		
7		
8		
9	Total (Same as page 9, lines 18 and 37)	7,290.80

OPERATING AND NONOPERATING INCOME TAXES

Acct. No.	Account (a)	Amount (b)
409.1	Income Taxes, Utility Operating Income - Federal	
409.1	Income Taxes, Utility Operating Income - State	
409.1	Income Taxes, Utility Operating Income - Other	
410.1	Provision for Deferred Income Taxes, Utility Operating Income	
411.1	Provision for Deferred Income Taxes - Credit, Utility Operating Income	
411.4	Investment Tax Credit Adjustments, Utility Operations	
	Total Income Taxes - Utility Operating Income (to page 9, line 19)	
409.2	Income Taxes, Other Income & Deductions - Federal	
409.2	Income Taxes, Other Income & Deductions - State	
409.2	Income Taxes, Other Income & Deductions - Other	
410.2	Provision for Deferred Income Taxes, Other Income & Deductions	
411.2	Provision for Deferred Income Taxes - Credit, Other Income & Deductions	
411.5	Investment Tax Credit Adjustments, Nonutility Operations	
	Total Income Taxes - Nonutility Operating Inc. (to page 9, line 33)	

AMORTIZATION EXPENSE

Acct. No.	Account (a)	Amount (b)
404.1	Amortization and Depletion of Producing Natural Gas Land and Land Rights	
405	Amortization of Other Gas Plant	
405	Amortization of Gas Plant Acquisition Adjustments	
407.1	Amortization of Property Losses	
407.2	Amortization of Conversion Expenses	
	Total Amortization Expense (Same as page 9, line 17)	

Exhibit D SALES FOR RESALE OF NATURAL GAS (Schedule 483)

1. Report particulars concerning sales of natural gas during the year to other gas utilities for resale. Sales to each customer should be identified in column (c) where applicable, by rate schedule designation contained in the company's tariff.
2. Natural gas for the purpose of this schedule means either natural gas unmixed, or any other mixture of natural and manufactured gas.
3. Point of delivery, column (b), should show name of city or town or state, and such other designation necessary to enable identification on maps of respondent's pipeline system.
4. Designate any sales which are other than firm sales, i.e., sales for storage, etc.
5. Where consolidated bills for more than one point of delivery are rendered under a FERC rate schedule, the several points of delivery shall be indicated in column (b) and the remainder of the information reported in a consolidated basis corresponding to the billing. Where, however, consolidated bills for more than one point of delivery are not rendered under a FERC rate schedule, the required information shall be furnished for each point of delivery.
6. Designate if BTU per cubic foot of gas is different for any delivery point from that shown in the heading of column (d).

Name of Other Gas Utility (Designate Associated Co) (a)	Point of Delivery (b)	FERC Tariff Rate Sch. Design (c)	Approx. BTU per Cubic Foot (d)	MCF of Gas Sold (14.73 PSIA 60 F) (e)	Revenue for Year (see #5, above) (f)	Average Revenue per MCF (g)
N/A						

1. Report particulars of gas purchases during the year. 2. Natural gas for the purpose of classification herein is either natural gas unblended, or any mixture of natural and manufactured gas. 3. Provide subheadings and totals for proscribed accounts 804-Natural Gas City Gate Purchases, and 805- Other gas Purchases. 4. Where purchases are from unified fields, or vendor is a partnership or joint interest arrangement, specify such fact in column (a) and give name of unit operator, principal partner, or largest owner of joint interest, as approp. 5. For well head and field line purchases indicate the gas field or production area, county and state. 6. Field purchases of less than \$25,000 per year from individual non-associated vendors may be grouped by fields or production areas. Show numbers of purchases so grouped. 7. Show in column (c) the Seller's FERC rate schedule designation and date of contract, including such designations for purchases from independent producers. Intrastate purchases for which there is no required filing of a FERC rate schedule shall be specified "intrastate", and dates of contracts shown. If for any purchases more than one rate schedule was in effect during the year, show the most recent rate schedule designation and in a footnote give superseded rate schedules and date of supersession, or a succinct explanation. The Operator's rate schedule designation is sufficient in cases where there are no co-owners under the same purchase contract, but the entire volume of gas and amount, columns (h) and (i) must be shown for the purchase under the particular contract. Rate schedule designations are not required with respect to small purchases grouped as permitted in instruction 6.

Name of Vendor (Designate Associated Companies) (a)	Point of Receipt (b)	Seller's FERC Rate Schedule Designation and Date of Contract (c)	Check Appropriate Class				Approx. BTU per Cubic Foot (h)	MCF of Gas 14.73 PISA 60 F (i)	Amount (j)	Avg. Amt. per MCF (cents) (k)
			Well Mouth (d)	Field Line (e)	Gasoline Plant Outlet (f)	Other (g)				
P&J Resources, INC	Salyersville, KY			X			49,335	148,007.06	3.00	

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JONES PACK CPA

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BTU00105

GAS ACCOUNT - NATURAL GAS

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent. Natural gas means either natural gas unmixed and any mixture of natural and manufactured gas.
2. Enter in column (b) the MCFs as reported in schedules indicated for the respective items of receipts and deliveries.
3. If the respondent operates two or more systems which are not inter-connected, separate schedules should be submitted. Insert pages should be used for this purpose.

Line No.	Item (a)	MCF (14.73 PSIA at 60 F) (b)
GAS RECEIVED		
1	Natural Gas Produced	
2	Purchases:	
3	Natural Gas City Gate Purchases (Account 804)	49,335
4	Other Gas Purchases (Account 805)*	
5	Other Receipts (Specify):	
6		
7		
8		
9	Total Receipts	49,335
10		
GAS DELIVERED		
11	Natural Gas Sales (same as page 9, column (c), line 6)	49,335
12	Other Deliveries (specify):	
13		
14		
15		
16	Total Deliveries	49,335
17		
18	Unaccounted for Gas	
19	Natural Gas Used by Respondent	
20	Total Deliveries and Unaccounted For Gas	49,335

* This type of gas purchase represents manufactured gas, refinery gas or any gas other than natural gas

**PERTINENT NOTES TO THE EXHIBITS AND SUPPORTING
SCHEDULES CONTAINED IN THIS ANNUAL REPORT**

OATH

Commonwealth of Kentucky)
County of Magoffin) ss:

I, Pamela Williams, having appeared before the undersigned officer duly authorized to administer oaths and being duly sworn, state under oath that I am Pamela Williams of BTU Gas Company, Inc. ("Respondent"); that I have supervision over the books of account and other financial records of the Respondent and have control over the manner in which they are kept; that such books and records have, during the period covered by the foregoing report, been maintained in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky; that I have carefully examined the foregoing report and to the best of my knowledge and belief the information contained in this report is, so far as it relates to matters of accounts, in accordance with the said books of account; that all other statements of fact contained in the foregoing report are true; and that the foregoing report is a correct and complete statement of the business and affairs of the Respondent in every respect and manner during the period of time from and including January 1, 2006, to and including December 31, 2006

Pam Williams
(Signature of Officer)

Subscribed and sworn to before me, a notary public, in and for the State and County named in the above this 30 day of May, 2007

(Apply Seal Here)

My Commission Expires 12-14-07
Dalenna Kelley
(Signature of officer authorized to administer oath)

[Persons making willful false statements in this report may be punished by fine or imprisonment under KRS 523.040 and 523.100.]

Amended 8/23/2005

Class C and D Gas Utility

ANNUAL REPORT

OF

BTU Gas Company, Inc.

Exact Legal Name of Reporting Utility

P.O. Box 707

Salyersville, KY 41465
(Address of Utility)

TO THE
PUBLIC SERVICE COMMISSION
OF THE
COMMONWEALTH OF KENTUCKY

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2007

BTU00035

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 2007

- 1. Amount of Principal Payment during calendar year \$ _____
- 2. Is Principal current? (Yes) _____ (No) _____
- 3. Is Interest current? (Yes) _____ (No) _____
- 4. Has all long-term debt been approved by the Public Service Commission?
Yes _____ No _____ PSC Case Number _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are the financial statements examined by a Certified Public Accountant?
(Yes) _____ (No) _____

If yes, which service was performed?

Audit _____
Compilation _____
Review _____

Please enclose a copy of the accountant's report with the annual report.

