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November 17, 2010

VIA EMAIL AND HAND DELIVERY

Mary W. Freeman, Chairman Tennessee Regulatory Authority
c/o Sharla Dillon Dockets and Records Manager
460 James Robertson Parkway
Nashville, Tennessee 37219

RE: Joint Petition of Navitas TN NG, LLC and Gasco Distribution Systems, Inc. for Approval of Transfer of Control and Authority of Gasco Distribution Systems, Inc.

Dear Chairman Freeman:

Enclosed are an original and five copies of the above referenced Joint Petition seeking approval of change of control and authority of Gasco Distribution, Inc. along with attached Exhibits A - I. We have also enclosed a check for the $50 filing fee and a self-addressed and postage paid return envelope for you to return a file stamped copy of the Joint Petition to me for our files.

We have electronically submitted one copy of the Joint Petition along with Exhibits A-D and F-H. Please note Exhibits E and I are marked **"CONFIDENTIAL"** and were **not** submitted electronically. The **"CONFIDENTIAL"** exhibits have been marked as such and placed in separate envelopes marked accordingly. The Petitioners request that the Authority treat these exhibits - the Redacted Asset Purchase Agreement and Amendment and the 2009 Federal and State Income Tax Returns and Independent Auditor's Report – Confidential, as marked, and that these documents not be made available for the public to review. Should anyone seek to view the documents, the Petitioners request an opportunity to further protect them from disclosure and, if necessary, seek a protective order.

Please contact me if you have any questions.

Sincerely yours,

John Knox Walkup
Counsel for Navitas TN NG, LLC

Enclosures

45408722.1

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

JOINT PETITION OF NAVITAS TN NG, LLC AND GASCO DISTRIBUTION SYSTEMS, INC. FOR APPROVAL OF A TRANSFER OF CONTROL AND AUTHORITY OF GAS UTILITY SYSTEMS OF GASCO DISTRIBUTION SYSTEMS, INC., CHAPTER 11 DEBTOR IN POSSESSION	)))))))	**Docket No. ____________________**

JOINT PETITION

COMES NOW, Joint Petitioners Navitas TN NG, LLC[1] ("Navitas"), by and through counsel, and Gasco Distribution Systems, Inc.[2], through its duly authorized officer, and hereby requests, pursuant to T.C.A. §§ 65-4-113, 65-4-107, 65-4-112 and the Byrdstown Natural Gas Franchise Ordinance of 2000, an Order from the Tennessee Regulatory Authority (the "Authority") for approval of the transfer of control of certain gas utility systems, the assignment of certain franchise agreements, and the accompanying authority to provide retail natural gas utility services from Gasco Distribution Systems, Inc. to Navitas in Jellico, Campbell County and Whitley County, Kentucky[3], Byrdstown, Pickett County and Fentress County, Tennessee, deriving from the Certificate of Public Convenience and Necessity issued by the Authority's predecessor, the Tennessee Public Service Commission and related orders, approvals and actions of the Authority or its predecessor. In support of this Petition, Joint Petitioners state as follows:

[1] A Corporate Resolution of Navitas Assets, LLC assigning all rights and privileges under the Asset Purchase Agreement to Navitas is attached hereto as **Exhibit A.**

[2] While this is a joint petition, the representations concerning Navitas and NALLC as defined herein are made by them, the representations made by Gasco are made by it, and the representations made with respect to the bankruptcy of Gasco and the sale of its assets to NALLC or Navitas are jointly made by the parties.

[3] By Order of the Public Service Commission, Commonwealth of Kentucky, dated August 13, 1990, Gasco Distribution Systems, Inc.'s service to Kentucky residents in Kentucky Hill and Black Oak in Whitley County, Kentucky is effective under the jurisdiction of the Authority, as part of the Jellico Distribution System. A true and exact copy of the Kentucky Public Service Commission Order is attached hereto as **Exhibit B.**

I. BUYER AND SELLER

1. Navitas TN NG, LLC ("Navitas") is a Tennessee limited liability company. Navitas' principal place of business is 18218 East McDurmott, Irvine, California 92614. Navitas Assets, LLC ("NALLC") is the parent company of Navitas and is a Delaware limited liability company.

2. Gasco Distribution Systems, Inc. ("Gasco") is an Ohio Corporation with its principal place of business located at 4445 East Pike, Zanesville, OH 43701. Gasco is a public utility engaged in furnishing natural gas service to customers in Tennessee and Kentucky and is subject to the jurisdiction of the Authority. Gasco owns and operates the natural gas distribution systems known as 1) the Jellico System located in Campbell County, Tennessee and Whitley County, Kentucky; 2) the Byrdstown System located in Pickett County, Tennessee; 3) the Fentress System located in Fentress County, Tennessee, and 4) the Albany System located in Clinton County, Kentucky (collectively all four shall be referenced as the "Gasco Utility Systems").

II. FACTUAL AND PROCEDURAL BACKGROUND

3. On December 8, 1993, the Tennessee Public Service Commission ("TPSC") entered an order approving the transfer of a certificate of public convenience and necessity ("CCN") for the operation of a natural gas distribution system from Jellico Gas Utility, Inc. to Gasco Distribution Systems of Tennessee, Inc. On October 4, 1994, the TPSC approved the merger of Gasco Distribution Systems, Inc. into Gasco. The CCN permitted Gasco to operate the gas system in and around the area of Jellico, Tennessee.

4. On or about June 12, 1997, Gasco's CCN was amended to include Pickett County, Tennessee, which is the county where the City of Byrdstown and Gasco's Byrdstown System are

located. Also on June 12, 1997, the Authority entered an Order approving a franchise agreement between Gasco and Pickett County, which provided for Pickett County to receive a franchise fee of two percent (2%) of Gasco's net natural gas sales (not including the City of Byrdstown for which a separate franchise agreements was obtained) in exchange for an exclusive franchise to supply natural gas service in Pickett County for 40 years. An Order was later entered in 2001 approving a grant of privilege or franchise by the town of Byrdstown pursuant to T.C.A. § 65-4-107. Additionally, in an area known as Fentress Row, six (6) customers in Fentress County, Tennessee are included in Gasco's utility coverage area.[4]

5. In conjunction with the approval of the CCN's to provide utility services in Jellico, Byrdstown and Pickett County, Tennessee, Gasco entered into certain franchise agreements with the City of Jellico, the City of Byrdstown and Pickett County, respectively. True and exact copies of the franchise agreements and accompanying orders and ordinances authorizing such agreements are attached hereto as **Exhibit D**. In particular, the Byrdstown Natural Gas Franchise Ordinance of 2000 requires the Authority's approval before the agreement can be assigned to Navitas.

6. On June 1, 2009, Gasco filed for Chapter 11 bankruptcy protection – Case No. 09-056171 - in the United States Bankruptcy Court for the Southern District of Ohio, Eastern Division. Gasco has been operating as a Debtor in Possession since that time.

7. In December 2009, NALLC began the process to bid on Gasco's utility distribution system's assets in the bankruptcy proceeding.

8. By Agreement dated July 9, 2010 and amended on October 14, 2010 (collectively the "APA"), Gasco agreed to sell, and NALLC agreed to purchase the assets in Gasco's gas utility system subject to the approval of the Authority and to the Bankruptcy Court's approval.

[4] A redacted description of the Fentress Row Explanation is attached hereto as **Exhibit C.**

The sale will result in a change in ownership of the Gasco Utility Systems. The gas system is comprised of customers and master meters, mains and regulators, pipelines, easements, rights-of-way, tools, equipment, supplies and other personal property used in the operation of the gas utility system. A copy of the redacted Agreement and Amendment thereto are attached hereto as **Exhibit E** and marked **CONFIDENTIAL.**

9. On October 21, 2010, the Bankruptcy Court entered an Order authorizing and approving NALLC's bid (as set forth in the APA) to acquire the Gasco Utility Systems in Tennessee and Kentucky, which included the Jellico System, the Byrdstown System, the Fentress System, and the Albany, Kentucky System. A true and exact copy of the Bankruptcy Court Order awarding NALLC its bid for the Gasco Utility Systems in Tennessee and Kentucky systems is affixed hereto as **Exhibit F**.

III. DISCUSSION

10. The Navitas companies have the requisite managerial and technical expertise to own and operate the Gasco Utility Systems. The Navitas companies have extensive knowledge and expertise in operating a rural regulated gas utility by virtue of its ownership of Fort Cobb Fuel Authority, LLC in Oklahoma. The Navitas companies are also familiar with federal and state, including Authority, utility regulations and currently works closely with the Oklahoma Corporation Commission and the Federal Energy Regulatory Commission ("FERC") to maintain properly functioning and legally compliant rural utility systems in Oklahoma.

11. Similar to the structure of many utilities, the Navitas companies are comprised of two sister entities, Navitas Utility Corporation ("NUC") and NALLC. A diagram of the corporate structure of the Navitas companies is attached hereto as **Exhibit G**. NALLC is a holding company created to retain certain energy assets. NUC is an operating entity primarily

engaged in providing necessary support services for the operations of NALLC. Both companies are owned by the same two shareholders – Mr. Thomas Hartline and Mr. Richard Varner (though with differing percentage interests). The vitae's of Messrs. Varner and Hartline are attached hereto as **Exhibit H**.

12. NALLC is the parent company of Fort Cobb Fuel Authority, LLC ("FCFA"), a regulated natural gas utility in Oklahoma. FCFA is comprised of two divisions, the original Fort Cobb utility which includes certain recent acquisitions and the LeAnn Gas Company division derived from a utility acquisition in Northeast Oklahoma. In addition, FCFA has three subsidiaries, Navitas OK3, derived from an acquisition in Southwest Oklahoma, Navitas-WinStar, a joint venture project to construct a new gas system in South central Oklahoma, and Navitas 1. The assets in NALLC and its subsidiaries include regulated and unregulated pipelines, office locations, the right-to-serve in the form of approved tariffs from the Oklahoma Corporation Commission, and certain other assets. NALLC currently serves approximately 4,600 customers in rural Oklahoma.

13. NUC is the operating entity for the assets of NALLC and its subsidiaries. NUC provides the employees, the rolling stock, the computers and information systems, insurance, and other equipment & activities for operating the assets of NALLC. These operating services are provided at a contractually preset amount, billed monthly, and reviewed regularly. Since its first acquisition in 2007, NUC has been consolidated into the books of NALLC. With no utility operations outside of Oklahoma there has been no jurisdictional allocation. However, in the latest rate filing submitted September 30, 2010 with the Oklahoma Corporation Commission (Cause No. PUD 201000026), NUC used its standard allocation method to distribute its costs to the various NALLC divisions and subsidiaries in Oklahoma. As both Mr. Hartline and Mr.

Varner are members of the Chickasaw Nation, NUC is a minority business enterprise certified by the California Public Utilities Authority.

14. For operations in Tennessee and Kentucky, NALLC will replicate the structure used in Oklahoma. NALLC has formed two companies, Navitas TN NG, LLC and Navitas KY NG, LLC in Tennessee and Kentucky, respectively. As with FCFA, NUC will contract to operate these utility assets. Due to the travel time between Jellico, TN and the Byrdstown, TN/Albany, KY systems, NUC intends to retain field service personnel in each location. The initial expectation is that the two current Gasco employees servicing the systems will be retained. Currently, Gasco *rents* facilities in Jellico, Tennessee and Byrdstown, Tennessee; whereas, the Navitas companies will seek to *purchase* facilities in Jellico, Tennessee and Albany, Kentucky. Billing will be moved from Gasco's corporate offices in Ohio to NALLC's affiliate, FCFA's Eakly, Oklahoma operational headquarters. NUC is currently in the process of obtaining the records in order to set up the Tennessee customers in its system. Accounting and regulatory compliance will be handled out of NALLC's Irvine, California office. Meter proving will begin and be handled by the Eakly, Oklahoma meter shop. A review of equipment and retooling of the field offices will be undertaken immediately upon closing the acquisition. As NUC has done with its eight previous acquisitions, a company representative will be dispatched to work alongside the local employees during the transition process to assist with integration into its systems. NALLC and NUC's expectation is that this process will take several weeks involving multiple trips to each location.

15. NALLC and NUC have the requisite financial stability to operate the Gasco systems. NALLC and NUC are not publicly held companies, and therefore its 2009 Federal and

State Income Tax Returns and Independent Auditor's Report are confidential and are being provided herewith as **Exhibit I** marked **'CONFIDENTIAL.'**

16. The acquisition of the assets of Gasco is not intended to result in any changes to the local personnel in Tennessee. Gasco's employees in Tennessee possess extensive managerial and technical experience and are expected to be retained. As stated previously, all bookkeeping, billing and other functions will be provided by NALLC employees in Eakly, Oklahoma and in Irvine, California where its corporate offices are located.

17. Navitas intends to adopt the existing tariffs of Gasco on file with the Authority and will subsequently file a separate proceeding to revise the rates, terms and conditions of service of the utility.

18. The Tennessee utility portion of the Gasco Utility Systems will operate under the name of Navitas TN NG, LLC.

19. Certain current liabilities and contractual obligations to which Gasco is bound relating to the Gasco Utility Systems, such as executory contracts, and consumer deposits and credits will transfer to NALLC as set forth in the APA. All franchise agreements, licenses, permits, rights-of-way, and authorizations under which Gasco will conduct its business will transfer to NALLC.

20. The gas suppliers and transporters will not change as a result of the acquisition. However, given Gasco's status as a chapter 11 debtor in possession and questionable financial condition, there is a real concern that one or more of its suppliers may stop providing gas to Gasco's customers in the near future. Thus, it is critical that this petition be reviewed and a hearing held expeditiously to ensure a smooth transition with the gas supplier and transporter before January 1, 2011 – the peak time for gas use.

21. Once the transfer of control is approved, Navitas will be in close contact with the Authority to ensure safe, reliable gas service is not interrupted to the rural customers it seeks to serve.

22. Navitas' shareholders have read and understand all of the Authority's current gas service rules applicable to Gasco, and they will continue to abide by the rules. Navitas understands that if it does not abide by the Authority's rules it may be subject to penalties.

23. Navitas members are familiar with the Authority's Pipeline Safety Division and will work closely with the Authority's personnel to ensure that the system is maintained properly, the gas system is checked regularly for leaks and damage, and meters are checked to ensure that safe reliable gas service is provided to its customers.