Page 1 of 2
AUDIT OF THE ANNUAL REPORT
GAS COMPANIES

Page No.	Line No.		Page No.	Line No.	Yes	No	If No, Explain Why
1	3	agrees with	3	12	✓		
1	4	agrees with	3	15	✓		
1	5	agrees with	3	16	✓		
2	2 & 3	agrees with	6	Capital Stock (f)	✓		
2	8	agrees with	8	Account 216 Balance End of Year (b)	✓		
2	16	agrees with	7	Long Term Debt Total (d)	✓		
2	24	agrees with	7	Notes Payable Total (e)	✓		
2	30	agrees with	7	Interest Accrued Total (e)	✓		
2	31	agrees with	8	Misc. Current and Accrued Liabilities	✓		
3	1	agrees with	5	39(f)	✓		
3	15	agrees with	3	34	✓		
3	15	agrees with	6	25	✓		
9	5	agrees with	13	(f)	✓		
9	15	agrees with	11	26	✓		
9	17	agrees with	12	Total Amortization Expense	✓		
9	18	agrees with	12	Account 408.1	✓		
9	19	agrees with	12	Total Income Taxes - Utility Operating Income	✓		
9	29	agrees with	7	Interest Accrued Long-Term Debt (c)	✓		

BTU00037

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**AUDIT OF THE ANNUAL REPORT
 GAS COMPANIES**

<u>Page No.</u>	<u>Line No.</u>		<u>Page No.</u>	<u>Line No.</u>	<u>Yes</u>	<u>No</u>	<u>If No, Explain Why</u>
9	32	agrees with	7	Interest Accrued Other (c)	✓		
				Total Income Taxes -			
9	33	agrees with	12	Nonutility Operating Income	✓		
9	37	agrees with	12	Account 408.2	✓		
				Balance Transferred			
9	39	agrees with	8	From Income (433)	✓		
10	5	agrees with	14	(i)	✓		
10	6	agrees with	14	(j)	✓		
14	(i)	agrees with	15	3 & 4 (b)	✓		
15	9	agrees with	15	20	✓		
15	11	agrees with	9	6(c)	✓		
Principal Payment Page has been completed					✓		
Oath Page has been completed					✓		

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JONES PAK CPA

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BTU00038

Additional Information Required by Commission Orders		
Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments		
Case #	Date of Order	Item/Explanation
Attach additional sheets if more room is needed		

GENERAL INFORMATION

1. Give the location, including street & number and telephone number, including the area code, of the principal office in Kentucky.
HC 60 Oakley Road - P.O. Box 707
Salyersville, KY 41465
606-884-2000
2. Name, title, address and telephone number, including area code, of the Person to be contacted concerning this report.
Pamela Williams - President
606-884-2000
3. Name and title of officer having custody of the books of account, address of office and telephone number, including area code, where the books of account are kept.
"Same as above"
4. Name of State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law.
Kentucky
June, 1994
5. If the respondent controls or is controlled by any other corporation, business trust, or similar organization, give a concise explanation of the manner and extent of control.
N/A
6. Give the names and addresses of the ten major stockholders of the respondent and the voting powers of each at the end of the year.
Pamela Williams - 100%
7. Give the number of employees: Full-time _____ Part-time: _____
8. Name of City, Town, Community and County in which you furnish gas service and the number of customers in each.
Maggoffin County

PRINCIPAL OFFICERS

Line No.	Title	Name of Officer or Director	Principal Business Address	Annual Salary And/or Fee
1	President	Pamela Williams	P.O. Box 707	0-
2			Salyersville, KY 41465	
3				
4				
5				
6				
7				
8				
9				
10				

BALANCE SHEET			
Line No.	ASSETS AND OTHER DEBITS	Balance First of Year	Balance Last of Year
1	UTILITY PLANT		
2			
3	Utility Plant (101-107,114,116)	657,957. ¹²	657,957. ¹²
4	Less: Accum. Prov. for Depr., Depletion, and Amortization (108,111)	<301,259. ⁹⁰ >	<365,118. ⁹⁰ >
5	Net Utility Plant	356,697. ²²	293,838. ²²
6			
7	OTHER PROPERTY AND INVESTMENTS		
8	Nonutility Property-Net (121-122)		
9	Other Investments (124)		
10	Other Special Funds (128)		
11			
12	Total Other Property and Investments		
13			
14	CURRENT AND ACCRUED ASSETS		
15	Cash (131)	12,677. ⁰⁵	1,184. ⁵⁵
16	Temporary Cash Investments (136)		
17	Notes Receivable (141)		
18	Customer Accounts Receivable (142)	41,230. ⁵⁴	22,328. ⁰⁰
19	Other Accounts Receivable (143)		
20	Accum. Prov. for Uncollectible Accts.-CR, (144)		
21	Plant Materials and Operating Supplies (154)		
22	Gas Stored - Current (164.1)		
23	Prepayments (165)		
24	Miscellaneous Current and Accrued Assets (174)		
25			
26			
27	Total Current and Accrued Assets	53,907. ⁵⁹	23,512. ⁵⁵
28			
29	DEFERRED DEBITS		
30	Unamortized Debt Expense (181)		
31	Extraordinary Property Losses (182.1)		
32	Miscellaneous Deferred Debits (186)		
33	Def. Losses from Disposition of Util. Plt. (187)		
34	Unamort. Loss on Reacquired Debt (189)		
35	Accum. Deferred Income Taxes (190)		
36	Unrecovered Purchased Gas Costs (191)		
37			
38	Total Deferred Debits		
39			
40	TOTAL ASSETS AND OTHER DEBITS		

2

BALANCE SHEET

Line No.	LIABILITIES AND OTHER CREDITS	Balance First of Year	Balance Last of Year
1	PROPRIETARY CAPITAL		
2	Common Stock Issued (201)		
3	Preferred Stock Issued(204)		
4	Misc. Paid-in Capital (211)		
5	Discount on Capital Stock (213)		
6	Capital Stock Expense (214)		
7	Appropriated Retained Earnings (215)		
8	Unappropriated Retained Earnings (216)	<47,072.92>	<115,093.47>
9	Reacquired Capital Stock (217)		
10	Total Proprietary Capital		
11			
12	LONG-TERM DEBT		
13	Bonds (221)		
14	Advances From Associated Companies (223)		
15	Other Long-Term Debt (224)		
16	Total Long-Term Debt		
17	OTHER NONCURRENT LIABILITIES		
18	Accum. Provision for Property Insurance (228.1)		
19	Accum. Provision for Injuries and Damage (228.2)		
20	Accum. Provision for Pensions and Benefits(228.3)		
21	Accum. Miscellaneous Operating Provisions (228.4)		
22	Total Other Noncurrent Liabilities		
23	CURRENT AND ACCRUED LIABILITIES		
24	Notes Payable (231)	309,646.06	300,412.57
25	Accounts Payable (232)		
26	Notes Payable to Associated Companies (233)		
27	Accounts Payable to Associated Companies (234)	104,156.67	87,156.67
28	Customer Deposits (235)	43,700. ⁰⁰	43,700. ⁰⁰
29	Taxes Accrued (236)	175. ⁰⁰	175. ⁰⁰
30	Interest Accrued (237)		
31	Misc. Current and Accrued Liabilities (242)		
32	Total Current and Accrued Liabilities	457,677.73	431,444.24
33	DEFERRED CREDITS		
34	Customer Advances for Construction (252)		
35	Other Deferred Credits (253)		
36	Accum. Deferred Investment Tax Credits (255)		
37	Accum. Deferred Income Taxes (281-283)		
38	Total Deferred Credits		
39			
40	TOTAL LIABILITIES AND OTHER CREDITS	410,604.81	316,350.77

ANALYSIS OF GAS UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, DEPLETION AND AMORTIZATION			
Line No.	Acct No.	Item	Amount
1	101	Gas Plant in Service-Classified (From Page 5, Line 39(f))	657,957.12
2	101.1	Property Under Capital Leases	
3	102	Gas Plant Purchased or Sold	
4	106	Completed Construction Not Classified	
5		Total	
6	104	Gas Plant Leased to Others	
7	105	Gas Plant Held for Future Use	
8	107	Construction Work in Progress-Gas	
9	114	Gas Plant Acquisition Adjustments	
10	116	Other Gas Plant Adjustments	
11			
12		Total Utility Plant (Forward to Page 1, line 3)	657,957.12
13		Less:	
	108	Accum. Prov. For Depreciation of Gas Utility Plant	365,118.90
14	111	Accum. Prov. for Amortization and Depletion of Gas Utility Plant	
15		Total (Forward to Page 1, line 4)	365,118.90
16		Net Utility Plant (Forward to Page 1, line 5)	292,838.22
DETAIL OF ACCUMULATED PROVISION FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF GAS UTILITY PLANT			
17		In Service:	
19		Depreciation	365,118.90
20		Depletion	
21		Amortization	
22		Total - In Service	
23		Leased to Others:	
24		Depreciation	
25		Depletion	
26		Amortization	
27		Total - Leased to Others	
28		Held for Future Use:	
29		Depreciation	
30		Depletion	
31		Amortization	
32		Total - Held for Future Use	
33		Amortization of Gas Plant Acquisition Adjustments	
34		TOTAL ACCUMULATED PROVISIONS (Same as line 15, above)	365,118.90
NOTES TO BALANCE SHEET			
This space is provided for important notes regarding the balance sheet			

Page 1 of 2				
GAS UTILITY PLANT IN SERVICE				
Report in column (e) entries reclassifying property from one account to another. Corrections of entries of the preceding year should be recorded in column (c) or column (d), as they are corrections of additions or retirements				
Line No.	Account (a)	Balance First of Year (b)	Additions (c)	Retirements (d)
1	Intangible Plant - Account 301-303 (Attach Schedule)			
2	Gas Production, Storage and Processing Plant - Account 304-304 (Attach Schedule)			
TRANSMISSION PLANT				
3	Land and Land Rights (365.1)			
4	Rights-Of-Way (365.2)			
5	Structures and Improvements (366)			
6	Mains (367)			
7	Compressor Station Equipment (368)	538,471.20		
8	Measuring and Regulating Station Equipment (369)			
9	Communication Equipment (370)			
10	Other Equipment (371)			
11	Total Transmission Plant			
DISTRIBUTION PLANT				
12	Land and Land Rights (374)			
13	Structures and Improvements (375)			
14	Mains (376)			
15	Compressor Station Equipment (377)			
16	Measuring and Regulating Station Equipment - General (378)			
17	Measuring & Regulating Station Equipment - City Gate (379)			
18	Services (380)			
19	Meters (381)	49,783.29		
20	Meter Installations (382)			
21	House Regulators (383)			
22	House Regulator Installations (384)	22,543.85		
23	Industrial Measuring & Regulating Station Equipment (385)			
24	Other Property on Customers Premises (386)			
25	Other Equipment (387)			
26	Total Distribution Plant			
GENERAL PLANT				
27	Land and Land Rights (388)			
28	Structures and Improvements (390)			
29	Office Furniture and Equipment (391)			
30	Transportation Equipment (392)			
31	Stores Equipment (393)			
32	Tools, Shop and Garage Equipment (394)	9,892.52		
33	Laboratory Equipment (395)			
34	Power Operated Equipment (396)	30,306.61		
35	Communication Equipment (397)			
36	Miscellaneous Equipment (398)	6,959.66		
37	Other Tangible Property (399)			
38	Total General Plant			
39	TOTAL GAS PLANT IN SERVICE	657,951.12		