24. Navitas will submit to the Authority *all* annual reports and other filings in a timely fashion.

25. Navitas states that to the best of its knowledge, it is in good standing in Oklahoma and all annual reports and monthly fuel filings and reports required by the authorities there are current. At present, Fort Cobb Fuel Authority in Oklahoma has no outstanding fines, public utility fee assessments or other deficiencies that have been identified by the Oklahoma Public Utility Division or Consumer Services Division.

26. Approving the transfer of control and authority of the Gasco properties to Navitas is in the public interest and will enhance the rural communities in which it serves. NALLC and its affiliates are committed to the rural communities in which it serves and helps to ensure that these communities stay viable. For example, when NALLC's affiliate purchased the Velma Municipal system in Velma, Oklahoma, it purchased an abandoned building on the main street of downtown which has been completely remodeled for a local office. This has spurred other

businesses to improve their buildings in the downtown area of Velma. Too, when NALLC's affiliate acquired the Rimrock system in Southwest Oklahoma, it purchased another local office which has contributed to economic development in the rural town of Hollis, Oklahoma. At NALLC's affiliate, FCFA's main headquarters in Eakly, Oklahoma, an abandoned school was purchased which is used as the main headquarters for personnel and equipment. After being totally refurbished, the former cafeteria of that school has been rented to a local resident who now runs a restaurant for local farmers and residents.

27. NALLC and its affiliate Navitas are committed to assisting and keeping rural communities viable and have shown this through their investment in rural America. While many large utilities are not interested in investing in rural areas as they are more expensive to serve due to density of customer base, NALLC understands the importance of preserving rural communities and is committed to ensuring that these communities continue to thrive. Navitas plans to purchase and open local offices for rural Tennessee customers in its proposed serving area, employing local residents and improving the quality of life of the people there. Accordingly, this request to approve the transfer of control of Gasco's assets is in the public's interest.

28. Approval of this Petition in an expeditious manner, and if possible prior to January 1, 2011 (the peak month for gas use in Tennessee), is also in the public interest due to Gasco's precarious financial condition. As discussed above, Gasco is in bankruptcy in Ohio and its ability to pay its supplier and continue providing utility services to Tennessee customers is problematic at present. Once the transfer of control is authorized, NALLC itself and through its affiliates stands ready to act to ensure that its Tennessee customers receive safe reliable natural gas service immediately. NALLC and its affiliate Navitas have the resources and the managerial

and technical expertise to ensure a smooth transition and that the expectations of its suppliers and customers are met. As the winter months fast approach, it is critical that Navitas be authorized to step in and provide natural gas service as soon as possible and that the effected communities benefit from its presence.

29. Notices and Communications Regarding the Petition should be sent to:

John Knox Walkup, Esq. (# 7776)
Klint Alexander, Esq. (#20420)
Wyatt, Tarrant & Combs, LLP
2525 West End Avenue
Suite 1500
Nashville, TN 37203
(615) 244-0020
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Ron Comingdeer, OBA#1835
Mary Kathryn Kunc, OBA#15907
Ron Comingdeer &Associates
6011 N. Robinson
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mkkunc@comingdeerlaw.com

Counsel for the Navitas Companies

Fred Steele, President
Gasco Distribution Systems, Inc.
4445 East Pike
Zanesville, Ohio 43701

WHEREFORE, Petitioner requests that the Authority enter a final order as follows:

1. Finding that, after the acquisition of the Gasco Utility Systems currently owned by Gasco Distribution Systems, Inc. by Navitas, Navitas will have the suitability, the financial responsibility, and the capability to perform efficiently the utility services to be transferred, and

that the transfer of control and authority to provide retail natural gas utility services to Navitas will benefit the consuming public and will further the public interest;

2. Approving the transfer of control and authority from Gasco Distribution Systems, Inc. to Navitas, including its authority to provide utility services deriving from its Certificate of Public Convenience and Necessity in Jellico, Campbell County, Byrdstown, Pickett County and Fentress County, Tennessee and Whitley County, Kentucky, and related orders, approvals and actions of the Authority or its predecessor, as required by T.C.A. § 65-4-113, through the acquisition of ownership and control of the Gasco Utility Systems of Gasco Distribution Systems, Inc. by Navitas;

3. Approving to the extent required by statutes or agreements the assignment of certain franchise agreements to Navitas, including the agreements between Gasco and the City of Byrdstown, Gasco and Pickett County and Gasco and the City of Jellico, to provide utility services in Jellico, Byrdstown, Pickett County, and Fentress, Tennessee pursuant T.C.A. 65-4-107, 65-4-112 and the Byrdstown Natural Gas Franchise Ordinance of 2000;

4. Approving the transfer of control and authority to provide utility services in Jellico, Campbell County, Byrdstown, Pickett County, and Fentress County, Tennessee and Whitley County, Kentucky prior to January 1, 2011 in order for the service to customers to continue throughout the winter months; and

5. Granting all other necessary or appropriate authorizations and further relief.

Dated this the 17th day of November, 2010.

Respectfully Submitted,

John Knox Walkup (#7776)
Klint W. Alexander (#20420)
Wyatt, Tarrant & Combs, LLP
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Nashville, TN 37203
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- and -

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Counsel for Navitas Assets, L.L.C.

- and -

Fred A Steele, President

Fred Steele, President
Gasco Distribution Systems, Inc.
4445 East Pike
Zanesville, Ohio 43701

Gasco Distribution Systems, Inc.

LIST OF EXHIBITS

Exhibit A	NALLC's Corporate Resolution assigning all rights under the Asset Purchase Agreement to Navitas
Exhibit B	Kentucky Public Service Commission Order dated August 13, 1990
Exhibit C	Redacted Description of the Fentress Row Explanation in Fentress County, Tennessee
Exhibit D	Franchise Agreements, Orders and Ordinances authorizing Franchise Agreements between Gasco and the City of Jellico, Tennessee, Gasco and the City of Byrdstown, Tennessee and Gasco and Pickett County, Tennessee
Exhibit E	Redacted Asset Purchase Agreement and Amendment (**CONFIDENTIAL** – Filed under seal)
Exhibit F	UNITED STATES BANKRUPTCY COURT ORDER (A) APPROVING THE SALE OF SUBSTANTIALLY ALL OF DEBTOR'S UTILITY DISTRIBUTION SYSTEMS ASSETS TO SUCCESSFUL BIDDER AT AUCTION; (B) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS; AND (C) GRANTING OTHER RELATED RELIEF, entered October 21, 2010 in Chapter 11 Case No. 09-056171
Exhibit G	Navitas Companies Corporate Structure Chart
Exhibit H	Management Biographies
Exhibit I	2009 Federal and State Income Tax Returns and Independent Auditor's Report (**CONFIDENTIAL** – Filed under seal)

VERIFICATION OF GASCO DISTRIBUTION SYSTEMS, INC.

STATE OF OHIO)
) ss.
COUNTY OF Muskingum)

I, Fred Steele, President of Gasco Distribution Systems, Inc. being first duly sworn according to law, makes oath and affirm that I have read the foregoing Joint Petition, know the contents thereof, and that with respect to the representations on behalf of Gasco Distribution Systems, Inc., represents that the same is true and correct to the best of my knowledge, information and belief.

Fred A Steele
FRED STEELE

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 16th day of November, 2010.

Twila D Wright
Notary Public

My Commission Expires:

TWILA D. WRIGHT
Notary Public, Sate of Ohio
My Commission Expires May 15, 2015

VERIFICATION OF NAVITAS TN NG, LLC

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

I, Richard Varner, Chief Executive Officer of Navitas TN NG, LLC being first duly sworn according to law, makes oath and affirm that I have read the foregoing Petition, know the contents thereof, and that the same is true and correct to the best of my knowledge, information and belief.

RICHARD VARNER

I, Thomas Hartline, Secretary of TN NG LLC being first duly sworn according to law, makes oath and affirm that I have read the foregoing Petition, know the contents thereof, and that the same is true and correct to the best of my knowledge, information and belief.

THOMAS HARTLINE

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 16th day of November, 2010.

Notary Public

My Commission Expires:

JURAT

State of : California

County of: Orange

Subscribed and sworn to (~~or affirmed~~) before me

this 16th day of November, 20 10 , by
Date Month Year

(1) Thomas Eben Hartline
Name of Signer (s)

(2) Richard Alan Varner
Name of Signer (s)

who proved to me on the basis of satisfactory evidence to be the person (s) who appeared before me.

WITNESS my hand and official seal

ROSS J. MODGLIN
COMM. # 1825384
NOTARY PUBLIC-CALIFORNIA
ORANGE COUNTY
MY COMM. EXP. NOV. 29, 2012

Place Notary Seal Above

Signature of Notary Public

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 17th day of November, 2010, a true and correct copy of the foregoing instrument was deposited in the United States Mail, with postage prepaid, and addressed to the following:

Richard Collier, Esq.
General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Vance L. Broemel, Esq.
Senior Counsel
Consumer Advocate and Protection Division
State of Tennessee, Office of Attorney General
John Sevier Building
PO Box 20207
500 Charlotte Avenue
Nashville, Tennessee 37202

Helen Helton, Esq.
Anita Mitchell, Esq.
Division of General Counsel
Public Service Commission
Commonwealth of Kentucky
211 Sower Blvd.
PO Box 615
Frankfort, Kentucky 40601

Klint Alexander

45408796.1

SPECIAL MEETING OF THE MEMBERS

A special meeting of the Members of Navitas Assets, L.L.C. ("NALLC") was held on November 16, 2010 at 18218 East McDurmott, Irvine, California at 9 o'clock J. S., pursuant to the waiver of notice duly executed by the Members.

The meeting was called to order by Richard Varner, Chief Executive Officer (CEO), who presided, and Thomas Hartline, secretary, acted as secretary of the meeting.

Upon calling the roll the secretary reported that the following officers were present:

Richard Varner
Thomas Hartline

said persons being all of the directors.

The CEO declared a quorum of the officers to be present.

The chairman directed the secretary to annex to the minutes of this meeting the waiver of notice thereof.

The chairman presented the Asset Purchase Agreement dated July 9, 2010 and Amendment thereto dated October 14, 2010, wherein Gasco Distribution Systems, Inc. agreed to sell, and NALLC agreed to purchase the assets in Gasco's gas utility system subject to the approval of the Tennessee and Kentucky Utility Commissions. The chairman then presented, and the secretary then read to the meeting the following resolution. The proposed resolution was then fully discussed and, on motion duly made and seconded, the following resolution was unanimously adopted:

1. RESOLVED that NALLC, pursuant to the terms of the Asset Purchase Agreement as amended, assign all of its rights and priviledges under the Agreement to Navitas TN NG, LLC and Navitas KY NG, LLC for their respective service areas in each state in order to provide natural gas service to customers.

There being no further business to come before this meeting, upon motion duly made, seconded and unanimously carried, the meeting adjourned.

Secretary

Approved:

CEO

EXHIBIT

tabbies

A

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

Re: Case No. 90-208
Ken Gas of Tennessee, Inc.
d/b/a Jellico Gas Utility, Inc.

I, Lee M. MacCracken, Executive Director of the Public Service Commission, do hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U. S. Mail on the 13th day of August, 1990.

Parties of Record:

Mr. Walton R. Haddix
Mr. Robert C. Hazelrigg
Mr. Keith Bissell

Lee M. MacCracken
Executive Director

LMM/cbg

Enclosure

EXHIBIT
tabbies
B

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GAS SERVICE TO KENTUCKY CUSTOMERS)
BY KEN-GAS OF TENNESSEE, INC. d/b/a) CASE NO. 90-208
JELLICO GAS UTILITY, INC.)

O R D E R

On February 6, 1989, Staff of the Kentucky Public Service Commission ("Commission") received a copy of CP88-387-000, an Order Determining Service Area issued by the Federal Energy Regulatory Commission ("FERC") on October 27, 1988. This Order is attached and marked Exhibit A. According to the FERC Order, Ken-Gas of Tennessee, Inc. ("Ken-Gas") proposes to build facilities which extend across the Kentucky/Tennessee border to supply gas to a local distribution system which it will construct in Jellico, Tennessee. Gas will be distributed by Ken-Gas directly to end-users, and there will be no sale for resale. Most of Ken-Gas's customers will reside in Tennessee; however, some of the prospective customers may be located in Whitley County, Kentucky.

Based upon the information available to the FERC, including the fact that Ken-Gas's local distribution operations in Kentucky and Tennessee are regulated by this Commission and the Tennessee Public Service Commission ("Tennessee PSC"), the FERC granted Ken-Gas a service area determination under section 7(f) of the Natural Gas Act. This determination pertains to service to the city of Jellico, Tennessee, and its environs, Campbell County, Tennessee, and Whitley County, Kentucky. A section 7(f) determination means that the portion of Ken-Gas's operations that extend between the Kentucky/Tennessee border, which would ordinarily constitute interstate commerce, are jurisdictional to the appropriate state public service commission.

Since the FERC Order in CP88-387-000 referenced potential service to Whitley County, Kentucky, Commission Staff requested additional information from Ken-Gas and the Tennessee PSC to determine the status of the proposed project, the extent of proposed service to Kentucky residents, and to clarify certain jurisdictional issues with the Tennessee PSC. This information is attached and marked Exhibit B. In Docket No. U-87-7538, at the Tennessee PSC, Ken-Gas was granted a Certificate of Convenience and Necessity to construct and operate a natural gas distribution system to offer service within the corporate limits of Jellico, Tennessee, and the Oswego Industrial Park. In Docket No. U-87-7538, the Tennessee PSC also approved financing, revenue requirements, and rates for Ken-Gas. The design and construction of the Ken-Gas system, hereinafter referred to as Jellico Gas Utility, Inc. ("Jellico"), was required to comply with the Tennessee PSC's pipeline safety regulations, which include 49 CFR Part 192 (Federal Pipeline Safety Regulations).

Based upon information provided by Jellico, its gas is purchased from Delta Natural Gas, Inc. ("Delta"), a local distribution company with pipeline facilities and customers in central and south central Kentucky and jurisdictional to this Commission.

Jellico's gas supply is delivered through an eight-inch steel transmission line, originating in Kentucky approximately 1,000 feet from the Tennessee border and terminating at a point one mile north of Jellico, Tennessee, where the distribution system begins. This transmission pipeline is owned and operated by Jellico.

On February 1, 1990, Commission Staff met with Jellico officials and Glynn Blanton, manager of the Tennessee PSC's Gas Pipeline Safety Branch. Staff drove throughout the extent of the Jellico system, including two areas in Whitley County, Kentucky, where residents have requested gas service, the communities of Kentucky Hill and Black Oak. At the time of this visit, most of the distribution piping had been installed, and approximately 30 customers were receiving gas service. No pipe had been installed in either of the two Kentucky communities.

Mr. Blanton stated that his Staff had reviewed the construction specifications submitted by Ken-Gas in U-87-7538 and conducted periodic site inspections during the installation of the Jellico system. Based upon its review and inspections, the Tennessee PSC's Gas Pipeline Safety Branch has concluded that the design and installation of the Jellico system complies with the Tennessee PSC's gas safety regulations, including 49 CFR Part 192.

Prior to Commission Staff's February 1, 1990 site visit, Jellico had submitted information stating that whether or not Jellico offers service to the Kentucky communities of Kentucky Hill and Black Oak depends upon the regulatory treatment of such service by the Commission. See attachment marked Exhibit C. Gas service to residents in these two communities may be possible if

Jellico could remain under the jurisdiction of one regulatory commission. Jellico stated that if both the Kentucky and Tennessee Commissions imposed jurisdiction, the Kentucky residents would probably not be served. In Jellico's opinion, the costs of maintaining dual systems of accounts, filing dual annual reports, and rate cases would probably be greater than any potential benefits.

Jellico reiterated its position on February 14, 1990, concluding that it would not be economically feasible to serve the Kentucky residents if records were required by this Commission. However, Jellico is willing to offer service to the Kentucky Hill and Black Oak communities under the same terms and rates as approved by the Tennessee PSC for residents of Jellico, Tennessee. In this response, Jellico also provided two lists of prospective customers, 29 in Kentucky Hill and 28 in Black Oak. Jellico does not anticipate offering such service until sometime in 1991.

Following receipt of Jellico's initial statements regarding dual jurisdiction over Jellico's operations, Commission Staff contacted Delta regarding service to the two Kentucky communities. Delta currently serves Williamsburg which is located in central Whitley County. In its December 7, 1989 response, Delta stated it would not be feasible for Delta to directly serve the prospective customers in the Kentucky Hill and Black Oak communities. See attachment marked Exhibit D. However, Delta has no objection to Jellico serving these residents provided Jellico does not attempt to duplicate service provided by Delta.

The Commission's principal concern in this matter is that the Kentucky residents in the communities of Kentucky Hill and Black Oak have the opportunity to receive, if they desire, natural gas service; and that such service, if provided, is reliable, safe, and reasonably priced. In an effort to allow such an opportunity to occur, yet recognizing the only source from which such service can materialize, the Commission requested that the Tennessee PSC investigate the feasibility of extending its jurisdiction of Jellico to include any service Jellico provides to Kentucky Hill and Black Oak. The request was made based upon the combination of facts known: that the only source of gas service to these two communities is Jellico; the relatively small number of potential customers (approximately 57), and their proximity to Jellico, Tennessee; and that almost all of the Jellico system is physically located in Tennessee. Such jurisdiction would include rates, service, and safety. In its May 9, 1990 response, attached and marked Exhibit E, the Tennessee PSC advised that it had similar arrangements with other states contiguous to Tennessee and concluded that the Commission's proposal was feasible.

After review of the available information, pertinent statutes and regulations, and being otherwise sufficiently advised, the Commission finds that:

1. Jellico is a gas distribution utility subject to the jurisdiction of the Tennessee PSC. The Jellico system includes a transmission pipeline which begins in Whitley County, Kentucky, and terminates in Tennessee approximately one mile north of the city limits of Jellico, Tennessee.

2. The FERC has granted Ken-Gas a service area determination under section 7(f) of the Natural Gas Act to include the city of Jellico, Tennessee, and its environs, Campbell County, Tennessee, and Whitley County, Kentucky. The service area determination by the FERC means that delivery of gas by Jellico to its ultimate consumers, even if across state lines, is subject to the exclusive jurisdiction of the state commission in the state in which the gas is consumed.

3. In Docket No. U-87-7538, Ken-Gas was granted a Certificate of Convenience and Necessity to construct and operate a natural gas distribution system to offer service within the corporate limits of Jellico, Tennessee, and the Oswego Industrial Park.

4. Based upon its review in U-87-7538 of Jellico's construction specifications and subsequent periodic site inspections during the installation of the Jellico system, the Tennessee PSC's Gas Pipeline Safety Branch has determined that the design and installation of the Jellico gas system complies with the Tennessee PSC's gas pipeline safety regulations, which include 49 CFR Part 192 (Federal Pipeline Safety Regulations).

5. 807 KAR 5:022, this Commission's pipeline safety regulations, contains the same requirements found in 49 CFR Part 192.

6. Kentucky residents in two Whitley County communities, Kentucky Hill and Black Oak, both of which are immediately adjacent to the city limits of Jellico, Tennessee, have requested gas service from Jellico.

7. Jellico has concluded that gas service to the Kentucky residents referred to herein may be possible only if Jellico

remains under the jurisdiction of one regulatory commission. If Jellico offers such service, it cannot be provided until 1991.

8. Delta is the only Kentucky gas distribution utility jurisdictional to this Commission with facilities in Whitley County. However, Delta has stated it is not feasible for Delta to directly serve the prospective customers in Kentucky Hill and Black Oak.

9. With the relatively small number of Kentucky residents requesting gas service and their proximity to Jellico, Tennessee, and since virtually all of the Jellico gas system is physically located in Tennessee and represents the only source of natural gas to these residents, the existing jurisdiction of the Tennessee PSC over Jellico's operations should include any service provided to the Kentucky communities of Kentucky Hill and Black Oak.

IT IS THEREFORE ORDERED that:

1. Approval by the Tennessee PSC of Ken-Gas's construction and operation, financing, revenue requirements, and rates for the Jellico gas system shall be deemed compliance with this Commission's laws, rules, and regulations. Ken-Gas shall simultaneously file with this Commission every application it files with the Tennessee PSC. Ken-Gas shall file with this Commission every final order that the Tennessee PSC enters relating to its operations and rates within 10 days of the date of the Tennessee PSC final order.

2. Compliance with Tennessee PSC laws, rules, and regulations applicable to service and safety shall be deemed as

compliance with this Commission's laws, rules, and regulations applicable to service and safety.

3. Prior to providing service to Kentucky residents, Jellico shall comply with KRS 278.160 by filing a copy of its tariff, which sets out the rates and services to be offered, as approved by the Tennessee PSC for adoption and ratification by this Commission. Any subsequent changes to its tariff shall be filed with this Commission for adoption and ratification within 10 days of the date of approval by the Tennessee PSC.

4. Ordering paragraphs 1-3 herein apply only to Jellico's proposed service to Kentucky residents in Kentucky Hill and Black Oak.

Done at Frankfort, Kentucky, this 13th day of August, 1990.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Executive Director

SCANNED IMAGE #9008021

April 24,1995:

Per Frankie Bertrand/Rebecca Goodman - **not included** on image file for **case #90-208** were 5 items:

1. EXHIBIT A - FERC order #CP88-387-000
2. EXHIBIT B - CERTIFICATE OF CONVENIENCE & NECESSITY #U-87-7538 (before Tennessee PSC)
3. EXHIBIT C - letter addressed to Ralph Dennis dated 15Jan90
4. EXHIBIT D - letter addressed to Ralph Dennis dated 07Dec89
5. EXHIBIT E - letter addressed to Lee M. McCracken dated 09May90

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Martha O. Hesse, Chairman;
Charles G. Stalon, Charles A. Trabandt,
Elizabeth Anne Moler and Jerry J. Langdon.

Ken-Gas of Tennessee, Inc.) Docket No. CP88-387-000

ORDER DETERMINING SERVICE AREA

(Issued October 27, 1988)

Ken-Gas of Tennessee, Inc. (Ken-Gas) filed a request in Docket No. CP88-387-000, as amended, for a service area determination under section 7(f) of the Natural Gas Act to construct and operate a local distribution system to serve the City of Jellico, Campbell County, Tennessee. Ken-Gas proposes to transport gas received from Delta Natural Gas Company, Inc. (Delta), a producer located in Kentucky, across the Kentucky-Tennessee State line, to be distributed and ultimately consumed within the proposed distribution area.

Background

Ken-Gas proposes to construct approximately 19 miles of 2-inch and 4-inch diameter pipeline and appurtenant facilities, to distribute gas to commercial, industrial and other high-priority end-users, located in the City of Jellico, Tennessee and Whitely County, Kentucky. Ken-Gas will receive its gas supply from Delta at a delivery point in Kentucky and transport the gas approximately 1,000 feet through a four-inch pipeline, across the Kentucky/Tennessee State line to be distributed and consumed within the proposed distribution area. Most of Ken-Gas' customers reside in Tennessee; however, a few customers are located in Whitley County, Kentucky. Although the facilities will extend across State lines, the system will be operated as a local distribution company. Ken-Gas will own all of the gas distributed; there will be no sales for resale and Ken-Gas will not be transporting on behalf of a third party. The gas purchases and sales by Ken-Gas are regulated by the Kentucky Public Service Commission and the Tennessee Public Service Commission.

Interventions

After due notice by publication in the Federal Register on May 24, 1988 (53 Fed. Reg. 18598) and the amendment to the application on June 27, 1988 (53 Fed. Reg. 24127), no notices, motions to intervene, or protests to the granting of the application have been filed in this proceeding.

Discussion

In previous cases, we have made a section 7(f) service area determination where the natural-gas company was primarily engaged in the local distribution of natural gas, but was subject to the Commission's jurisdiction because its facilities crossed state lines. We have considered four factors in determining whether a section 7(f) service area is appropriate: (1) whether the company makes sales for resale; (2) whether its rates are regulated by state or local agencies; (3) whether the company has an extensive transmission system; and (4) the concerns of other companies providing gas in the same area. 1/

After consideration of these criteria, we find it is appropriate to determine a service area for Ken-Gas' proposed distribution system. First, although the proposed facilities will extend across state lines in interstate commerce, the system will be operated essentially as a local distribution company. The gas will be distributed by Ken-Gas directly to end-users, and there will be no sale for resale. Further, Ken-Gas' operations are regulated by the Kentucky and Tennessee Public Service Commissions. Finally, the proposed transmission system includes approximately 19 miles of 2-inch to 4-inch pipeline, which is not extensive, and is the only system providing natural gas service in the area. Our determination of a service area will enable Ken-Gas to enlarge or expand its facilities to better serve its customers in the area without seeking further Commission approval.

Accordingly, we grant Ken-Gas a service area determination under section 7(f) of the Natural Gas Act to include the City of Jellico, Tennessee and its environs, Campbell County, Tennessee and Whitley County, Kentucky.

The Commission staff prepared an environmental assessment (EA) for the proposal by Ken-Gas. The staff found that the facilities would be constructed within existing road and utility rights-of-way, and Ken-Gas has received the necessary authorizations for the use of those right-of-ways. All disturbed areas would be reseeded after construction. There would be no

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1/ See, e.g., Washington Gas Light Co., 28 F.P.C. 753 (1962); Blacksville Oil and Gas Co., 37 F.P.C. 502 (1967); National Fuel Gas Distribution Corp., 13 FERC ¶ 61,200 (1980); Great River Gas Co., 14 FERC ¶ 61,167 (1981); Shenendoah Gas Co., 16 FERC ¶ 61,087 (1981); Arkansas Oklahoma Gas Corp., 33 FERC ¶ 61,197 (1985), High Plains Natural Gas Company and Wheeler Gas, Inc., 41 FERC ¶ 61,364 (1987); and Associated Natural Gas Company, a Division of Arkansas Western Gas Company, et al., 43 FERC ¶ 61,304 (1988).

effect on cultural resources, or threatened or endangered species. Based on the finding in the EA, approval of this application does not constitute a major Federal action significantly affecting the quality of the human environment.

At a hearing held on October 26, 1988, the Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application and exhibits thereto, submitted in support of the authorization sought herein, and upon consideration of the record,

<u>The Commission orders:</u>

Ken-Gas is hereby granted the service area determination it has requested pursuant to section 7(f) of the Natural Gas Act. Ken-Gas' service area is determined to include the City of Jellico, Tennessee and its environs, Campbell County, Tennessee, and Whitley County, Kentucky, as more fully described in the application.

By the Commission. Commissioner Langdon voted present.

(S E A L)

Lois D. Cashell

Lois D. Cashell,
Secretary.

EXHIBIT B

RECEIVED

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... UTILITY ... & SERVICE

BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION
October 13, 1988 Nashville, Tennessee

IN RE: APPLICATION OF KEN-GAS OF TENNESSEE, INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE CONSTRUCTION OF A NATURAL GAS DISTRIBUTION SYSTEM, APPROVAL OF FINANCING AND CONSTRUCTION COSTS AND APPROVAL OF APPLICABLE RATES.

DOCKET NO. U-87-7538

ORDER

This matter is before the Tennessee Public Service Commission upon the application of Ken-Gas of Tennessee, Inc. for a Certificate of Convenience and Necessity as set forth in the above caption.

The matter was set for hearing and was heard on March 15, 1988 before Ralph B. Christian, II, the Administrative Judge. On September 16, 1988 the Administrative Judge issued his Initial Order recommending that the application be granted.

The Commission considered this matter at the Commission Conference held on October 4, 1988. It was concluded after careful consideration of the entire record, including the Administrative Judge's Initial Order and all applicable laws and statutes that the Administrative Judge's Initial Order should be approved and the authority granted. The Commission further ratifies and adopts the findings and conclusions of the Administrative Judge as its own.

IT IS THEREFORE ORDERED:

1. That the Administrative Judge's Initial Order dated September 16, 1988, in this docket is hereby ratified, adopted and incorporated by reference in this Order as fully as though copied verbatim herein, including the findings and conclusions of the Administrative Judge which the Commission adopts as its own.

2. That a Certificate of Convenience and Necessity to construct and operate a natural gas distribution system is hereby granted.

3. That within sixty (60) days of the substantial completion of construction, Ken-Gas of Tennessee, Inc. is directed to file its final costs in accordance with the Uniform System of Accounts with the Tennessee Public Service Commission.