Page 2 of 2			
GAS UTILITY PLANT IN SERVICE			
Report in column (e) entries reclassifying property from one account to another. Corrections of entries of the preceding year should be recorded in column (c) or column (d), as they are corrections of additions or retirements			
Line No.	Account (a)	Adjustments (+ or -) (e)	Balance End of Year (f)
1	Intangible Plant - Account 301-303 (Attach Schedule)		
2	Gas Production, Storage and Processing Plant - Account 304-364 (Attach Schedule)		
TRANSMISSION PLANT			
3	Land and Land Rights (365.1)		
4	Rights-Of-Way (365.2)		
5	Structures and Improvements (366)		
6	Mains (367)		538,471.20
7	Compressor Station Equipment (368)		
8	Measuring and Regulating Station Equipment (369)		
9	Communication Equipment (370)		
10	Other Equipment (371)		
11	Total Transmission Plant		
DISTRIBUTION PLANT			
12	Land and Land Rights (374)		
13	Structures and Improvements (375)		
14	Mains (376)		
15	Compressor Station Equipment (377)		
16	Measuring and Regulating Station Equipment - General (378)		
17	Measuring & Regulating Station Equipment - City Gate (379)		
18	Services (380)		
19	Meters (381)		49,783.29
20	Meter Installations (382)		
21	House Regulators (383)		22,543.85
22	House Regulator Installations (384)		
23	Industrial Measuring & Regulating Station Equipment (385)		
24	Other Property on Customers Premises (386)		
25	Other Equipment (387)		
26	Total Distribution Plant		
GENERAL PLANT			
27	Land and Land Rights (389)		
28	Structures and Improvements (390)		
29	Office Furniture and Equipment (391)		
30	Transportation Equipment (392)		
31	Stores Equipment (393)		
32	Tools, Shop and Garage Equipment (394)		9,892.52
33	Laboratory Equipment (395)		
34	Power Operated Equipment (396)		30,306.60
35	Communication Equipment (397)		
36	Miscellaneous Equipment (398)		6,959.66
37	Other Tangible Property (399)		
38	Total General Plant		
39	TOTAL GAS PLANT IN SERVICE		657,957.12

6

ACCUMULATED PROVISION FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF GAS UTILITY PLANT						
Line No.	Item				Amount	
1	Balance Beginning of Year				301,259.70	
2	Accruals for Year:					
3	Depreciation				63,859.00	
4	Depletion					
5	Amortization					
6	Other Accounts (detail):					
7						
8						
9	Total Accruals for Year					
10	Credit Adjustments (describe):					
11						
12						
13	Total Credits for Year				63,859.00	
14						
15	Net Charges for Plant Retired:					
16	Book Cost of Plant Retired (same as Page 4, Line 39(d))				XXXXXXXXXXXX	
17	Add: Cost of Removal				XXXXXXXXXXXX	
18	Less: Salvage				XXXXXXXXXXXX	
19	Net Charges for Plant Retired					
20	Debit Adjustments(describe):					
21						
22						
23	Total Debit Adjustments for Year					
24						
25	Balance End of Year				365,118.70	
CAPITAL STOCK						
Class and Series of Stock (a)	No. of Shares Auth. (b)	Par Value Per Share of Par Value Stk (c)	Stated Val. Per Share of Nonpar Stock (d)	Outstanding Per Balance Sheet		
				Shares (e)	Amount (f)	
N/A						

STATEMENT OF INCOME FOR THE YEAR				
Line No.	Account (a)	Average No Customers (b)	MCF of Nat Gas Sold (c)	Amount (d)
OPERATING REVENUES				
1	Residential Sales (480)	401	21,413	
2	Commercial and Industrial Sales (481)	12	915	
3	Interdepartmental Sales (484)			
4	Total Sales to Ultimate Consumers			
5	Sales for Resale (483)			
6	Total Gas Service Revenues	413	22,328	142,303.73
OTHER OPERATING REVENUES				
7	Forfeited Discounts (487)			
8	Miscellaneous Service Revenues (488)			
9	Revenues From Transportation of Gas of Others (489)			
10	Revenues From Natural Gas Processed by Others (491)			
11	Rent From Gas Property (493)			
12	Other Gas Revenues (495)			
13	Total Other Operating Revenues			
14	Total Gas Operating Revenues			142,303.73
OPERATING EXPENSES				
15	Total Gas Operation & Maintenance Expenses (from page 11, line 26)			119,771.76
16	Depreciation Expense (403)			63,859.00
17	Amortization Expense (404-407) (from page 12)			
18	Taxes Other Than Income Taxes (408.1) (from page 12)			14,027.01
19	Total Income Taxes-Utility Operations (409.1, 410.1, 411.1, 411.4) (from page 12)			
20	Total Gas Operating Expenses			197,657.77
21	Net Operating Income			<55,354.01>
OTHER INCOME				
22	Other Nonutility Income - Net (415-418)			
23	Interest and Dividend Income (419)			
24	Miscellaneous Nonoperating Income (421)			
25	Other Accounts (Specify Account Number and Title):			
26				
27				
28	Total Other Income			
OTHER DEDUCTIONS				
29	Interest on Long-Term Debt (427)			
30	Amortization of Debt Discount and Expense (428)			
31	Other Nonutility Deductions (428.1 - 428.5)			
32	Other Interest Expense (431)			12,666.51
33	Total Income Taxes - Nonutility operations (409.2, 410.2, 411.2, 411.5) (from Page 12)			
34	Other Accounts (Specify Account Number and Title):			
35				
36				
37	Taxes Other Than Income Taxes (408.2) (from Page 12)			
38	Total Other Deductions			12,666.51
39	NET INCOME			<68,020.55>

GAS OPERATION AND MAINTENANCE EXPENSES		
Line No.	Account (a)	Amount (b)
1	MANUFACTURED GAS PRODUCTION Total-Account 710-742 (Attach Schedule by Accounts)	
2	NATURAL GAS PRODUCTION EXPENSES Total-Account 750-791 (Attach Schedule by Accounts)	
3	EXPLORATION AND DEVELOPMENT EXPENSES Total-Account 795-798 (Attach Schedule by Accounts)	
4	STORAGE EXPENSES Total-Account 814-843 (Attach Schedule by Accounts)	
5	OTHER GAS SUPPLY EXPENSES Natural Gas City Gate Purchases (804)	26,405.43
6	Other Gas Purchases (805)	
7	Purchased Gas Cost Adjustments (805.1)	
8	Purchased Gas Expenses (807)	
9	Gas Withdrawn From Storage - Debit (808.1)	
10	Gas Delivered to Storage - Credit (808.2)	
11	Gas Used For Other Utility Operations - Credit (812)	
12	Other Gas Supply Expenses (813)	
13	Total Other Gas Supply Expenses	26,405.43
14	TRANSMISSION EXPENSES Operation Supervision and Engineering (850)	
15	Compressor Station Labor and Expenses (853)	
16	Measuring and Regulating Station Expenses (857)	
17	Transmission and Compression of Gas by Others (858)	
18	Rents (860)	
19	Maintenance of Mains (863)	
20	Maintenance of Compressor Station Equipment (864)	
21	Total Transmission Expenses	
22	DISTRIBUTION EXPENSES Operation Supervision and Engineering (870)	
23	Compressor Station Labor and Expenses (872)	
24	Mains and Services Expenses (874)	
25	Measuring and Regulating Station Expenses (876)	
26	Meter and House Regulator Expenses (878)	
27	Other Expenses (880)	
28	Rents (881)	
29	Maintenance Supervision and Engineering (885)	
30	Maintenance of Mains (887)	
31	Maintenance of Services (892)	
32	Maintenance of Meters and House Regulators (893)	
33	Maintenance of Other Equipment (894)	
34	Total Distribution Expenses	