4. That within thirty (30) days of substantial completion of construction, Ken-Gas of Tennessee, Inc. is directed to file a copy of the "As-Built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications with the Tennessee Public Service Commission.

5. That the proposed financing plan, its amounts, interests rates, and amortization periods as set forth herein, is hereby approved.

6. That the costs, as determined by the Tennessee Public Service Commission Staff and set forth in Schedules 1 through 9, are hereby approved.

7. That the rates as set forth herein are hereby approved.

8. That Ken-Gas of Tennessee, Inc. is hereby directed to file a tariff with the Tennessee Public Service Commission setting forth the rates approved herein before commencing operations.

9. That Ken-Gas of Tennessee, Inc. is hereby directed to file a copy of its General Rules and Regulations as prescribed by T.P.S.C. Rule 1220-4-1-.01 through .07.

10. That Ken-Gas of Tennessee, Inc. is hereby directed to maintain its accounting records in accordance with the methods

prescribed by the Uniform System of Accounting for Class C & D Utilities.

11. That Ken-Gas of Tennessee, Inc. is hereby directed to file a quarterly report, in the form of Quarterly Report Form PSC-3.04, within sixty (60) days of the end of the quarter covered by the report.

12. That any party aggrieved with the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within ten (10) days from and after the date of this Order.

13. That any party aggrieved with the Commission's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.

CHAIRMAN

COMMISSIONER

COMMISSIONER

ATTEST:

EXECUTIVE DIRECTOR

BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION
Nashville, Tennessee
September 16, 1988

IN RE: THE APPLICATION OF KEN-GAS OF TENNESSEE, INC., FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE CONSTRUCTION OF A NATURAL GAS DISTRIBUTION SYSTEM, APPROVAL OF FINANCING AND CONSTRUCTION COSTS AND APPROVAL OF APPLICABLE RATES.

DOCKET NO.: U-87-7536

ORDER

This matter is before the Tennessee Public Service Commission upon its own motion.

Having reviewed the Initial Order in the above-captioned matter September 16, 1988, the Commission, pursuant to T.C.A. Section 4-5-315(b), hereby notifies all parties that the Commission will review all issues raised in the record of this proceeding before the Administrative Judge.

Any party may note his exceptions to the Initial Order by filing a brief with the Commission within 5 days of the date of this Order. Reply briefs may be filed within 0 days after filing exceptions. Any party may request oral argument on the issues raised in the briefs.

Requests for extensions of time within which to file briefs must be made in writing to the Executive Director of this Commission and accompanied by a proposed order to be signed by the Chairman of this Commission. The request must indicate that copies of the request and proposed order have been served on all parties.

The Commission decision to review the Initial Order does not affect any party's right to petition the Administrative Judge to reconsider the Initial Order pursuant to T.C.A. Section 4-5-317. Should such a petition be filed, the time limits set forth in this Order for the submission for exceptions and replies be suspended and will begin to run ab initio from the date of final disposition of the petition to reconsider.

Frank D. Cochran

CHAIRMAN FRANK COCHRAN

Keith Bissell

COMMISSIONER KEITH BISSELL

Stephen O. Hewlett

COMMISSIONER STEVE HEWLETT

ATTEST TO:

Paul Allen

PAUL ALLEN, EXECUTIVE DIRECTOR

BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION
Nashville, Tennessee
September 16, 1988

IN RE: THE APPLICATION OF KEN-GAS OF TENNESSEE, INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE CONSTRUCTION OF A NATURAL GAS DISTRIBUTION SYSTEM, APPROVAL OF FINANCING AND CONSTRUCTION COSTS AND APPROVAL OF APPLICABLE RATES.

DOCKET NO. U-87-7538

INITIAL ORDER

This matter is before the Tennessee Public Service Commission upon the application of Ken-Gas Of Tennessee, Inc. (Ken-Gas) for a Certificate of Convenience and Necessity as set forth in the above caption.

The matter was heard March 15, 1988, in Nashville, Tennessee, before Ralph B. Christian, II, Administrative Judge, at which time the following appearances were entered:

APPEARANCES:

DAVID CROSS, Attorney at Law, P.O. Box 370, Albany, Kentucky 42602, appearing on behalf of the Applicant Ken-Gas of Tennessee, Inc.

D. BILLYE SANDERS, Assistant General Counsel, Tennessee Public Service Commission, 460 James Robertson Parkway, Nashville, Tennessee 37219-5477, appearing on behalf of the Commission Staff.

The matter is unprotested.

APPLICANT

Ken-Gas of Tennessee, Inc. by letter dated October 16, 1987, filed an application requesting that the Tennessee Public Service Commission issue a Certificate of Convenience and Necessity for the construction of a natural gas distribution system. The proposed construction cost will be funded by equity investment and a commercial bank loan. Installation of the gas system will provide natural gas service to approximately 250 residential, 44 commercial, and 3 industrial customers following the first year of operation. The proposed natural gas distribution system has been designed to offer service within the corporate limits of Jellico, Tennessee and to the Oswego Industrial Park located approximately one mile from Jellico's city limits. Ken-Gas was awarded a franchise from the City of Jellico on the third reading of an Ordinance approved October 15, 1987. Said Ordinance is known as the *Jellico Natural Gas Franchise Ordinance* and is designated as Ordinance No. 4-87.

REVENUE REQUIREMENTS

Upon the filing of the instant application, the Public Service Commission Staff commenced its investigation of the application and requested additional information from the Company. Additionally, operating gas companies of similar size and type were analyzed to verify the accuracy and reasonableness of projections for the Jellico natural gas distribution system. The investigation produced nine schedules. After evaluation of the schedules, Ken-Gas accepted the Staff's projections. Following is a summary of the Tennessee Public Service Commission's findings.

Schedules 1 through 9 demonstrate the revenue requirements upon which the initial rate structure is based. The schedules were prepared by Commission Financial Analyst Magnal Thompson.

Purchased Gas

Natural gas for the Jellico natural gas distribution system will be supplied by Delta Natural Gas Company, Inc., of Winchester, Kentucky. Natural gas will be delivered through an eight inch steel transmission line, located approximately one mile north of the Jellico city limits. The line will be tapped in Kentucky approximately 1000 feet from the Tennessee border.

Applicant provided the Public Service Commission with a copy of its Gas Service Agreement with Delta Natural Gas Company, Inc., dated July 22, 1988. The cost of gas to the Jellico natural gas system will be under the Seller's Tariff regulated by the Kentucky Public Service Commission. The initial rate determination by the Tennessee Public Service Commission Staff is based on a projected wholesale cost of purchased gas of $3.50 per Mcf as shown on Schedule 3. Applicant, however, will be allowed to operate under Appendix A to TPSC Rule 1220-4-1-.12, *Standardized Requirements for a Purchased Gas Adjustment Provision*. A natural gas pipeline's tariff usually consists of two elements: demand charges and commodity charges. Herein, however, Jellico's gas supplier, Delta Gas, has included only commodity charges in its rate structure. Therefore, the PGA will be dependent only upon changes in the commodity rate as follows:

PGA = Current Commodity Charge minus Base Commodity Charge

The Current Commodity Charge will be the Delta Gas approved tariff rate with the Base Commodity Charge being the $3.50 used by the Staff to compute Jellico's cost of gas in this proceeding. Moreover, since Jellico has only firm rates, this factor will be used to adjust all of its rates.

Franchise Fee

A franchise fee of one percent of all gross receipts from the sale of natural gas will be paid to the City of Jellico. The fee will be listed separately on utility bills and will not be considered as an expense for rate-making purposes. Ken-Gas will act as a conduit for the tax that is collected from the gas customers and in turn is paid to the city.

Depreciation/Amortization Expenses

Schedule 9 discloses that the Commission Staff has allowed $1,000,000 for Plant-in-Service and $24,239 for depreciation expense. The depreciation rates used on Schedule 9 are to be used by the utility to compute depreciation unless changed by the Public Service Commission.

Operating Expenses

Operating Expenses of $347,640 as shown on Schedule 1 and on related Schedules 3, 4, 5, and 6, were accepted by Ken-Gas of Tennessee, Inc. Said amount has been used by the Commission in determining Jellico's rates.

Revenue Requirement Determination

Based upon operating expenses of $347,640, Ken-Gas' revenue requirement for the first year of operation is $424,425 and is shown on Schedule 2. The projected gross revenue amount is based upon Staff requested documents obtained from the Applicant. The documents included feasibility studies and analysis by United Cities Gas Company and by Barge, Waggoner, Sumner & Cannon, an independent engineering and planning firm in Nashville, Tennessee. On site evaluations were made by Ken-Gas to verify and augment the above studies.

Ken-Gas of Tennessee, Inc.'s revenue requirement is summarized below:

Revenue	$424,425
Total Operating Expense	347,640
Net Operating Income	$ 76,785

The rate of return is 7.68% on a rate base of $1,000,346.

FINANCING

The Applicant avers that long term financing will be provided by equity investment and by a commercial bank loan. Fentress County Bank of Jamestown, Tennessee will provide the loan. The loan interest rate will be 2.5% above the low New York prime rate as published in the *Wall Street Journal*. The term of the loan will be 20 or 25 years.

NET INVESTMENT RATE BASE/CAPITAL STRUCTURE

Rate Base

Based upon the cost of the Natural Gas Distribution System as determined herein and upon an allowance of 1/12 of the operating and maintenance expense, exclusive of Purchased Gas, Applicant's investment rate base has been determined as follows:

Plant-in-Service	$1,000,000
Working Capital	24,585
Total	$1,024,585
Less Accumulated Depreciation	24,239
Rate Base	$1,000,346

The revenues allowed herein will produce a rate return of 7.68%

Capital Structure

Ken-Gas of Tennessee, Inc.'s proposed Capital Structure follows:

Debt (87%)	$1,000,000
Equity (13%)	145,570
Total Capital	$1,145,570

RATE DESIGN

The rates for Ken-Gas customers have been determined using a projected sales volume of 22,750 Mcf for residential users, 19,800 Mcf for commercial users, and 16,200 Mcf for industrial users. Revenue projected from a combined sales volume of 58,750 Mcf at the rates set forth below is $424,425.

Customer Rates

Residential	$7.50 per Mcf
Commercial	$7.50 per Mcf
Industrial	$6.50 per Mcf

ENGINEERING CONSIDERATIONS

United Cities Gas Company's proposed piping configuration was submitted to the Public Service Commission by Ken-Gas along with its original application for a Certificate of Convenience and Necessity. The actual design and construction of the gas distribution system must comply with Public Service Commission Pipeline Safety Regulations as defined in TPSC Rule 1220-4-1-.09. The system will use SDR 11 plastic pipe for gas mains and service lines. Accordingly, requirements and joining procedures for making such plastic pipe joints and for performing inspection of those joints are to be reviewed and followed. Applicant should be directed to submit construction specifications and plans for installing the gas system to the Tennessee Public Service Commission for approval, prior to the start of construction.

WHEREFORE, having considered the testimony, the evidence of record, and the statutory criteria, the Administrative Judge finds that the application is in the public interest and should be granted.

T.C.A. Section 4-5-315 provides that all parties shall have an opportunity to appeal initial orders to the Commission. The Tennessee Public Service Commission, however, reviews all initial orders, thereby assuring review. All parties may file exceptions or replies to exceptions in the form of a brief setting forth specific issues. The exceptions and any replies thereto will be considered by the Commission in its review. The Commission will determine the matter in a regularly scheduled Commission conference. Affected parties may then seek reconsideration of the Commission's final order or may appeal the final order to the Court of Appeals, Middle Division, within 60 days of the final order.

This Initial Order is prepared in conformity with the Tennessee Uniform Administrative Procedures Act, and T.C.A. Section 4-5-101, *et seq.* Procedures whereby parties seek review, stay, or reconsideration are found in T.C.A. Sections 4-5-315 through 318. Judicial review of Commission orders is described in T.C.A. Section 4-5-322.

IT IS THEREFORE ORDERED:

1. That the application of Ken-Gas Of Tennessee, Inc. be granted for a Certificate of Convenience and Necessity for the construction of a natural gas distribution system.

2. That within 60 days of the substantial completion of construction, Ken-Gas of Tennessee, Inc. is directed to file its final costs in accordance with the Uniform System of Accounts with the Tennessee Public Service Commission.

3. That within 30 days of the substantial completion of construction, Ken-Gas of Tennessee, Inc. is directed to file a copy of the "As-Built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications with the Tennessee Public Service Commission.

4. That the proposed financing plan, its amounts, interest rates, and amortization periods as set forth herein, is hereby approved.

5. That the costs, as determined by the Tennessee Public Service Commission Staff and set forth in Schedules 1 through 9, are hereby approved.

6. That the rates as set forth herein are hereby approved.

7. That Ken-Gas of Tennessee, Inc. is hereby directed to file a tariff with the Tennessee Public Service Commission setting forth the rates approved herein.

8. That Ken-Gas of Tennessee, Inc. is hereby directed to file a copy of its General Rules and Regulations as prescribed by TPSC Rule 1220-4-1-.01 through .07.

9. That Ken-Gas of Tennessee, Inc. is hereby directed to maintain its accounting records in accordance with the methods prescribed by the Uniform System of Accounting for Class C & D Utilities.

10. That Ken-Gas of Tennessee, Inc. is hereby directed to file a quarterly report, in the form of Quarterly Report Form PSC-3.04, within 60 days of the end of the quarter covered by the report.

R B Christian II

RALPH B. CHRISTIAN, II
ADMINISTRATIVE JUDGE

Before the

PUBLIC SERVICE COMMISSION

of the

STATE OF TENNESSEE

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JUL 24 1989

DIVISION OF UTILITY
ENGINEERING & SERVICES

in re:

KEN GAS OF JELLICO

(Docket No. U-87-7538)

RECEIVED
PUBLIC SERVICE COMM.
EXECUTIVE DIRECTOR
MAR 2 1988

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Testimony

of

Magnal Thompson

****

March 15, 1988

Q. State your name for the record please.
A. My name is Magnal Thompson.
Q. What is your position with the Tennessee Public Service Commission?
A. I am employed as a Financial Analyst with the Commission.
Q. How long have you been employed with the Commission?
A. Two years.
Q. Would you briefly describe your duties as a Financial Analyst?
A. During my two year employment I have participated in several rate case audits of utilities subject to the Commission's jurisdiction, as well as the preparation of exhibits for Commission hearings. I have also been involved with the audit and analysis of the various financial reports filed with the Commission.
Q. What is your educational background and what degrees have you earned?
A. I have earned a Bachelor of Business Administration degree with a major in Accounting and a Masters of Business Administration degree from Tennessee State University in May 1984 and May 1986, respectively.
Q. What is the purpose of your testimony in this case?
A. The purpose of my testimony is to present information and supporting exhibits to the Commission to assist them in deciding on the petition for a CCN by Ken Gas of Tennessee to build a natural gas system in Jellico,

Tennessee and begin operations within Jellico, Tennessee.

Q. Are there any controversial issues in this case?

A. No. The Company has decided to adopt my exhibits as their own.

Q. What test period did you use in considering the Company's request?

A. Please allow me to give a brief explanation of a test period for better understanding. A test period is generally, a twelve month period of time in which a company's financial results are analyzed and adjusted, if necessary, to test a company's earnings under present or, in the case of Ken Gas, proposed rates. In this case the Staff decided on a five year period of time. The Staff felt that in order to analyze and test the proposed rates of the Company a longer test period was necessary. This process of analyzing the results of operations assists the Commission in determining fair and reasonable rates on which the Company will be allowed an opportunity to earn a reasonable return on its investments.

Q. You referred to the term "fair rate of return". What is its definition and its importance to the Commission?

A. A rate of return is the compensation for capital required by the utility to provide service to the customer. A "fair rate of return" is a return, expressed as a percentage, approximating the cost of the capital. And, the cost of this capital is the price that is paid for its use. This means that the fair rate of return is what capital invested would be able to earn if invested under similar conditions elsewhere.

In the context of regulation of utilities, a fair rate of return is the percentage figure multiplied by rate base which produces the return available to cover interest on debt and dividends on preferred and common stock.

Generally, the Commission would consider what constitutes a fair rate of return and adjust rates so as to allow investors to earn this rate of return. The Company failed to show calculations for what it considered a fair rate of return that it should be allowed the opportunity to earn. The staff Economist computed an overall return of 11.95% and an equity return of 15%.

Q. Would you please summarize the Company's request?

A. The Company requested a Certificate of Convenience and Necessity to install and operate a natural gas distribution system within the city limits of Jellico, Tennessee. Also, it requested approval of a rate to charge customers using the gas. Finally, it requested approval of the construction cost to build the system and the financing arrangements necessary to pay for the debt.

Q. Is there a need for a natural gas system in Jellico, Tennessee?

A. Yes, the City of Jellico is a municipal corporation located in Campbell County, Tennessee and is without a natural gas distribution system. There is currently a need and demand for a natural gas distribution system to provide natural gas to the citizens of Jellico. In order to supply the need for natural gas the Jellico City Counsel has awarded a franchise to Ken Gas of Tennessee, Inc. for the intent and purpose of installing and operating a natural gas distribution system within the city limits.

Q. What is your recommendation to this Commission?

A. I recommend that this Commission after viewing the Company's and Staff's testimony and exhibits grant a Certificate of Convenience and Necessity to Ken Gas of Tennessee, Inc. to operate a natural gas distribution system within the city limits of Jellico, Tennessee.

Q. How would you like to present your exhibits with their adjustments to the Commission?

A. As there are no controversial issues between the Company and myself, I would like to summarize each exhibit and provide a brief explanation for adjustments of material importance.

Schedule 1 - Shows the forecasted earnings for the first five years of operation.

Schedule 2 - Shows for the initial five years of operations total sales volume for each class of customer priced out using the proposed rates. This provided total revenues from gas sales for the five years.

Schedule 3 - Purchase gas was computed based on the projected sales volumes multiplied by the gas cost per Mcf. Total cost of gas was then adjusted for loss and unaccounted for gas at a reasonable rate of 2%. This provided the total cost of gas purchased.

Schedule 4 - Other operating expenses of the Company were found to be fair and reasonable by the Staff and were adopted as presented.

Schedule 5 - Shows other operating taxes that the Company is required by law to pay as a result of doing business.

Franchise Tax is a tax imposed on corporations for the privilege of engaging in business within the State of Tennessee. The franchise tax shown was computed by applying the statutory franchise tax rate of $.25 per $100 to the net utility plant in service at the end of the Company's fiscal year.

Gross Receipts is another tax that corporations pay for the privilege of conducting business. Gross receipts was computed on the total revenues received less the applicable exemption for gas companies of $5000 multiplied by the statutory gross receipt rate of

3%. Generally, gross receipts taxes are computed on prior year total gross receipts and payable in the current year. But for simplistic purposes, gross receipts taxes are calculated on the current total revenues.

PSC Fees, public utilities operating within the State of Tennessee and subject to the control and jurisdiction of the Commission must pay a fee for the inspection, control, and regulation of the company. The fee is based on total revenues less a $5000 exemption multiplied by the statutory rate of 3%.

Payroll Taxes, utilities like other employers are required to pay social security and unemployment taxes on the wages and salaries paid to their employees. The Company's payroll tax was computed based on its projected three (3) employees multiplied by the applicable state and federal unemployment tax rates and social security tax rate.

Property Tax is based on appraised net book value of the property in service, multiplied by the applicable statutory, equalization, city, and county rates. The Company's property tax shown was computed based on the assessed value of its property by the TPSC Assessment Division. In reviewing the Company's filed financial statements the Staff noted that the Company did not show operating other taxes as an expense of conducting business. The Staff has corrected this by the inclusion of other operating taxes in its operating expense section as shown on Schedule 1.

Schedule 6 - Details the Staff's calculation of Federal Income Tax and Tennessee Excise Tax for the first five years of operations. The Staff included the 5% surtax in year 5 placed on taxable income over $100,000. Interest expense on the loan was computed by multiplying the projected yearly rate base by the weighted cost of debt. Because interest expense is tax deductible it must be deducted before arriving at taxable income.

After arriving at taxable income, the Staff computed excise tax using the statutory rate of 6% as shown on line 7. Next, the Staff computed FIT using statutory rates of 15% for taxable income up to $50,000, 25% for income over $50,000 and up to $75,000 and 34% for income over $75,000.

Schedule 7 - Shows the estimated rate base for the first five years of operations. Line 1, Utility Plant in Service $1,000,000 represents the Company's estimated cost for the natural gas system in Jellico. Line 2, Working Capital is a cash working capital allowance that is included in the rate base to meet the day to day cost of providing services to the customer. Line 4, Accumulated Depreciation represents the amount of depreciation which has been accumulated through depreciation expense over the lives of the various plant items included in utility plant in service.

After considering all of the above items, the Staff estimated the rate base for the first five years of operations as shown on Schedule 7. Rate base represents the investment on which the Company should be allowed an opportunity to earn a fair rate of return.

<u>Schedule 8</u> - Shows the capital structure of Ken Gas of Jellico. The Commission's staff Economist estimated a fair rate of return to be 11.95%. This consists of 87.29% debt at a cost of 11.50% and of 12.71% equity at a cost of 15%.

<u>Schedule 9</u> - Details the depreciation expense schedule as computed by the Commission's staff Engineer. Total depreciation expense was computed to be $24,239 RC ~~$26,239~~ with a composite rate of .024239.

Q. Does this conclude your testimony?

A. Yes.

Schedule 1

KEN-GAS OF JELLICO
FORECAST OF EARNINGS
For the Initial Five Years of Operation

Line No.			1988-89		1989-90		1990-91		1991-92		1992-93
	OPERATING REVENUES A/										
1	Residential Revenues	$	170,625	$	204,750	$	235,463	$	259,350	$	285,285
2	Commercial Revenues		148,500		178,875		205,875		226,125		249,750
3	Industrial Revenues		105,300		140,400		175,500		175,500		210,600
4	Total Revenues	$	424,425	$	524,025	$	616,838	$	660,975	$	745,635
	OPERATING EXPENSES										
5	Purchase Gas B/	$	209,738	$	259,718	$	306,467	$	327,476	$	370,345
6	Salaries & Wages G/		34,000		35,300		35,300		35,300		35,300
7	Controller G/		12,000		12,500		12,500		12,500		12,500
8	Depreciation C/		24,239		24,239		24,239		24,239		24,239
9	Office Rent G/		3,600		3,600		3,600		3,600		3,600
10	Insurance G/		4,000		4,000		4,000		4,000		4,000
11	Truck Expense G/		3,600		3,600		3,600		3,600		3,600
12	Other Operating Exp. D/		28,088		29,432		32,039		34,221		36,308
13	Other Taxes E/		28,376		29,660		30,853		31,389		32,472
14	Excise Tax F/		0		1,410		4,066		5,424		7,863
15	Federal Income Tax F/		0		3,314		10,925		17,139		31,292
16	Total Oper. Expenses	$	347,640	$	406,773	$	467,589	$	498,888	$	561,518
17	NET OPERATING INCOME	$	76,785	$	117,252	$	149,248	$	162,087	$	184,117
18	RATE BASE H/	$	1,000,346	$	980,773	$	960,887	$	938,819	$	918,565
19	RATE OF RETURN (L17/L18)		7.68%		11.96%		15.53%		17.26%		20.04%

A/ Schedule 2.
B/ Schedule 3.
C/ Schedule 9.
D/ Schedule 4.
E/ Schedule 5.
F/ Schedule 6.
G/ Company's Workpapers.
H/ Schedule 7.

Schedule 2

KEN-GAS OF JELLICO
Projected Revenuea
For the Initial Five Years of Operation

Line No.	Customers	Price per MCF	No. of Customers	Sales Vol. Per Customer	Total Sales Vol. (MCF)	Revenues (Col.1*Col.4)
1	Residential	$ 7.50	250	91	22,750	$ 170,625
2	Commercial	$ 7.50	44	450	19,800	148,500
3	Industrial	$ 6.50	3	5,400	16,200	105,300
4	Year 1 Total		297	5,941	58,750	$ 424,425
5	Residential	$ 7.50	300	91	27,300	$ 204,750
6	Commercial	$ 7.50	53	450	23,850	178,875
7	Industrial	$ 6.50	4	5,400	21,600	140,400
8	Year 2 Total		357	5,941	72,750	$ 524,025
9	Residential	$ 7.50	345	91	31,395	$ 235,463
10	Commercial	$ 7.50	61	450	27,450	205,875
11	Industrial	$ 6.50	5	5,400	27,000	175,500
12	Year 3 Total		411	5,941	85,845	$ 616,838
13	Residential	$ 7.50	380	91	34,580	$ 259,350
14	Commercial	$ 7.50	67	450	30,150	226,125
15	Industrial	$ 6.50	5	5,400	27,000	175,500
16	Year 4 Total		452	5,941	91,730	$ 660,975
17	Residential	$ 7.50	418	91	38,038	$ 285,285
18	Commercial	$ 7.50	74	450	33,300	249,750
19	Industrial	$ 6.50	6	5,400	32,400	210,600
20	Year 5 Total		498	5,941	103,738	$ 745,635

Schedule 3

KEN-GAS OF JELLICO
Cost of Purchased Gas
For the Initial Five Years of Operation

Line No.		1988-89	1989-90	1990-91	1991-92	1992-93
1	MCF per Year	58,750	72,750	85,845	91,730	103,738
2	Gas Cost per MCF	$ 3.50	$ 3.50	$ 3.50	$ 3.50	$ 3.50
3	Cost of Gas	$ 205,625	$ 254,625	$ 300,458	$ 321,055	$ 363,083
4	Loss & Unaccounted for Gas (Computed at 2%)	2.00%	2.00%	2.00%	2.00%	2.00%
		$ 4,113	$ 5,093	$ 6,009	$ 6,421	$ 7,262
5	Total Cost of Gas	$ 209,738	$ 259,718	$ 306,467	$ 327,476	$ 370,345

SOURCE: Company's Workpapers and Contract Agreement with Delta
Natural Gas Company, Inc.

Schedule 4

KEN-GAS OF JELLICO
Other Operating Expenses
For the Initial Five Years of Operation

Line No.		1988-89	1989-90	1990-91	1991-92	1992-93
1	Telephone	$ 1,200	$ 1,200	$ 1,200	$ 1,500	$ 1,500
2	Utilities	1,200	1,200	1,300	1,300	1,400
3	Billing Exp.; Supplies	6,000	6,000	6,500	6,500	7,000
4	Printing, Booklets	4,000	3,000	2,500	2,500	2,000
5	Travel, Training	1,200	1,200	1,500	1,500	1,500
6	License & Dues	1,000	1,000	1,000	1,000	1,000
7	Miscell. Exp. @ 1%	4,244	5,416	6,519	6,961	7,954
8	Repairs @ .5%	2,122	2,708	3,260	3,480	3,977
9	Bad Debts @ .5%	2,122	2,708	3,260	3,480	3,977
10	Professional Fees	5,000	5,000	5,000	6,000	6,000
11	Total Other Expenses	$ 28,088	$ 29,432	$ 32,039	$ 34,221	$ 36,308

Source: Company's Workpapers.

Schedule 5

KEN-GAS OF JELLICO
Total Other Operating Taxes
For the Initial Five Years of Operation

Line No.		1988-89	1989-90	1990-91	1991-92	1992-93
1	FRANCHISE TAX	$ 2,440	$ 2,380	$ 2,320	$ 2,260	$ 2,200
2	GROSS RECEIPTS	4,404	5,450	6,424	6,888	7,777
3	PSC FEES	1,268	1,567	1,846	1,978	2,232
4	PAYROLL TAXES	2,725	2,725	2,725	2,725	2,725
5	PROPERTY TAX	17,538	17,538	17,538	17,538	17,538
6	TOTAL TAXES	$ 28,376	$ 29,660	$ 30,853	$ 31,389	$ 32,472

NOTE: Excludes Excise & Federal Income Taxes.
SOURCE: Staff's Workpapers.