GAS OPERATION AND MAINTENANCE EXPENSES (Con't.)		
Line No.	Account (a)	Amount (b)
CUSTOMER ACCOUNTS EXPENSE		
1	Meter Reading Expenses (902)	
2	Customer Records and Collection Expenses (903)	1,945.00
3	Uncollectible Accounts (904)	
4	Total Customer Accounts Expense	1,945.00
5		
CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
6	Miscellaneous Customer Service and Informational Expenses (910)	
ADMINISTRATIVE AND GENERAL EXPENSES		
7	Administrative and General Salaries (920)	
8	Office Supplies and Expenses (921)	3,580.04
9	Administrative Expenses Transferred - Credit (922)	
10	Outside Services Employed (923)	5,983.00
11	Property Insurance (924)	3,328.46
12	Injuries and Damages (925)	
13	Employee Pensions and Benefits (926)	
14	Franchise Requirements (927)	
15	Regulatory Commission Expenses (928)	
16	Duplicate Charges - Credit (929)	
17	General Advertising Expenses (930.1)	4,533.00
18	Miscellaneous General Expenses (930.2)	20,416.53
19	Rents (931)	13,200.00
20	Maintenance of General Plant (932)	40,380.30
21	Total Administrative and General Expenses	93,366.33
22		
23		
24		
25		
26	TOTAL GAS OPERATION AND MAINTENANCE EXPENSES (to Page 9, Line 15)	119,771.76
NUMBER OF CUSTOMERS		
End of Year		
	Residential (480)	401
	Commercial and Industrial (481)	12
	Interdepartmental Sales (484)	
	Total - Ultimate Customer	413
	Sales for Resale (483)	
	Total Gas Service Customers	413

TAXES OTHER THAN INCOME TAXES (408)		
Show hereunder the various tax items which make up the amounts listed under Account Numbers 408.1 and 408.2 on page 9, lines 18 and 37.		
Line No.	Item (a)	Amount (b)
1	Payroll Taxes	
2	Public Service Commission Assessment	
3	Other (Specify):	
4	Property Taxes	5,868.25
5	Other Taxes & Licenses	8,158.76
6		
7		
8		
9	Total (Same as page 9, lines 18 and 37)	14,027.01
OPERATING AND NONOPERATING INCOME TAXES		
Acct. No.	Account (a)	Amount (b)
409.1	Income Taxes, Utility Operating Income – Federal	
409.1	Income Taxes, Utility Operating Income – State	
409.1	Income Taxes, Utility Operating Income – Other	
410.1	Provision for Deferred Income Taxes, Utility Operating Income	
411.1	Provision for Deferred Income Taxes - Credit, Utility Operating Income	
411.4	Investment Tax Credit Adjustments, Utility Operations	
	Total Income Taxes - Utility Operating Income (to page 9, line 19)	
409.2	Income Taxes, Other Income & Deductions – Federal	
409.2	Income Taxes, Other Income & Deductions – State	
409.2	Income Taxes, Other Income & Deductions – Other	
410.2	Provision for Deferred Income Taxes, Other Income & Deductions	
411.2	Provision for Deferred Income Taxes – Credit, Other Income & Deductions	
411.5	Investment Tax Credit Adjustments, Nonutility Operations	
	Total Income Taxes – Nonutility Operating Inc. (to page 9, line 33)	
AMORTIZATION EXPENSE		
Acct. No.	Account (a)	Amount (b)
404.1	Amortization and Depletion of Producing Natural Gas Land and Land Rights	
405	Amortization of Other Gas Plant	
406	Amortization of Gas Plant Acquisition Adjustments	
407.1	Amortization of Property Losses	
407.2	Amortization of Conversion Expenses	
	Total Amortization Expense (Same as page 9, line 17)	

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SALES FOR RESALE - NATURAL GAS (Account 483)

1. Report particulars concerning sales of natural gas during the year to other gas utilities for resale. Sales to each customer should be identified in column (c) where applicable, by rate schedule designation contained in the company's tariff.
2. Natural gas for the purpose of this schedule means either natural gas unmixed, or any other mixture of natural and manufactured gas.
3. Point of delivery, column (b), should show name of city or town or state, and such other designation necessary to enable identification on maps of respondent's pipeline system.
4. Designate any sales which are other than firm sales, i.e., sales for storage, etc.
5. Where consolidated bills for more than one point of delivery are rendered under a FERC rate schedule, the several points of delivery shall be indicated in column (b) and the remainder of the information reported in a consolidated basis corresponding to the billing. Where, however, consolidated bills for more than one point of delivery are not rendered under a FERC rate schedule, the required information shall be furnished for each point of delivery.
6. Designate if BTU per cubic foot of gas is different for any delivery point from that shown in the heading of column (d)

Name of Other Gas Utility (Designate Associated Co) (a)	Point of Delivery (b)	FERC Tariff Rate Sch. Design (c)	Approx. BTU per Cubic Foot (d)	MCF of Gas Sold (14.73 PSIA 60 F) (e)	Revenue for Year (see #5, above) (f)	Average Revenue per MCF (g)
N/A						

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1. Report particulars of gas purchases during the year. 2. Natural gas for the purpose of classification herein is either natural gas unmixed, or any mixture of natural and manufactured gas. 3. Provide subheadings and totals for prescribed accounts 804-Natural Gas City Gate Purchases, and 805 - Other gas Purchases. 4. Where purchases are from unitized fields, or vendor is a partnership or joint interest arrangement, specify such fact in column (a) and give name of unit operator, principal partner, or largest owner of joint interest, as approp. 5. For well head and field line purchases indicate the gas field or production area, county and state. 6. Field purchases of less than \$25,000 per year from individual non-associated vendors may be grouped by fields or production areas. Show numbers of purchases so grouped. 7. Show in column (c) the Seller's FERC rate schedule designation and date of contract, including such designations for purchases from independent producers. Intrastate purchases for which there is no required filing of a FERC rate schedule shall be specified "intrastate", and dates of contracts shown. If for any purchases more than one rate schedule was in effect during the year, show the most recent rate schedule designation and in a footnote give superseded rate schedules and date of supersession, or a succinct explanation. The Operator's rate schedule designation is sufficient in cases where there are no co-owners under the same purchase contract, but the entire volume of gas and amount, columns (h) and (i) must be shown for the purchase under the particular contract. Rate schedule designations are not required with respect to small purchases grouped as permitted in instruction 6.

Name of Vendor (Designate Associated Companies) (a)	Point of Receipt (b)	Seller's FERC Rate Schedule Designation and Date of Contract (c)	Check Appropriate Class				Approx. BTU per Cubic Foot (h)	MCF of Gas 14.73 PISA 60 F (i)	Amount (j)	Avg. Amt per MCF (cents) (k)
			Well Mouth (d)	Field Line (e)	Gasoline Plant Outlet (f)	Other (g)				
P&J Resources	Salyersville, Wv, Kentucky			X				24,669	26,405.43	1.07

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BTU00054

GAS ACCOUNT - NATURAL GAS

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent. Natural gas means either natural gas unmixed and any mixture of natural and manufactured gas.
2. Enter in column (b) the MCFs as reported in schedules indicated for the respective items of receipts and deliveries.
3. If the respondent operates two or more systems which are not inter-connected, separate schedules should be submitted. Insert pages should be used for this purpose.

Line No.	Item (a)	MCF (14.73 PSIA at 60 F) (b)
GAS RECEIVED		
1	Natural Gas Produced	
2	Purchases:	
3	Natural Gas City Gate Purchases (Account 804)	24,669
4	Other Gas Purchases (Account 805)*	
5	Other Receipts (Specify):	
6		
7		
8		
9	Total Receipts	24,669
10		
GAS DELIVERED		
11	Natural Gas Sales (same as page 9, column (c), line 6)	22,328
12	Other Deliveries (specify):	
13		
14		
15		
16	Total Deliveries	22,328
17		
18	Unaccounted for Gas	2,341
19	Natural Gas Used by Respondent	
20	Total Deliveries and Unaccounted For Gas	24,669

* This type of gas purchase represents manufactured gas, refinery gas or any gas other than natural gas

**PERTINENT NOTES TO THE EXHIBITS AND SUPPORTING
SCHEDULES CONTAINED IN THIS ANNUAL REPORT**

OATH

Commonwealth of Kentucky)
County of Mason) ss:

I, Pam Williams, having appeared before the undersigned officer duly authorized to administer oaths and being duly sworn, state under oath that I am President of BTU Cos Company, Inc. ("Respondent"); that I have supervision over the books of account and other financial records of the Respondent and have control over the manner in which they are kept; that such books and records have, during the period covered by the foregoing report, been maintained in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky; that I have carefully examined the foregoing report and to the best of my knowledge and belief the information contained in this report is, so far as it relates to matters of accounts, in accordance with the said books of account; that all other statements of fact contained in the foregoing report are true; and that the foregoing report is a correct and complete statement of the business and affairs of the Respondent in every respect and manner during the period of time from and including January 1, 2008, to and including December 31, 2007

Pam Williams
(Signature of Officer)

Subscribed and sworn to before me, a Notary, in and for the State and County named in the above this 19th day of June, 2008

(Apply Seal Here)

My Commission Expires June 18th 2011
Deborah Wisley
(Signature of officer authorized to administer oath)

[Persons making willful false statements in this report may be punished by fine or imprisonment under KRS 523.040 and 523.100.]

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

B.T.U. GAS COMPANY, INC.)	
_____)	
ALLEGED VIOLATIONS OF ADMINISTRATIVE)	CASE NO.
REGULATION 807 KAR 5:006, 807 KAR 5:022,)	2007-00403
807 KAR 5:027 AND 49 CFR 191-192)	

O R D E R

This case involves an investigation into the operation of B.T.U. Gas Company, Inc.'s ("BTU") natural gas facility in eastern Kentucky. At issue is whether BTU failed to maintain and operate this facility in accordance with 807 KAR 5:006, Section 14(1)(b), 807 KAR 5:022, 807 KAR 5:027, 49 C.F.R. Part 191, 49 C.F.R. Part 192, and 49 C.F.R. Part 199. Finding in the affirmative, we assess BTU the sum of \$170,000, with \$10,000 due and payable within 30 days.