Schedule 6

KEN-GAS OF JELLICO
Federal Income Tax & Excise Tax
For the Initial Five Years of Operation

Line No.			1988-89	1989-90	1990-91	1991-92	1992-93
1	Revenues	A/	$ 424,425	$ 524,025	$ 616,838	$ 660,975	$ 745,635
	Less:						
2	Operating Expenses	A/	$ 319,265	372,388	421,745	444,936	489,891
3	Other Taxes	A/	28,376	29,660	30,853	31,389	32,472
4	Interest Expense	B/	100,435	98,470	96,473	94,257	92,224
5	Taxable Income		$ (23,650)	$ 23,507	$ 67,766	$ 90,393	$ 131,048
6	Excise Tax Rate		6.00%	6.00%	6.00%	6.00%	6.00%
7	Excise Tax		$ (1,419)	$ 1,410	$ 4,066	$ 5,424	$ 7,863
8	Taxable Income		$ (22,231)	$ 22,096	$ 63,700	$ 84,969	$ 123,185
9	FIT Rate up to		15.00%	15.00%	15.00%	15.00%	15.00%
10	1st $50,000						
11	FIT at 15% Rate		$ (3,335)	$ 3,314	$ 7,500	$ 7,500	$ 7,500
12	Taxable Income over 1st $50,000				$ 13,700	$ 25,000	$ 25,000
13	FIT Rate over $50,000 & up to $75,000				25.00%	25.00%	25.00%
14	FIT at 25%				$ 3,425	$ 6,250	$ 6,250
15	Taxable Income over $75,000					$ 9,969	$ 48,185
16	FIT Rate over $75,000					34.00%	34.00%
17	FIT at 34%					$ 3,389	$ 16,383
18	Surtax of 5% over $100,000						$ 1,159
19	Total FIT		$ (3,335)	$ 3,314	$ 10,925	$ 17,139	$ 31,292

A/ Schedule 1.
B/ Company's Projected Yearly Rate Base * Weighted Cost of Debt.
(Schedule 7 & Schedule 8).

Schedule 7

KEN-GAS OF JELLICO
RATE BASE
For the Initial Five Years of Operation

Line No.			1988-89	1989-90	1990-91	1991-92	1992-93
	ADDITIONS						
1	Plant in Service	A/	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
2	Working Capital	C/	24,585	29,012	33,126	35,058	38,804
3	Total Additions		$ 1,024,585	$ 1,029,012	$ 1,033,126	$ 1,035,058	$ 1,038,804
	DEDUCTIONS						
4	Accum. Depreciation	B/	$ 24,239	$ 48,239	$ 72,239	$ 96,239	$ 120,239
5	Rate Base		$ 1,000,346	$ 980,773	$ 960,887	$ 938,819	$ 918,565

A/ Company's Workpapers.

B/ Staff's Workpapers.

C/ Working Capital:

Line No.		1988-89	1989-90	1990-91	1991-92	1992-93
1	Total Operating Exp.	$ 347,640	$ 406,773	$ 467,589	$ 498,888	$ 561,518
	Less:					
2	FIT	0	3,314	10,925	17,139	31,292
3	Other Taxes	28,376	31,071	34,919	36,813	40,335
4	Depreciation	24,239	24,239	24,239	24,239	24,239
5	Total	$ 295,026	$ 348,149	$ 397,506	$ 420,697	$ 465,652
6	Working Capital (L.5 / 12 mths.)	$ 24,585	$ 29,012	$ 33,126	$ 35,058	$ 38,804

Schedule 8

KEN-GAS OF JELLICO
Capital Structure
For the Initial Five Years of Operation

Line No.			Capital Structure	% of Capital	Cost Rate	Weighted Cost
1	Long-Term Debt	$	1,000,000 A/	87.29%	11.50%A/	10.04%
2	Common Stock		145,570 A/	12.71%	15.00%B/	1.91%
3	Total	$	1,145,570	100.00%		11.95%

A/ Company's Workpapers.
B/ Staff Economist's equity cost rate estimation.

Schedule 9

KEN-GAS OF JELLICO
Depreciation Expense Schedule
For the Initial Five Years of Operation

Line No.	Plant Accounts		Investment	Rate	Average Life		Depreciation Expense
1	Receiving Station	$	37,500	3.00%	33 years	$	1,125
2	District Regulator		3,500	3.00%	33 years		105
3	Distribution Mains		740,353	2.00%	50 years		14,807
4	Service Lines		116,025	2.50%	40 years		2,901
5	Meters		21,180	3.00%	33 years		635
6	Service Regulators		4,942	3.00%	33 years		148
7	Industrial Sets		6,000	3.00%	33 years		180
8	Case 580 Backhoe		37,500	6.70%	15 years		2,513
9	Service Truck		10,500	10.00%	10 years		1,050
10	Fusing Machine, Tools & Equipment		17,500	3.00%	33 years		525
11	Computer & Office Equipment		5,000	5.00%	20 years		250
12	Total	$	1,000,000			$	24,239

* Composite Rate 0.024239

SOURCE: Mr. Ted Tingley, Commission's Engineer.

EXHIBIT C

JGU

Jellico Gas Utility, Inc.

P O Box 119
Jellico, TN 37762-0119
(615) 784-2126

January 15, 1990

RECEIVED

JAN 18 1990

DIVISION OF UTILITY
ENGINEERING & SERVICES

Mr. Ralph Dennis
Kentucky Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

Pending O

Re: Jellico, TN natural gas system

Dear Mr. Dennis:

In response to your request for information several residents of Jellico that live in Kentucky just across the Tennessee state line have requested natural gas service.

Natural gas for the Jellico gas system is supplied by Delta Natural Gas Company, Inc. from an M/R station in Kentucky. A 7(f) exemption was issued by FERC to transport natural gas across the Kentucky-Tennessee border.

Mr. Earnest F. Burke, Gas Safety Inspector for the Tennessee Public Service Commission is the inspector for the gas system. His office phone is (615) 741-2844 and home phone is (615) 395-4655.

If agreeable with the Kentucky Public Service Commission natural gas will be supplied to the Kentucky residents under the same conditions as the residents in Jellico, Tennessee. This would have to be subject to Tennessee Public Service Commission approval and acceptance.

After your planned February 1, 1990 inspection visit to Jellico additional information will be provided if needed.

Your assistance and consideration in this matter is appreciated.

Respectfully yours,

Walton R. Haddix

Walton R. Haddix

cc Opal Leach

enclosure

EXHIBIT D

Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, Kentucky 40391
606-744-6171

December 7, 1989

RECEIVED
DEC 12 19
DIVISION OF
ENGINEERING SERVICES

Pending

Mr. Ralph E. Dennis
Manager, Gas Branch
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602

Dear Ralph:

I am pleased to respond to your letter of November 13, 1989 regarding Jellico Gas Utility's interest in serving certain residents in Kentucky.

I have recently talked with Mr. Earl Holsapple of Jellico Gas Utility and he has informed me that there may be as many as fifty (50) residents of Kentucky that could be feasibly served by Jellico Gas Utility. It would not be feasible for Delta to directly serve these prospective customers.

Delta has no objection to Jellico Gas Utility serving customers in Kentucky provided that Jellico Gas Utility does not attempt to duplicate service provided by Delta. It is our feeling that the question of jurisdiction should be determined by the respective Public Service Commissions and Delta has no opinion on this issue.

We encourage the respective Public Service Commissions to resolve this issue in such a manner that residents of the Jellico area will not be discouraged from obtaining natural gas service.

We appreciate the opportunity to respond and if I can be of any further assistance please contact me at your convenience.

Sincerely,

Robert C. Hazelrigg

Robert C. Hazelrigg
Vice President
Marketing and Public Relations

EXHIBIT E

TENNESSEE PUBLIC SERVICE COMMISSION

460 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-0505

RECEIVED

MAY 29 1990

PUBLIC SERVICE COMMISSION

May 9, 1990

Mr. Lee M. McCracken
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

Pen-O

Re: Jellico Gas Utility, Inc.

Dear Mr. McCracken:

I have reviewed your letter which proposes that the Tennessee Public Service Commission extend its jurisdiction of Jellico Gas Utility, Inc. to approximately 57 perspective customers in Kentucky. We have had similar arrangements with Commissions in other states contiguous to Tennessee and believe that this proposal is feasible. I recommend that the Kentucky Commission issue an order giving Jellico Gas Utility authority to operate in the proposed territory pursuant to the rates and terms approved by the Tennessee Commission. We would regulate the entire system as a whole including rates, service and safety. When we issue an order with respect to the company, it could be sent to your Commission for ratification with respect to the Kentucky service. I see no problem with the Kentucky PSC reviewing the situation periodically to determine if it wishes to reassert jurisdiction over the Kentucky customers.

I am referring the matter to Glynn Blanton, our Director of Gas Pipeline Safety and D. Billye Sanders, Assistant General Counsel to continue to work with you on the details.

Sincerely,

Keith Bissell
Chairman

c: Glynn Blanton
D. Billye Sanders
Walton Haddix, Jellico Gas Utility, Inc.
Paul Allen, Executive Director
Hal Novak, Accounting Division

Schedule 2(a)-4

Fentress, Tennessee Natural Gas Transmission Pipeline and Stations Description

FENTRESS ROW EXPLANATION

GASCO supplies natural gas to individual customers whose properties lie within the B & W Pipeline that GASCO's wholly owned subsidiary, The Titan Energy Group, Inc. (TTEG) currently owns. Each customer has an individual meter off the B & W Pipeline. Further information is as follows.

1. **REDACTED**

2. **REDACTED**

3. **REDACTED**

4. **REDACTED**

5. **REDACTED**

6. **REDACTED**

Transmission Station.

Seller currently has six individual meters at the following service points on the B&W Pipeline:

(i) **REDACTED**

(ii) **REDACTED**

(iii) **REDACTED**

(iv) **REDACTED**

(v) **REDACTED**

(vi) **REDACTED**

This document has been electronically entered in the records of the United States Bankruptcy Court for the Southern District of Ohio.

IT IS SO ORDERED.

Dated: October 21, 2010

C. Kathryn Preston
United States Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re: GASCO DISTRIBUTION SYSTEMS, INC. Debtor.	Case No. 09-056171 Chapter 11 Judge C. Kathryn Preston

ORDER (A) APPROVING THE SALE OF SUBSTANTIALLY ALL OF DEBTOR'S UTILITY DISTRIBUTION SYSTEMS ASSETS TO SUCCESSFUL BIDDER AT AUCTION; (B) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS; AND (C) GRANTING OTHER RELATED RELIEF
[RELATED TO DOC. NOS. 179, 199 and 211]

This matter coming before the Court on the Motion of Gasco Distribution Systems, Inc., Debtor and Debtor in Possession ("Debtor"), for an Order (I) Authorizing the Sale of Substantially all of its Utility Distribution Systems Assets Free and Clear of Liens, Claims and Encumbrances under Asset Purchase Agreement, Subject to Higher and Better Offers, (II) Approving the Procedures for an Auction, (III) Authorizing the Assumption and Assignment of

EXHIBIT

F

Certain Executory Contracts in Connection Therewith, (IV) Scheduling an Auction and a Hearing Date Relating Thereto, (V) Approving Break-Up Fee, and (VI) Approving the Forms of Notice Thereof [Doc. No. 179] (the "Sale Motion"). The Sale Motion sought approval of, among other things, (i) the institution of bidding procedures to be employed in connection with the Debtor's sale of substantially all of the Debtor's utility distribution systems assets to Navitas Assets, LLC or its designated assigns (the "Buyer") pursuant to the terms and conditions of an Asset Purchase Agreement ("APA") subject to higher or otherwise better bids, and (ii) the scheduling of a bid submission deadline, auction, and sale hearing and objection deadline and the approval of the sale of substantially all of the Debtor's assets to Buyer under the APA subject to higher and better bids being received at auction, and the Debtor's assumption and assignment of certain of its executory contracts in connection therewith. In connection with the Sale Motion, the Court previously entered its *Order Authorizing And Approving The Bidding Procedures For An Auction Sale Of Substantially All of the Debtor's Utility Distribution Systems Assets, Scheduling An Auction Date And Sale Hearing Date And The Deadline For Objections To The Proposed Sale, And Approving Notices To Creditors And Parties In Interest* on August 23, 2010 [Docket No. 199] (the "Bid Procedures Order"). After the Auction held on October 12, 2010 pursuant to the Bid Procedures Order, and as identified in the Report of Auction Sale [Doc. No. 211] ("Auction Report")[1] filed herein by the Debtor, the Debtor has determined the Winning Bid and Winning Back-Up Bid as follows: Navitas Assets, LLC, the Stalking Horse ("Buyer") has been determined by the Debtor to be the Winning Bidder submitting the highest and best bid (the "Winning Bid") for the combination of the Jellico Utility and the Three ABF Utilities, with the

[1] Attached to the Report of Auction Sale is the Amendment to the APA as between the Debtor and Buyer, which, the Debtor represents, does not make any changes that are less favorable, nor more burdensome, than Buyer's APA. Also attached to the Report of Sale is the Winning Back-Up Bid of Powell Clinch for the Jellico Utility only, not including the increase of the purchase price at the Auction to $570,000.

base purchase price[2] bid of $760,200, and Powell Clinch Utility District of Anderson and Campbell County, Tennessee ("Powell Clinch") has been determined by the Debtor to be the Winning Back-Up Bidder submitting the highest and best bid for the Jellico Utility Only "Winning Back-Up Bid" with a base purchase price of $570,000. A hearing ("Sale Hearing") was held on the Sale Motion and Auction Report and to consider approval of the Winning Bid and Winning Back-Up Bid on October 19, 2010; and all creditors and parties in interest have been afforded an opportunity to be heard with respect to the Sale Motion and Auction Report and all relief sought thereunder, and the Court being otherwise duly advised and informed in the premises, and noting that there have been no objections, the Court, for the reasons stated on the record at the Sales Hearing, and further based upon the Sale Motion and Auction Report, hereby finds and Orders as follows.[3]

IT IS HEREBY FOUND AND DETERMINED THAT:

A. This Court has jurisdiction over the Sale Motion pursuant to 28 U.S.C. §§ 157 and 1334, and this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O). Venue of this case and the Sale Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought in the Motion are Sections 105(a), 363(b), (f), (m) and (n), and 365 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 *et seq*., as amended (the "Bankruptcy Code"), and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

B. The Debtor has conducted a thorough and adequate search for potential purchasers for the Distribution Systems or Assets ("Assets").

C. Proper, timely, adequate and sufficient notice of the Sale Motion, the Sale Hearing, and the transactions contemplated by the APA and this Order (the "Transactions"), including,

---

[2] As set forth in the Sale Motion, page 7, Buyer's APA, not only has a base purchase price, but customary adjustments including credit/debits, as appropriate, including for customer deposits, accounts receivable collected within a certain time, spare parts, unrecovered gas costs and Cure Amounts on Assumed Contracts. The Debtor represents that the Winning Back-Up Bid contains similar adjustments.