PROCEDURE

Finding prima facie evidence that BTU had failed to comply with 807 KAR 5:006, Section 14(1)(b); 807 KAR 5:022; 807 KAR 5:027; C.F.R. Part 191; 49 C.F.R. Part 192; and 49 C.F.R. Part 199, the Commission ordered BTU to show cause why it should not be penalized for these alleged violations by Order dated December 1, 2009.

On March 4, 2010, the Commission held an evidentiary hearing in this matter at our offices in Frankfort, Kentucky. Pamela Williams, president and sole owner of BTU, and Richard Williams, vice-president and operator of BTU, appeared with counsel. At this hearing, the Commission heard testimony from the following persons: Jason

Brangers, Manager, Gas Pipeline Safety Branch, Kentucky Public Service Commission; William Aitken, Utility Regulatory & Safety Investigator IV, Gas Pipeline Safety Branch, Kentucky Public Service Commission; Melissa Holbrook, Utility Regulatory & Safety Investigator III, Gas Pipeline Safety Branch, Kentucky Public Service Commission; Steven Samples, Utility Regulatory & Safety Investigator III, Gas Pipeline Safety Branch, Kentucky Public Service Commission; Roger Wingate, President of R.L. Wingate and Associates; and Pamela Williams, president and sole owner of BTU.

BACKGROUND

BTU is a Kentucky corporation created in June 1994 and is a private natural gas distribution system. As of December 31, 2007, it owned, operated and managed facilities used to distribute natural gas to approximately 401 residential and 12 commercial and industrial customers, including four schools, in Magoffin County, Kentucky.¹ It is a utility subject to Commission jurisdiction pursuant to KRS 278.010(3)(b); KRS 278.040; KRS 278.495(2)(b); KRS 278.992(1); 807 KAR 5:022; 49 C.F.R. Part 191; 49 C.F.R. Part 192; and 49 C.F.R. Part 199. BTU owns facilities that consist of approximately 86 miles of 4-inch-and-under plastic piping with a maximum allowable operating pressure of 70 pounds per square inch. This system has one

¹ Annual Report of BTU Gas Company, Inc. to the Public Service Commission of Kentucky for the Calendar Year Ended December 31, 2007 at 11. This is the last annual report filed with the Commission by BTU.

compressor station and access to about 100 wells. As of July 14, 2009, only five wells were actively feeding the system.²

On July 10, 2007, Commission Staff ("Staff") conducted a periodic regulatory compliance inspection of BTU in which 16 violations were cited in Report No. BTU-051407 ("2007 Inspection Report"). Based on this inspection report, the Commission, on May 1, 2008, found prima facie evidence that BTU had failed to comply with certain administrative regulations of the Commission, as well as certain regulations promulgated by the U.S. Department of Transportation, regarding the operation of natural gas pipelines. The Commission ordered BTU to show cause why it should not be subject to penalties prescribed in KRS 278.992(1) for these alleged violations. On May 20, 2008, BTU filed its written response. On June 9, 2008, the Commission entered an Order that established a procedural schedule.³

On July 14, 2009, a follow-up periodic regulatory compliance inspection of BTU was conducted to ascertain the status of the utility as related to pipeline safety and to confirm that the 16 violations cited in the 2007 Inspection Report had been corrected. The July 14, 2009 inspection revealed in Report No. BTU-052907 that, of the 16 previously documented violations cited in the 2007 Inspection Report, only six had been

² See Transcript of Hearing ("TR") at 139-141, Staff Exhibit 9, Periodic Regulatory Compliance Inspection, DTR Number 13, which lists as a deficiency BTU's failure to file Department of Transportation Form RSPA F7100, 1-1 (July 14, 2009); and Staff Exhibit 10, copy of RSPA F7100. BTU has never filed this required form.

³ On June 25, 2008, BTU filed its response to Staff's first information request, followed by BTU's filing of its additional response on July 15, 2008. Staff held an Informal Conference with BTU on July 17, 2008, which was followed by a memorandum of the IC filed by Staff on July 25, 2008. BTU filed its first response to the IC memorandum on August 25, 2008; its second response was filed on November 3, 2008; and its third response was filed on November 13, 2008.

corrected while ten remained uncorrected. Seven additional violations were documented.

On August 14, 2009, Jason Brangers, P.E., Manager, Gas Branch, Division of Engineering, Public Service Commission, notified BTU of the results of the July 14, 2009 inspection and requested that BTU respond to and outline corrective action for each of the 17 cited violations by September 2, 2009.⁴

Having not received any substantive response or plan for corrective action as requested on August 14, 2009, the Commission, on December 1, 2009, entered an Order for BTU to appear before it on January 27, 2010 to show cause why it should not be subject to penalties prescribed in KRS 278.992(1) for its failure to correct the 17 deficiencies contained in Mr. Brangers' letter of August 14, 2009 or to respond to the letter in any meaningful manner. Also included with this Order was a procedural schedule and a copy of the 2009 Inspection Report.

On December 18, 2009, BTU filed a response to the Commission's December 1, 2009 Order, as well as a motion for a continuance of the scheduled hearing and a motion for an informal conference with Commission Staff. On January 19, 2010, the Commission granted BTU's motion for a continuance and denied its motion for an informal conference. The procedural Order was amended and the hearing was continued to March 4, 2010.

⁴ See Letter from Jason Brangers to Richard Williams, BTU (August 14, 2009). Although Mr. Brangers had requested that BTU respond by September 2, 2009, a letter from Pam Williams to Mr. Brangers requesting an extension of time to respond ("I will get it in just as soon as I have it completed") was received on September 8, 2009. A substantive response to Mr. Brangers' letter was never received.

Pursuant to KRS 278.495(2)(a), the Commission has the authority to regulate the safety of the natural gas facilities of BTU.⁵ The Commission exercises this authority in conjunction with its authority to enforce any minimum safety standards adopted by the U.S. Department of Transportation ("U.S. DOT") pursuant to 49 U.S.C. § 60101 et seq. Additionally, the Commission may promulgate administrative regulations consistent with federal pipeline safety laws.⁶ Although the U.S. DOT has the ultimate responsibility for the regulation, enforcement, and compliance of gas pipeline safety, this authority has been delegated by the Secretary of the U.S. DOT to the Commission as the state agency that enforces pipeline safety regulations. It is through this delegation of authority, as well as that found in KRS Chapter 278 and 807 KAR Chapter 5, that the Commission regulates BTU's operations and facilities, using federal pipeline safety standards as the minimum safety standards required. As part of the Commission's certification, the U.S. DOT evaluates the Commission's performance on a regular basis.⁷

The Commission conducts various types of inspections of gas utilities as part of its enforcement process of federal pipeline safety regulations. One such routine or

⁵ KRS 278.495 states in pertinent part:

(2) Notwithstanding any other provision of law, the commission shall have the authority to regulate the safety of natural gas facilities which are:

(a) Owned or operated by any public utility, county, or city, and used to distribute natural gas at retail.

⁶ KRS 278.495(2)(a).

⁷ TR at 11-13. A review related to the federal grant received by the Commission to implement the pipeline safety program is conducted by the Pipeline and Hazardous Materials Safety Administration ("PHMSA") at least once every three years. PHMSA also conducts an annual program evaluation. On all PHMSA evaluations since 2005, the Commission has received scores of 97 percent or higher.

standard inspection is called a "periodic regulatory compliance inspection," which was the inspection conducted of BTU in both 2007 and 2009. This type of inspection is normally conducted on a three-year cycle but can be conducted on a more frequent basis if necessary.⁸ In conducting periodic regulatory compliance inspections, Staff uses a standard inspection checklist.⁹

At the time of the July 14, 2009 follow-up inspection, it was expected that BTU's 16 violations cited in the 2007 Inspection Report would have been corrected. As stated earlier, this did not occur. With ten uncorrected violations from 2007 and seven additional violations from 2009, the total cited in the 2009 Inspection Report increased to 17.

SUMMARY OF VIOLATIONS

2009 INSPECTION REPORT

UNCORRECTED 2007 VIOLATIONS

- (1) 49 C.F.R. Part 192.616(b): Public Awareness. The operator's program must follow the general program recommendations of API RP 1162 and assess the unique attributes and characteristics of the operator's pipeline and facilities.

Deficiency: BTU's public awareness plan did not follow the recommendations of API RP 1162 and BTU did not have records to indicate that its public awareness messages were given to customers

⁸ TR at 39. Other inspections conducted of gas utilities include farm tap installations, construction inspections, operator qualification inspections, integrity management inspections, jurisdictional inspections, and inspections to investigate incidents or complaints.

⁹ TR at 40-41; Form 2 Standard Inspection Report of a Gas Distribution Operator (Rev. 3/23/09 through Final Rule of 16 January 2009).

twice annually. BTU did not have documentation that this requirement had been met.¹⁰

- (2) 49 C.F.R. Part 192.805. Qualification Program. Each operator is required to have and follow a written operator qualification plan.

Deficiency: BTU did not have an Operator Qualification ("OQ") plan that included a list of covered tasks, a list of individuals and the tasks each is qualified to perform, and identification of the intervals at which evaluation of the individual's qualifications is needed.¹¹

- (3) 49 C.F.R. Part 605(b) (9). Procedural manual for operations, maintenance, and emergencies. Each operator must take adequate precautions in excavated trenches to protect personnel from the hazards of unsafe accumulations of vapor or gas, and make emergency rescue equipment available when needed.

Deficiency: BTU's Operations and Maintenance ("O&M") manual in place at the time of the inspection did not address procedures for taking precautions in situations of unsafe accumulations of gas. BTU must have emergency equipment, including breathing apparatus and a harness, available. BTU did not have the emergency equipment.¹²

¹⁰ TR at 128-129; Commission Staff Exhibit No. 9, DTR No. 1; Commission Staff Exhibit 13.

¹¹ TR at 129. Commission Staff Exhibit No. 9, DTR No. 2; Commission Staff Exhibit 13.

¹² TR at 130; Commission Staff Exhibit No. 9, DTR No. 3; Commission Staff Exhibit No. 13.

(4) 49 C.F.R. Part 192.625(f). Odorization of gas. Each operator must conduct periodic sampling of combustible gases using an instrument capable of determining the percentage of gas in the air at which the odor becomes readily detectable.

Deficiency: BTU was not using an instrument capable of measuring the gas at one-fifth of the lower explosive limit. The only document produced by BTU indicated that only a "sniff test" was being used.¹³

(5) 49 C.F.R. Part 192.721. Patrolling. Mains in places or on structures where anticipated physical movement or external loading could cause failure or leakage must be patrolled.

Deficiency: BTU had not patrolled mains where anticipated physical movement or external loading could cause failure or leakage (i.e., river crossings, lines under stress) and had not documented these lines or the intervals at which they must be patrolled. At the time of the inspection, there were lines under stress, such as a line going across a creek and a bridge. BTU did not have any patrolling records or sites identified.¹⁴

(6) 49 C.F.R. Part 192.723(b) (1). Leakage survey. A leakage survey with leak detector equipment must be conducted outside business districts as frequently as necessary, but at least once every five calendar years at intervals not exceeding 63 months. The leakage survey should include tests of the

¹³ TR at 130-131; Commission Staff Exhibit No. 9, DTR No. 4; Staff Exhibit No. 13.

¹⁴ TR at 132; Staff Exhibit No. 9, DTR No. 4; Staff Exhibit 13.

atmosphere in gas, electric, telephone, sewer, and water systems, including at manholes, cracks in pavement and sidewalks.

Deficiency: BTU has not conducted leakage surveys in non-business districts with leak detector equipment within those districts every five years. A leakage survey is required to determine if there are leaks on the system in order to prevent an incident such as a fire or explosion from occurring.¹⁵

(7) 40 C.F.R. Part 192.747. Valve Maintenance. Each valve must be checked and serviced at intervals not exceeding 15 months, but at least once each calendar year.

Deficiency: BTU did not have critical or system safety valves listed in its records and did not identify specifically when each valve was checked and serviced. The records available at the time of the inspection to show that this requirement had been met were totally inadequate. At a minimum, there must be a separate inspection sheet for each valve telling the measurement of the valve, where it is located, and the size of the nut on each valve. An inspection record is needed for each valve.¹⁶

(8) 49 C.F.R. Part 192.739. Pressure limiting and regulating stations: Inspection and testing. Each pressure limiting station, relief device, and pressure

¹⁵ TR at 73,131,132; Staff Exhibit No. 9, DTR No.7; Staff Exhibit No.13.

¹⁶ TR at 133; Staff Exhibit No. 9, DTR No. 8; Staff Exhibit No. 13.

regulating station . . . must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests. . . .

Deficiency: BTU did not have specific regulators and relief devices listed in its records and did not identify specifically that each had been inspected each year. There must be a record for any regulator or control device that is controlling the pressure in the BTU system, including the size orifices, the serial number, identification of the regulator, and inspection for each year, and it must be inspected by an operator-qualified person. None of these requirements had been met.¹⁷

(9) 49 C.F.R. Part 192.603(b). General provisions. Each operator shall keep records necessary to administer the procedures established under Section 192.605.

Deficiency: BTU did not have records to show that its O&M procedures were being implemented for odorant sampling, patrolling, leak surveys, regulator inspections, or valve inspections.¹⁸

(10) 49 C.F.R. Part 192.481. Atmospheric corrosion control: Monitoring. Each operator must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion. . . .

Deficiency: BTU was not inspecting its system for atmospheric corrosion on the above-ground piping. It is required that an inspection

¹⁷ TR at 134; Staff Exhibit No. 9, DTR No. 9; Staff Exhibit No. 13.

¹⁸ TR at 133-134; Staff Exhibit No. 9, DTR No. 11; Staff Exhibit No. 13.

be done on above-ground steel piping, all meters, the steel piping at the customers' meters where it comes out of the ground, and whatever other steel, like a bridge crossing, that exists in the system. An operator-qualified person must check each at least once every three years for atmospheric corrosion. BTU had no records that confirmed that these inspections had been conducted.¹⁹

2009 NEW VIOLATIONS

(11) 49 C.F.R. Part 192.723(b) (1). Distribution systems: Leakage surveys. A leakage survey with leak detector equipment must be conducted in business districts, including tests of atmosphere in gas, electric, telephone, sewer, and water systems and at manholes, cracks in pavement and sidewalks . . . on an annual basis.

Deficiency: BTU had not even identified business districts within its system or conducted leak surveys with leak detector equipment within those districts annually. During the inspection, it was discovered that there were several wells and regulators that were feeding four schools – South Magoffin, Salyer, Middle Fork and North Magoffin, all elementary schools. Schools and churches are considered part of the business district because they are high-risk areas, usually containing pipes under hard surfaces, such as parking lots. As with other areas

¹⁹ TR at 135; Staff Exhibit No. 9, DTR No. 10; Staff Exhibit No.13.

in a business district, the purpose is to find any leaks in order to prevent problems in high-risk, generally high-population areas.²⁰

(12) 49 C.F.R. Part 192.614. Damage prevention program. Each operator of a buried pipeline must carry out, in accordance with this section, a written program to prevent damage to that pipeline from excavation activities. . . .

Deficiency: BTU was not a member of a qualified one-call center, known as Kentucky 811, as of March 4, 2010. This was confirmed by the testimony of Steven Samples, the inspector who conducted the 2009 inspection.²¹

(13) 49 C.F.R. Part 191.11(a). Except as provided in paragraph (b) of this section, each operator of a distribution pipeline system shall submit an annual report for that system on U.S. DOT Form RSPA F 7100-1-1.

Deficiency: BTU did not submit its annual report each year as required. This report is required by the PHMSA for all distribution gas companies, and the report must be turned in by March 15 of each year for the previous year. Gas distribution companies send these forms to the U.S. DOT, to PHMSA and generally send a copy to the Commission. This report shows how many miles of pipe are in the system and whether the pipe is plastic or steel. It also has the type of leaks the system had during the previous year, whether dig-ins, corrosion, or bad fusions occurred. This is to assist the operator in

²⁰ TR at 137; Staff Exhibit No. 9, DTR No. 6; Staff Exhibit No. 13.

²¹ TR at 138; Staff Exhibit No. 9, DTR No.12; Staff Exhibit No.13.

keeping track of the miles of pipe, including any pipes that have been deleted or added during the previous year.²²

(14) 49 C.F.R. Part 199.101(a). Anti-drug plan. Each operator shall maintain and follow a written anti-drug plan that conforms to the requirements of this part and the DOT Procedures.

Deficiency: BTU did not have an anti-drug plan.²³

(15) 49 C.F.R. Part 199.202. Alcohol misuse plan. Each operator must maintain and follow a written alcohol misuse plan that conforms to the requirements of this part and DOT Procedures concerning alcohol testing programs.

Deficiency: BTU did not have a written alcohol misuse plan as required.²⁴

(16) 807 KAR 5:006, Section 14(b). For dangerous conditions. If a dangerous condition relating to the utility's service which could subject any person to imminent harm or result in substantial damage to the property of the utility or others, is found to exist on a customer's premises, the service shall be refused or terminated without advance notice.

Deficiency: BTU failed to turn service off when a BTU customer with above-ground plastic pipe designed for water, with hose clamps, was being used for the gas service line. This plastic pipe was above

²² TR at 140; Staff Exhibit No. 9, DTR No.13; Staff Exhibit No.10: Staff Exhibit No. 13.

²³ Staff Exhibit No. 9, DTR No. 14; Staff Exhibit No.13.

²⁴ Staff Exhibit No. 9, DTR No. 15; Staff Exhibit No. 13.

ground around the meter setting, and it was going through a culvert and then through the front yard. Above-ground plastic pipe is a safety hazard and must be buried per regulations.²⁵

(17) 49 C.F.R. Part 192.807. Recordkeeping. Each operator shall maintain records that demonstrate compliance with this subpart.

Deficiency: BTU was not maintaining records that demonstrate compliance with the OQ regulation.²⁶

DISCUSSION

Pamela Williams, president and sole owner of BTU since 1994, testified that only she and her husband, Richard Williams, work for BTU, but they contract services from P&J Resources, a company she also owns.²⁷ Ms. Williams stated that she did not have any disagreement with the 2009 inspection and that "I told them there were several things that I was not aware that I was supposed to be doing that they said I should be, but, as far as me having any concerns, no New things come into play, apparently, and, as a gas utility, you don't have to be notified. You're supposed to pick up on all this stuff. Things had changed from '07 to '09. . . . [I]f there's something like the PSC would require, I would expect that they will send me a notification [I]f something changes with the light company or anybody else, they send you some kind of notification [T]hat's the way I work." She agreed that the 2007 and the 2009

²⁵ TR at 143-144; Staff Exhibit No. 9, DTR No. 16; Staff Exhibit No.11, Staff Exhibit No.13.