[3] All capitalized terms not defined in this Order shall have the same meanings as in the Sale Motion or the Winning Bidder's APA, and, as appropriate, the Winning Back-Up Bidder's APA.

without limitation, the assumption and assignment of the Assumed Contracts, has been provided in accordance with Sections 105(a), 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006, and 9014 of the Bankruptcy Rules. Such notice was good, sufficient and appropriate under the particular circumstances, and no other or further notice of the Sale Motion, the Sale Hearing, or the transactions, including, without limitation, the assumption and assignment of the Assumed Contracts, is or shall be required.

D. As demonstrated by (i) the testimony and/or other evidence proffered at the Sale Hearing, and (ii) the representations of counsel made on the record at the Sale Hearing, the Debtor has conducted the sale process fairly and openly in a manner reasonably calculated to produce the highest and best offers for the Assets under the circumstances and in compliance with the Bid Procedures Order. The Sale Hearing was held and the highest and best offer received by the Debtor for the Assets at or before the Sale Hearing was the offer by Buyer to purchase the Assets at a base purchase price of $760,200, and such offer is reflected in the Buyer's APA[4]. The highest and best back-up bid on the Jellico Utility only is the $570,000 offered by the Winning Back-Up Bidder, Powell Clinch, pursuant to the terms of the Winning Back-Up Bid.

E. Approval of the Buyer's APA and consummation of the Transactions, including the sale of the Assets at this time, is in the best interests of the Debtor, its creditors, its estate, and other parties in interest. The Debtor has established that strong business reasons exist for (i) selling the Assets outside the ordinary course of business and outside a plan and (ii) the assumption and assignment of the Assumed Contracts as specified in the APA. The sale of the Assets pursuant to the APA will produce higher value than could be obtained in a liquidation sale.

F. Upon review of the evidence presented or proffered, the Court finds that the APA was negotiated, proposed and entered into by the Debtor and the Buyer without collusion, in good faith, and from arm's-length bargaining positions. The terms of the APA are fair and reasonable. Neither the Debtor, nor the Buyer have engaged in any conduct that would cause or permit the APA or any part of the Transactions provided for herein to be avoided, or for the imposition of costs and damages against the Buyer under Section 363(n) of the Bankruptcy Code. The Buyer is not an insider of the Debtor as that term is defined in Section 101(31) of the Bankruptcy Code. The Buyer is not related to nor affiliated with the Debtor or any of its officers or shareholders.

G. Upon review of the evidence presented or proffered, the Court finds that the Buyer is a good faith purchaser under Section 363(m) of the Bankruptcy Code and, as such, is entitled to all of the protections afforded thereby. The Buyer will be acting in good faith within the meaning of Section 363(m) of the Bankruptcy Code in closing the sale of the Assets pursuant to the APA.

H. The Debtor is the sole and lawful owner of the Assets. Subject to certain exceptions set forth herein, the Debtor may sell the Assets to the Buyer free and clear of all liens, claims and interests in accordance with, and to the extent permitted by, section 363(f) of the Bankruptcy Code. As a condition of purchasing the Assets, the Buyer requires that the Assets be sold free and clear of all liens, claims and interest, including all tax liens, except those explicitly and expressly assumed by the Buyer in the APA. Accordingly, the transfer of the Assets to the

[4] "APA" as referenced singularly herein, shall only mean the Buyer's APA, as amended.

Buyer is or will be a legal, valid and effective transfer of the Assets, and will vest the Buyer with all right, title and interest in and to the Assets, free and clear of all liens, claims and interest, including all tax liens, except those explicitly and expressly assumed by the Buyer in the APA pursuant to, and to the fullest extent permitted by, section 363(f) of the Bankruptcy Code. Except as otherwise expressly set forth in the APA, the transfer of the Assets to Buyer does not and will not subject Buyer to any liability whatsoever with respect to the operation of the Debtor's business and/or the ownership of the Assets prior to the Closing.

I. Non-debtor parties holding valid liens, claims or interests in or with respect to the Assets who did not object to the Sale Motion or those whose objections were withdrawn are deemed to have consented to the sale of the Assets free and clear of their liens, claims or interests in or with respect to the Assets pursuant to section 363(f)(2) of the Bankruptcy Code.

J. In the event that the Buyer does not timely perform, or otherwise fails to close on the Transactions contemplated by the APA, and without otherwise releasing the Buyer from any claims that the Debtor may have under the APA, the Winning Back-Up Bid of Powell Clinch shall automatically be deemed to be the highest and best bid with respect to the Jellico Utility, and the Debtor and Powell Clinch, shall be authorized, but neither required to, close on the sale of the Jellico Utility as is commercially reasonable without further order of this Court, on the terms and conditions set forth in the Winning Back-Up Bid, except as modified herein. Accordingly, in such event, the findings of this Court with respect to the Buyer and the APA as set forth in paragraphs E, F, G, H, and I hereof shall also be deemed to equally apply to the Winning Back-Up Bidder and the Winning Back-Up Bid on the sale of the Jellico Utility only. Notwithstanding, Powell Clinch's closing on the purchase of the Jellico Utility on the terms and conditions set forth in its Winning Back-Up Bid and herein shall then be at its option and it shall not be obligated to so close, unless it subsequently agrees to do so.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion, as supplemented by the Auction Report, is GRANTED by this Order.

Approval of the Asset Purchase Agreement

2. The APA, and all of the terms and conditions thereof, as may be amended, including as may be amended by this Order, are hereby approved.

3. Pursuant to Sections 363(b) and (f) of the Bankruptcy Code, the Debtor is authorized and directed to consummate the sale of the Assets pursuant to and in accordance with the terms and conditions of the APA and this Order.

4. The Debtor is empowered to perform under, consummate and implement the APA, and is authorized and directed to take all other actions as are necessary to effectuate the Transactions, including executing and delivering all additional instruments and documents that may be reasonably necessary or desirable to implement the APA, and to take all further actions as may be requested by the Buyer for the purpose of assigning, transferring, granting, conveying and

conferring to the Buyer or reducing to possession, the Assets and the Assumed Contracts, or as may be necessary or appropriate to the performance of the obligations as contemplated by the APA.

Transfer of Assets Free and Clear of Liens

5. At Closing, Buyer shall acquire the Assets for the Purchase Price (as defined in the APA, to the extent modified hereby). Upon the payment of the Purchase Price for the respective assets, the Assets shall be transferred, and title passed, to the Buyer in the respective Assets pursuant to the fullest extent permitted by Sections 105(a) and 363(f) of the Bankruptcy Code and all other applicable laws, free and clear of all claims, liens, interests or encumbrances, including all tax liens, other than the Assumed Liabilities and such other liens, claims and interests as are expressly and explicitly assumed by the Buyer in the APA (collectively, the "Permitted Liens"), with all such liens, claims, interests or encumbrances of any kind or nature whatsoever (other than the Assumed Liabilities and the Permitted Liens) attaching to the proceeds of the sale of the Assets in the order of their priority, with the same validity, force and effect which they now have.

6. Except for the Assumed Liabilities (as defined in the APAs or as otherwise expressly provided for in the APA), the Buyer shall not have any liability or responsibility for any Liability (as defined in the APA) or other obligation of the Debtor arising under or related to the Assets. Without limiting the generality of the foregoing, and except as otherwise specifically provided in the APA, the Buyer shall not be liable for the Excluded Liabilities (as defined in the APA) or any other Liabilities against the Assets, Debtor or any of their predecessors or affiliates including, but not limited to, Liabilities whether known or unknown as of the Closing Date, now existing or hereafter arising, whether fixed or contingent, with respect to the Debtor or any obligations of the Debtor arising prior to the Closing Date, whether relating to or arising out of the Business (as defined in the APA), the Excluded Assets (as defined in the APA) or the Assets or otherwise, other than the Assumed Liabilities.

7. Except as expressly permitted or otherwise specifically provided by the APA, all parties holding liens or claims or interests of any kind or nature whatsoever against Debtor or the Assets (whether legal or equitable, secured or unsecured, matured or unmatured, known or unknown, liquidated or unliquidated, contingent or non-contingent, senior or subordinated), arising under or out of, in connection with, or in any way relating to, the Debtor, the Assets, the operation of the Debtor's business prior to the Closing Date, or the transfer of the Assets to the Buyer, hereby are forever barred, estopped, and permanently enjoined from asserting such persons' or entities' liens or claims against the Buyer, its successors or assigns, its property or assets, which claims are hereby transferred to the sale proceeds whether or not a party asserting any such claim has delivered to Buyer a release. But for the obligations under Assumed Contracts or other assumed liabilities as expressly provided for in the APA, Buyer shall not be liable for any claims of any kind or nature, whether prepetition or post-petition, matured or unmatured, fixed or contingent, liquidated or unliquidated, known or unknown, against the Debtor or any of their predecessors or affiliates, and the Buyer shall have no successor liability to the extent this Court has the authority to order same under applicable law.

8. Pursuant to sections 365(b), (c) and (f) of the Bankruptcy Code, and subject to this Order, the Debtor is authorized to assume and assign the executory contracts as were identified on the Notice of Intent to Assume (hereinafter referred to collectively as the "Assumed Contracts"), which, consistent with the APA and this Order, are those identified in the APA (as such terms are defined in the APA) designated for assignment to the Buyer pursuant to the APA, subject to the procedures established in the Bid Procedures Order.

9. Those Assigned Contracts, to which there has been no objection to assignment, assumption and the Cure Amount (i) shall be deemed assumed and assigned to the Buyer as of the Closing Date and (ii) the Buyer shall be deemed to have provided adequate assurance of its future performance under the relevant Assigned Contracts within the meaning of sections 365(b)(1)(C), 365(b)(3) (to the extent applicable) and 365(f)(2)(B) of the Bankruptcy Code.

10. Upon Closing, the Buyer shall assume full responsibility and liability for all Assigned Contracts, including payment of all Cure Amounts (as have been established in accordance with Cure Notice), and Debtor shall have no further responsibility, financial or otherwise, under any Assumed Contracts for any defaults, breaches or other damages associated with the Assumed Contracts, whether arising or accruing prior to or subsequent to the Closing, except as follows: unless expressly assumed by the Buyer, the Debtor shall be responsible for any additional obligations accruing post petition since the filing of the Sales Motion under the Assigned Contracts through the date of Closing, and a portion of the Purchase Price may be applied to pay the same.

11. On or as promptly after the Closing Date as practical, the Cure Amounts to which no objections have been filed, or to which the Buyer and applicable non-debtor contract party have agreed as to the allowed Cure Amounts, shall be paid.

12. The Buyer shall only be required to assume the Assigned Contracts, subject to the applicable Cure Amounts, and the Debtor shall not be deemed to assume any executory contract that is not assigned to the Buyer.

13. There shall be no rent accelerations, assignment fees, increases or any other fees charged to the Buyer as a result of the assumption and assignment of any Assigned Contract.

14. Pursuant to sections 105(a), 363 and 365 of the Bankruptcy Code, all parties to the Assigned Contracts are forever barred and enjoined from raising or asserting against the Buyer any assignment fee, default, breach or claim or pecuniary loss, or condition to assignment, arising under or related to the Assigned Contracts existing as of the Closing or arising by reason of the Closing, except for any post-petition amounts that are Assumed Liabilities being assumed by the Buyer under the APA. Payment of the Cure Amounts shall be deemed to discharge the Debtor's obligation to: (i) cure, or provide adequate assurance that the Debtor will promptly cure, any defaults under the Assigned Contracts and (ii) compensate, or provide adequate assurance that the Debtor will promptly compensate any non-debtor party to the Assigned Contracts for any actual pecuniary loss resulting from any default under the Assigned Contracts.

15. In accordance with sections 365(b)(2) and (f) of the Bankruptcy Code, upon transfer of the Assigned Contracts to the Buyer, (i) the Buyer shall have all of the rights of the Debtor hereunder and each provision of such Assigned Contracts shall remain in full force and effect for the benefit of the Buyer notwithstanding any provision in any such Assigned Contract or in applicable law that prohibits, restricts or limits in any way such assignment or transfer, and(ii) no Assigned Contract may be terminated, or the rights of any party modified in any respect, including pursuant to any "change of control" clause, by any other party thereto as a result of the consummation of the Transactions.

16. The Debtor shall reject all executory contracts relating to the Distribution Systems that are not Assumed Contracts, pursuant to Section 365 of the Bankruptcy Code, which rejection shall be effective on the Closing Date by serving a Rejection Notice to the holders of those executory contracts that are not Assumed Contracts.

17. The transfer of the Assets to the Buyer pursuant to the APA and this Order constitutes a legal, valid, and effective transfer of the Assets, and shall vest the Buyer with the same right, title and interest of the Debtor in and to the Purchased Assets free and clear of all liens of any kind or nature whatsoever (but for the Assumed Liabilities and the Permitted Liens) notwithstanding any requirement for approval or consent by any entity (as defined in Section 101(15) of the Bankruptcy Code).

18. From and after the entry of this Order, the Debtor, and all third parties with notice of the sale shall not take or cause to be taken any action which would interfere with the transfer of the Assets to Buyer in accordance with the terms of this Order or the APA or the use and operation by the Buyer of the Assets.

19. The transfer of the Assets to the Buyer pursuant to the APA is an exchange for consideration by the Buyer constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession or the District of Columbia.

<u>Additional Provisions</u>

20. On the Closing Date of the Transactions, each of the Debtor's creditors, secured or otherwise, are authorized and directed to execute such documents and take all other actions as may be necessary to release their liens in the Assets, if any, as such Liens may have been recorded or may otherwise exist.

21. If any person or entity asserting a security interest has filed financing statements, mortgages, construction liens, mechanic's liens, judgment liens, *lis pendens*, or other documents or agreements evidencing liens or encumbrances with respect to the Assets, and has not delivered to the Debtor and/or the Buyer prior to the Closing Date, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, and/or releases of all liens which the person or entity has with respect to any of the Assets then (a) the Debtor or the Buyer are hereby authorized and directed to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to the Assets and (b)

the Buyer is hereby authorized to file, register, or otherwise record a certified copy of this Order, which, once filed, registered, or otherwise recorded, shall constitute conclusive evidence of the release of all liens in the Assets of any kind or nature whatsoever.