²⁶ Staff Exhibit No. 9, DTR No. 17; Staff Exhibit No. 13.

²⁷ TR at 167, 168.

Inspection Reports were "pretty specific notifications" that told her "what needed to be fixed."

When asked again if there was any disagreement as to what problems had been identified and what she needed to do, Ms. Williams responded, "No, I had everything that I was supposed to have. It just didn't meet the standards that it should have, which, from the time we started to that point, it had, apparently, but some things had changed. I needed to update. Let me put it that way."²⁸

During the 2007 inspection, several documents were requested by the inspector, Melissa Holbrook, to be produced for her to review. Ms. Williams claimed that there were certain documents she could not find.²⁹ One of these documents was a map of the BTU system, which plays an integral part in this type of inspection. Because no map was made available to Ms Holbrook, her ability to conduct a thorough field inspection was greatly hindered. Because there was no map, it was not possible for her to locate and identify the layout of all the principal items of BTU's plant, including its

²⁸ TR at 170-172.

²⁹ TR at 65, 66. Melissa Holbrook, Inspector IV, Gas Branch Division, Public Service Commission, contacted BTU by phone more than a month in advance to set up the date of the inspection with Pamela Williams, BTU's president. On April 2, 2007, Ms. Holbrook sent an e-mail to Ms. Williams, with a list attached detailing the items she wanted to see during the inspection. On May 7, 2007, Ms. Holbrook sent Ms. Williams a second e-mail to remind her of the inspection on May 10, 2007. A copy of the first e-mail with the attached list was introduced at the hearing as Staff Exhibit No. 5. Ms. Williams did not ask for clarification of what she was expected to have available at the inspection at any time prior to the date of inspection.

pipeline, in order to have an accurate field review.³⁰ Instead, she was restricted to looking at areas around the BTU office that were brought to her attention by one of BTU's contractors.

At the hearing, when questioned about the missing documents from the 2007 inspection and specifically asked whether they had been located, Ms. Williams responded, "I probably have not even looked for them because we kept moving forward, trying to get stuff done that I knew I needed to do. So I don't know that I would even have it. That's what I told her. I don't know that I would even have it because the paperwork I have is not what they want anyway. So – but I have been doing this stuff."³¹ (Emphasis added.)

At the 2009 inspection, BTU did not have the required emergency rescue equipment for its employees, as required in its O&M Plan. When asked if BTU had purchased the equipment since the 2009 inspection, Ms. Williams testified, "I don't know

³⁰ TR at 70,71; 807 KAR 5:006, Section 22(1), states in pertinent part:

Each utility shall have on file at its principal office located within the state and shall file upon request with the commission a map or maps of suitable scale of the general territory it serves or holds itself ready to serve showing the following:

- (a) Operating districts.
- (b) Rate districts.
- (c) Communities served.
- (d) Location and size of transmission lines, distribution lines and service connections.
- (e) Location and layout of all principal items of plant.
- (f) Date of construction of all items of plant by year and month.

³¹ TR at 172.

that I have it all like you all would want, but we're in the process – I just have got these done, so I'm in the process of getting everything done that needs to be done with this."³²

Ms. Williams testified that she was not aware that BTU was required to file a federal annual report with the PHMSA. "Where does it come from? Do they mail something to – I don't have that. I've never, that I know of, have never filled one of those out."³³

Roger Wingate, President of R.L. Wingate and Associates, testified that he had been hired by BTU to train personnel on 16 tasks that are listed in the Operator Qualification Manual that he had recently prepared for the company.³⁴ Mr. Wingate discussed all of the tasks on which he planned to train; three of them involved the use of different instruments which were required to be used to correctly accomplish each task.³⁵ These included the following: an instrument to monitor the odorization of natural gas in the system;³⁶ an instrument used to detect the existence of any natural gas, such

³² TR at 176.

³³ TR at 178.

³⁴ Mr. Wingate testified that he planned to include the following tasks in his training: joining plastic pipe with heat fusion; joining plastic pipe with mechanical couplings; installing meter and regulator set; installing service lines; tapping pipelines; purging pipelines; monitoring odorization with proper equipment; performing patrolling and leakage surveys on gas pipelines; locating and marking underground facilities; pressure testing pipelines; inspecting and testing pressure limiting stations; inspecting emergency valves; prevention of accidental ignition; making field repairs on gas pipelines; and, how to abandon and deactivate a gas pipeline system.

³⁵ TR at 111.

³⁶ TR at 102.

as methane, when "you walk the gas line with it" to conduct leakage surveys,³⁷ and equipment to check and monitor the pressure in new or replaced pipelines when they are installed.³⁸

Ms. Williams testified that BTU did not have any of the required equipment Mr. Wingate had discussed. She testified, "No. Today is the first day that Mr. Wingate, and I, and Richard have even met. So, no. He's going to . . . tell us what we need. Today is the first day those three names [of instruments] that he mentioned had even been mentioned to me as far as equipment goes."³⁹ (Emphasis added.)

BTU has operated as a private natural gas distribution system for 16 years, and yet it did not have the proper equipment needed to protect its employees/contractors; nor did it have the proper instruments needed to measure critical elements in its operations, such as gas leakage. Most alarming was the fact that its president was not even aware of the need to have appropriate equipment and instruments available. After 16 years as president and sole owner of BTU, she had apparently never heard of the equipment needed but was depending on Mr. Wingate to tell them what they needed and how to perform the most basic, significant tasks.

The issues discussed above, including the lack of required documents and a map of the BTU system, the lack of emergency rescue equipment for the safety of its employees/contractors, the lack of any knowledge by its president that there is an ongoing responsibility for BTU to file an annual report with the federal government, and

³⁷ TR at 108.

³⁸ TR at 111, 112.

³⁹ TR at 183.

the lack of any knowledge of the need for specific equipment to perform required tasks represent but a few examples of BTU's nonchalant attitude and behavior regarding operating a safe gas company.

The magnitude of the information presented to us in this case confirms that BTU has consistently been poorly managed and operated by individuals who have shown little interest in changing. BTU has failed to carry out its most basic obligations. Since its operations began in 1994, Ms. Williams has been the president and sole owner of the company and her husband, Richard Williams, has been the vice-president and operator. The attitude and actions exhibited by both of them throughout this entire proceeding, as well as Ms. Williams' testimony, evidence a general lack of awareness, knowledge, and skill needed to operate a private gas distribution system in a safe manner. BTU has been in operation for approximately 16 years, yet its president presents herself as totally uninformed and unfamiliar with what is required. From the initiation of this case, BTU has promised to correct the violations, yet action on these promises has been slow in some cases and nonexistent in others. Whether unable or unwilling to perform the rigorous oversight necessary to ensure safety of the entire gas operation, the parties' actions going forward must change immediately and dramatically.

For 10 of the 16 deficiencies cited in the 2007 Inspection Report to remain uncorrected after two years, along with the accumulation of seven additional deficiencies cited in the 2009 Inspection Report, is completely inexcusable. Ignorance of the basic requirements, as those cited in the 2007 and the 2009 Inspection Reports, does not excuse BTU's actions. BTU is expected to know the applicable requirements and is expected to comply with each and every one. The law imposes on gas

companies the very basic duty to know what is required, know how to achieve compliance, and take the actions needed to actually do so. Failure to fulfill this basic duty calls into serious question BTU's managerial and technical abilities to continue its operation as a gas utility.

The Commission finds that the 17 alleged violations cited in the 2009 Inspection Report, and as described above, have been factually established as true and that BTU is found to be at fault on each. The Commission further finds that certain consequences are appropriate. Pursuant to KRS 278.992(1), the Commission may assess a civil penalty not to exceed \$25,000 for each violation for each day that the violation persists. However, the maximum civil penalty shall not exceed \$500,000 for any related series of violations. Since we have found BTU guilty of 17 violations, the Commission must now consider the amount of the penalty to be assessed. KRS 278.992(1) provides that any civil penalty may be compromised by the Commission. In determining the amount of the penalty or the compromised amount, the appropriateness of the penalty to the size of the business charged, the gravity of the violation, and the good faith of the person charged in attempting to achieve compliance after notification of the violation shall be considered.

As BTU has failed to file its Annual Report with the Commission as required by KRS 278.140 since 2007, the accurate size of the business is unknown and therefore cannot accurately be taken into consideration. The gravity of the 17 violations is significant. We will accept as true at this time, and only with serious reservations, that BTU genuinely intends to reach compliance going forward. We have taken into account as a mitigating factor BTU's employment of Roger Wingate to prepare three of its

required manuals and to train BTU personnel/contractors to perform the 16 operator tasks identified in his testimony.

In order to impress upon BTU the seriousness of its offenses and to provide BTU with an incentive to avoid future violations, the Commission finds that a penalty of \$10,000 should be assessed against BTU for each of the 17 violations, for a total penalty of \$170,000. Of this total penalty, \$10,000 shall be due within 30 days of the date of this Order, with the remaining \$160,000 suspended for two years from the date of this Order. Provided that BTU has corrected the 17 outstanding violations in accordance with this Order and conducts its future operations consistent with all state, federal and Commission laws, regulations and Orders, the remaining penalty will be vacated at the end of the two-year period. However, if BTU violates any of its obligations listed in the Compliance Timelines appended to this Order, BTU as a corporate entity, Pamela Williams and Richard Williams, individually, shall show cause why the remaining \$160,000 penalty that is suspended in this Order should not be due and payable immediately, in addition to any other penalties that may be assessed against BTU as a corporate entity, as well as against Pamela Williams and Richard Williams, individually, for the violations that triggered enforcement of the penalty assessed herein. BTU's compliance with the above requirements will be monitored through the use of the inspection process of the Commission. It should again be stressed that any future action brought by this Commission against BTU as a corporate entity shall also be brought against Pamela Williams and Richard Williams, individually, in accordance with KRS 278.992(1).