22. Any notices required to be given to the Debtor's employees pursuant to any federal or state labor or similar laws shall be the sole responsibility of Debtor, and the Buyer shall have no liability for Debtor's failure to do so. Buyer shall have no obligation to pay wages, bonuses, vacation pay, severance pay, benefits of any kind (including without limitation accrued unpaid medical benefits), or incentives, or retention payments, workers compensation, or unemployment benefits or any other payment with respect to employees or former employees of the Debtor.

23. This Court shall retain exclusive jurisdiction to implement and effectuate the provisions of this Order and the APA and to resolve any issue or dispute concerning the interpretation, implementation or enforcement of this Order and the APA and any subsequent agreement as required to be entered into between the Debtor and the Buyer pursuant to this Order, or the rights and duties of the parties hereunder or thereunder, including, without limitation, any issue or dispute concerning the transfer of the Assets free and clear of liens, claims, interests or encumbrances.

24. Any stay, modification, reversal or vacation of this Order will not affect the validity of any obligation of the Debtor to the Buyer incurred under this Order. Notwithstanding any such stay, modification, reversal or vacation, all obligations incurred by the Debtor under this Order and the APA prior to the effective date of such stay, modification, reversal or vacation will be governed in all respects by the original provisions of this Order, and the Buyer is entitled to the rights, privileges and benefits granted in this Order with respect to all such obligations.

25. The transactions contemplated by the APA are undertaken by the Buyer in good faith, as that term is used in Section 363(m) of the Bankruptcy Code. Accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the transactions shall not affect the validity of the Transactions as to the Buyer, except to the extent such authorization is duly stayed pending such appeal prior to such consummation. The evidence presented or proffered has demonstrated that the Buyer is a purchaser in good faith of the Assets and is entitled to all of the protections afforded by Section 363(m) of the Bankruptcy Code.

26. The terms and provisions of this Order shall be binding in all respects upon and shall inure to the benefit of, the Debtor, its estate, and their creditors, the Buyer and its affiliates, successors and assigns, and shall be binding in all respects upon any affected third parties including, but not limited to, all persons asserting liens in such Assets, notwithstanding any subsequent appointment of any Chapter 11 or Chapter 7 trustee(s), upon which such terms and provisions likewise shall be binding.

27. Based upon the evidence presented or proffered, it has been determined that the Buyer shall not be deemed to (a) be the successor in interest of the Debtor; (b) have, de facto or otherwise, merged with or into the Debtor; or (c) be a continuation of the Debtor.

28. The failure specifically to include any particular provision of the APA in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the APA be authorized and approved in its entirety. Likewise, all of the provisions of this Order are non-severable and mutually dependent.

29. The APA and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto, in a writing to be signed by all parties, and in accordance with the terms thereof, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtor's estate.

30. Nothing contained in any plan confirmed in this case or any Order of this Court confirming such plan shall conflict with or derogate from the provisions of the APA or the terms of this Order.

31. The Closing on the Transactions cannot occur without the authority of the state and local governmental jurisdictions from which the Debtor currently has the authority to operate its respective utilities. The Court acknowledges that obtaining such regulatory authority may take a number of months and accordingly, that the Debtor shall be required to continue to operate the Jellico Utility and the Three ABF Utilities until such transfers are approved by the Court.

32. As requested in the Motion, the Debtor is authorized to pay, from the proceeds of the Purchase Price with respect to the respective assets, the amounts owing to the state and local governments for taxes as identified in the motion in reduced amounts as agreed to by the Debtor and by such taxing authorities, up to the amounts as set forth in the Motion without further Order of this Court. Notwithstanding the foregoing, and except for any Permitted Liens, Buyer shall have no obligation to pay any remaining outstanding liabilities of Debtor with respect to any state, local or federal taxes.

33. This Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a). Notwithstanding Bankruptcy Rules 6004(h) and 6006(d), and to any extent necessary under Bankruptcy Rule 9014 and Rule 54(b) of the Federal Rules of Civil Procedure, as made applicable by Bankruptcy Rule 7054, the Court expressly finds that there is no just reason for delay in the implementation of this Order. In the event that all conditions precedent to closing have been met or waived under the APA, the Debtor and the Buyer are hereby authorized to consummate the Transactions upon entry of this Order or as soon as reasonably possible thereafter.

34. In the event that the Buyer does not timely perform, or otherwise fails to close on the Transactions contemplated by the APA, and without otherwise releasing the Buyer from any claims that the Debtor may have under the APA, the Winning Back-Up Bid of Powell Clinch shall automatically be deemed to be the highest and best bid with respect to the Jellico Utility, and the Debtor and Powell Clinch, shall be authorized, but neither required to, close on the sale of the Jellico Utility as is commercially reasonable without further order of this Court, on the terms and conditions set forth in the Winning Back-Up Bid, except as modified herein. Accordingly, in such event, the findings, orders and the provisions of paragraphs 1 through 35 of

this Order with respect to the Buyer and the APA and the consummation of the Transactions shall also be deemed to equally apply to the Winning Back-Up Bidder and the Winning Back-Up Bid on the sale of the Jellico Utility only. Notwithstanding, Powell Clinch's closing on the purchase of the Jellico Utility on the terms and conditions set forth in its Winning Back-Up Bid and herein shall then be at its option and it shall not be obligated to so close, unless it subsequently agrees to do so.

35. Debtor's counsel shall promptly return the Earnest Money Deposits of $50,000 each that counsel received from Powell Clinch and Delta Natural Gas Company, Inc. of Westchester, Kentucky with their bids.

Copies to:

Default List

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(Counsel for Navitas Assets, LLC, Buyer/Winning Bidder)

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Knoxville, TN 37915
(Counsel for Powell Clinch, Winning Back-Up Bidder)

TWENTY LARGEST CREDITORS

Baker & Hostetler
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Sandra Burgin, Executrix
Estate of James D. Burgin
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Crossville, TN 38555-4894

Del Gasco, Inc.
3617 Lexington Road
Winchester, KY 40391

Flatiron Capital
950 17th Street, Suite 1300
Denver, CO 80202

Gatherco, Inc.
5772 Dressler Road NW
Canton, OH 44720

Internal Revenue Service
ACS Support – Stop 813G
PO Box 145566
Cincinnati, OH 45250-5566

Kentucky Department of Revenue
Division of Collections
501 High Street
PO Box 491
Frankfort, KY 40602

Kentucky, City of Albany
PO Box 129
Albany, KY 42602

Pickett County Tennessee
c/o Sue Whited, Clerk and Master
1 Courthouse Square, Suite 203
Byrdstown, TN 38549

Kentucky, Clinton County
c/o Ricky Riddle
100 South Cross Street
Albany, KY 42602

Ohio, Dept. of Taxation
Public Utility Tax Section
PO Box 530
Columbus, OH 43216

Pennsylvania, Commonwealth of
Office of the AG
Financial Enforcement
564 Forbes Avenue, 5th Floor, Manor Comp.
Pittsburgh, PA 15219

Commonwealth of Pennsylvania
Dept. of Revenue, Bureau of Compliance
PO Box 280946
Harrisburg, PA 17128-0946

Potesta & Associates
7012 MacCorkle Avenue, SE
Charleston, WV 25304

Tennessee Dept. of Revenue
Andrew Jackson State Office Building
500 Deaderick Street
Nashville, TN 37242-0700

Campbell County Tennessee
Wm. F. Archer, Clerk and Master
Box 182
Jacksboro, TN 37757

Tennessee, City of Byrdstown
PO Box 325
Byrdstown, TN 38549

Pickett County Tennessee
c/o Sue Whited, Clerk and Master
1 Courthouse Square, Suite 203
Byrdstown, TN 38549

Utility Pipeline, Ltd
Attn: David J. Eigel, President
5900 Mayfair Road
Canton, OH 44720

West Virginia State Income Tax Dept.
Internal Audit Division
PO Box 1202
Charleston, WV 25324-1202

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Utility Operator

Navitas Utility Corporation
[NV] S-corp
50% Thomas Hartline
50% Richard Varner

OPERATING PLT & EQ
- Vehicles
- Heavy Equipment
- Tooling
- Office F&E
- Meters & Regulators

OPERATING W/C
- Inventory
- Prepaids
- Line of Credit

Utility Company

Navitas Assets, LLC [DE]
15% NUC M&M
80% Richard Varner
5% Thomas Hartline

NAVITAS TN NG, LLC

NAVITAS KY NG, LLC

FCFA, LLC [OK]
100% NALLC

TRANSMISSION ASSETS
HP Pipeline – 90mi

DISTRIBUTION ASSETS
2 counties
Pipeline – 620mi
Land

RIGHT-TO-SERVE
Accounts Receivable

PUBLIC GAS ASSETS
2 counties
Krebs – 25mi

VPWA ASSETS
1 county
Velma – 40mi

NAVITAS OK3, LLC [OK]
100% FCFA

CP – RIMROCK ASSETS
4 counties
LP pipeline – 200mi

TKO
1 county
Greenfield – 10mi

KPWA ASSETS
Kinta – 5mi

DPWA ASSETS
1 county
Dustin – 10mi

LEANN DIVISION ASSETS
6 counties
150mi

NAVITAS 1, LLC [DE]
100% FCFA

NAVITAS-WINSTAR, LLC [OK]
61% FCFA
39% CTUA

GREENFIELD PROJECT
1 county
Thackerville – 16mi

Navitas Companies

EXHIBIT
6

Competitive Energy For Rural America

Management

Richard Varner - CEO

Mr. Richard Varner brings over 31 years of petroleum industry experience to the Navitas Companies. He has held positions in a number of downstream and midstream operations as well as being involved directly in oil and gas producing entities.

Varner, a native of Wichita, Kansas, attended the University of Nebraska on a full athletic grant-in-aid, receiving a Bachelor's degree in Business Administration in 1976. He received his MBA from the University of Kansas in 1978.

Upon graduation Varner worked on the crude petroleum trading desks for the Coastal Corporation in the U.S. and Europe. In addition he served as an equity partner and trader at Questor Petroleum, and held trading positions at Avant Petroleum, a wholly owned subsidiary of Mitsui & Company, USA.

In 1982 Varner returned to the Coastal Corporation to head domestic crude oil operations, and helped form and run its commodity trading operations, during this period and served on NYMEX crude oil contract advisory committee.

Varner transferred to the U.S. West Coast as head of Coastal's West Coast refining and marketing subsidiary, Pacific Refining Company. During this assignment as Pacific's CEO, The Coastal Corporation and The China National Chemical Import and Export Company, (SINOCHEM) formed a joint venture to own and operate the Pacific Refining Company. Varner chaired this organization until leaving in 1991 to form and own Newport Petroleum, Inc.

Newport Petroleum was primarily engaged in the marine transportation, and terminalling of petroleum products along the West Coast of the United States, Canada, Mexico and Hawaii. Newport Petroleum eventually grew its operations to include 9 ocean-going tug and barge units, with primary operators in Alaska, California, and Washington. Cabrillo Shipping, an affiliated company, was the first container-on-barge operation between the ports of Los Angeles/Long Beach and Mexico.

Since the sale of Newport Petroleum in 2003, he has actively been involved in the acquisition of LDC and pipeline assets in the natural gas industry through Navitas Utilities, LLC.

Thomas Hartline - President

Growing up in the farming community of Bakersfield, Calif. gave Thomas Hartline a strong affinity for rural America. Working for 20 years in the energy and heavy construction industries provided him the insight to know that energy is the measure and blood of a modern society.

Hartline was aware that America's rural populations had declined steadily since the end of World War II. He decided to use his education and experience to breathe new life into small-town infrastructure and fill a need not being met by major utility companies, which are better equipped to serve larger cities.

In 2007, Hartline and his business partner Richard Varner formed The Navitas Companies in Irvine, Calif. to make strategic investments in the energy assets of rural America's communities. Their mission was to acquire existing utilities and bring them up to standards necessary for homeowners and farming operations to thrive and for businesses and factories to locate in and utilize the stable and talented farming community workforce.

The Navitas Companies consist of two entities, Navitas Assets, LLC (NALLC), an energy assets holding company designed to develop energy projects and to physically operate energy assets, and Navitas Utility Corporation (NUC), which provides administration, operational and support services to utility companies.

NALLC's first acquisition in May 2007 was Fort Cobb Fuel Authority serving 1,500 customers in Caddo and Washita Counties of Oklahoma with 600 miles of natural gas distribution pipeline. Since then, NALLC has acquired seven additional systems in communities throughout Oklahoma totaling 1,200 miles of pipeline, serving 4,500 customers. The company's growth strategy includes expansion into additional underserved Oklahoma markets, as well as other states across America.

One of NUC's priorities is to utilize, through renovation, existing buildings to serve as the company's satellite offices, while preserving their local flair and historic value. Hartline believes that by successfully investing in these communities, NUC is helping rural towns create an environment where new businesses can locate. "All that's needed is a small seed of investment to create a new sense of business growth," he said.

Prior to forming The Navitas Companies, Hartline worked as a consultant in the energy industry where he learned to navigate the heavily regulated environment of energy utilities. He held nearly every position as a contractor, from a union apprentice operator to director.

At TDH Construction Consulting in Lake Forest, California, Ha

EXHIBIT

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International. The project was designed to improve supply flow for the land-locked nation of Uganda to help spark new economic development. He also implemented the turnaround management and divestiture of a Chilean pipeline subsidiary ARB Chile Ldta, as well as turnaround management of operations and divestiture for a Guyana mining subsidiary of Rock Creek Energy. He arranged for more than $100 million in asset-backed new loans for numerous entities.

While at TDH, Hartline also worked on a long-term consulting assignment with Stockdale Investment Group. This included extensive work on the development of Mammoth Lakes Gas Distribution System in California. This unregulated propane-based system delivers more than a half-million gallons per year to residential and commercial customers in a mountain resort community. Over the five-year assignment revenue from the addition of new businesses and homes tripled from $250,000 to $750,000, and earnings increased ten-fold from $25,000 to $250,000.

Prior to his work in the energy field, Hartline worked for the Bay Area branch of Granite Construction Company as a senior large jobs estimator and project manager.

Hartline earned a Bachelor of Arts in liberal studies from California State University, Bakersfield. He holds a Master of Construction Management from the University of Southern California and a Master of Business Administration from the University of California, Irvine. He is a licensed general engineering contractor and a citizen of the Chickasaw Nation.