In addition to the above, we find that BTU's history of non-compliance demonstrates that it lacks appreciation for its accountability to the safety of its customers and to the public at large, both groups that would be subject to dire consequences should BTU's actions result in a fire, gas explosion, or other disaster. Therefore, the Commission intends to closely monitor BTU's compliance and hold BTU to a strict schedule of compliance timelines to ensure that it does not avoid its responsibilities in the future. A list of these compliance timelines is incorporated herein as an Appendix to this Order.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, HEREBY ORDERS that:

1. BTU shall take the necessary steps to fulfill all of the compliance timelines as stated in the Appendix.

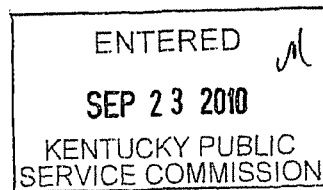
2. BTU is assessed a civil penalty of \$170,000, with \$10,000 due within 30 days of the date of this Order. BTU shall pay \$10,000 in the form of a cashier's check made payable to "Treasurer, Commonwealth of Kentucky" and mailed or delivered to Office of General Counsel, Public Service Commission of Kentucky, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky 40602. The remaining \$160,000 is suspended for two years from the date of this Order. Provided that BTU has corrected the 17 outstanding violations in accordance with this Order and Appendix and conducts its future operations consistent with all state, federal and Commission laws, regulations and orders, the remaining penalty will be vacated at the end of two years. Otherwise, the amount of \$160,000 shall be due and payable immediately to the Treasurer, Commonwealth of Kentucky, and shall be delivered in the same fashion as the initial

payment of \$10,000. BTU's compliance with the above requirements shall be monitored through the use of the inspection process of the Commission.

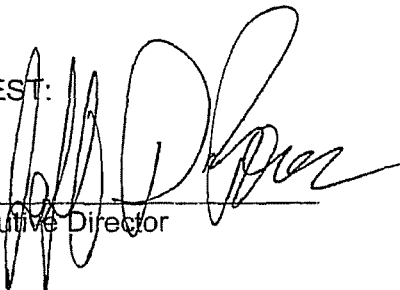
3. The \$170,000 penalty assessed against BTU is for its failure to comply with 49 C.F.R. Part 192.616(b); 49 C.F.R. Part 192.805; 49 C.F.R. Part 192.605(b)(9); 49 C.F.R. Part 192.625(f); 49 C.F.R. Part 192.721; 49 C.F.R. Part 192.723(b)(1); 49 C.F.R. Part 192.723(b)(2); 49 C.F.R. Part 192.747; 49 C.F.R. Part 192.739; 49 C.F.R. Part 192.481; 49 C.F.R. Part 192.603(b); 49 C.F.R. Part 192.614; 49 C.F.R. Part 191.11(a); 49 C.F.R. Part 199.101; 49 C.F.R. Part 199.202; 807 KAR 5:006, Section 14(b); and 49 C.F.R. Part 192.807.

4. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:


Executive Director

Case No. 2007-00403

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2007-00403 DATED SEP 23 2010

COMPLIANCE TIMELINE

- The initial leakage survey of the entire BTU system shall be completed within 45 days of the date of this Order.
- All other outstanding deficiencies shall be addressed and corrected within 90 days of the date of this Order.
- All forms, reports, and documentation generated in an effort to cure an outstanding deficiency shall be submitted to the Commission within 10 days of its completion. Any such forms, reports, and documentation that have already been completed shall be submitted within 10 days of the date of this Order.
- BTU shall notify the Commission at least five days prior to the start of the initial leak survey and at least 15 days prior to the start of any subsequent surveys.
- Subsequent leak surveys shall be conducted at least once annually (not to exceed 15 months) on the entire BTU system, for the next five years (2011-2015). Pending review and evaluation of the leak survey report(s), the Commission may allow BTU to perform leakage surveys according to regulations (i.e., within business districts, outside business districts).
- The leak survey report shall include, at a minimum, the following information:
 - Location (address) of each leak discovered
 - Grade of each leak discovered (Grade 1, Grade 2, or Grade 3)
 - Repair schedule for each leak discovered (when each leak will be fixed)
- The leak survey report shall be submitted to the Commission within 10 days of survey completion.
- If any leaks are discovered on the BTU system, the following repair schedule shall be followed:
 - Grade 1 Leak – Requires prompt action to protect life and property, and continuous action until the conditions are no longer hazardous.
 - Grade 2 Leak – Repaired or cleared within six months of discovery.
 - Grade 3 Leak – Repaired or cleared within 12 months of discovery.

- BTU shall initially patrol its mains within 90 days of the date of this Order. Subsequent patrols shall be conducted at least once each quarter, but more frequently as necessary.
- BTU shall conduct, at a minimum, weekly hydrogen sulfide tests/checks and properly document these tests.
- BTU shall conduct, at a minimum, a weekly odorant test using an instrument capable of determining the percentage of gas in air at which the odor becomes readily detectable. These tests must also be properly documented.
- BTU shall use forms approved by the Commission.
- Beginning in 2011 and continuing through 2015, the following reports and documentation shall be submitted as indicated:
 - Operator Qualification Records – annually by June 30 of each year
 - Leakage survey report – within 10 days of completion
 - Valve Inspections -- within 10 days of completion
 - Regulator Inspections – within 10 days of completion
 - Corrosion Records – within 10 days of completion
 - Weekly Odorant Tests – quarterly, within 15 days of the end of the quarter
 - Weekly H2S Tests – quarterly, within 15 days of the end of the quarter
- BTU shall be inspected for compliance with Pipeline Safety regulations at least once each calendar year for the period of 2011-2015.

Honorable Karen Chrisman
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
OCT 11 2010
PUBLIC SERVICE
COMMISSION

In the Matter of:

B.T.U. GAS COMPANY, INC.)	
_____)	
ALLEGED VIOLATIONS OF ADMINISTRATIVE)	CASE NO.
REGULATION 807 KAR 5:006, 807 KAR 5:022,)	2007-00403
807 KAR 5:027 AND 49 CFR 191-192)	

PETITION TO REVISE PENALTY PAYMENT SCHEDULE

Comes B.T.U. Gas Company, Inc. (B.T.U. Gas), by counsel, and respectfully requests the Commission to revise the penalty payment schedule established in the Commission's Order to allow B.T.U. Gas to pay the \$10,000 penalty in installments.

By Order dated September 23, 2010, the Commission assessed a penalty of \$170,000 against B.T.U. Gas for violations of several administrative regulations and ordered the company to pay \$10,000 of the penalty on or before October 23, 2010. The Commission suspended the remaining \$160,000 penalty for two years, provided B.T.U. Gas meets certain requirements. Due to unforeseen circumstances, B.T.U. Gas respectfully asks the Commission to revise the payment schedule to allow the company to pay the \$10,000 penalty according to the following installment schedule: \$2,500 on November 23, 2010; \$2,500 on December 23, 2010; and \$5,000 on January 23, 2011. The grounds for this motion are set out below.

B.T.U. Gas owner and operator, Pamela and Richard Williams, reported that on September 3, 2010, B.T.U. Gas suffered a theft and fire at its office and shop. Several pieces of equipment the company had bought to address the violations found by the Commission, including new machines, meters, regulators, and welding equipment, were stolen. The

company's records and written safety programs were also destroyed in the fire. Although the expert hired by B.T.U. Gas, Roger Wingate, has replaced the written programs, the company must use its available funds to replace the stolen equipment. Those funds are limited now, due to low customer usage and low seasonal demand for natural gas. B.T.U. Gas expects demand for natural gas and its revenue to increase substantially beginning in November and represents that it will be able to pay the \$10,000 penalty according to the installment schedule outlined above. Pamela and Richard Williams are unable to pay the penalty from their personal funds, as they are involved in a bankruptcy proceeding, which does not affect B.T.U. Gas.

B.T.U. Gas understands the gravity of the violations found, appreciates the Commission's consideration in probating most of the assessed penalty, and declares that it will make every good faith effort to comply with the Commission's conditions. The company represents that it has already taken steps to correct the violations and will continue to work diligently to meet the Commission's expectations. B.T.U. Gas submits that this motion is necessary due to exigent circumstances and asks the Commission to enter an order revising the payment schedule as requests.

Respectfully submitted,



WILLIAM D. KIRKLAND

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Counsel for B.T.U. Gas Company, Inc.

CERTIFICATE OF SERVICE

I hereby certify that true and accurate copies of the foregoing motion were served via facsimile and by first class mail, postage prepaid, this 11th day of October 2010 upon the following:

Jeff R. Derouen, Executive Director
Kentucky Public Service Commission
P.O. Box 615 211 Sower Boulevard
Frankfort, Kentucky 40602-0615
Facsimile: (502) 564-3460

Hon. Helen Helton, General Counsel
Kentucky Public Service Commission
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WILLIAM D. KIRKLAND