

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

MARTIN GAS, INC., FOR AN)
ADJUSTMENT OF RATES) CASE NO. 9291

O R D E R

On March 31, 1985, Martin Gas, Inc., ("Martin") filed an application with the Public Service Commission ("Commission") seeking \$32,301 in additional annual revenues. Martin cited the poor condition of its plant which is requiring additional revenues to effect repairs to the system to reduce excessive line loss. The Commission conducted an investigation and a hearing into the reasonableness of the proposed increase with the Attorney General of the Commonwealth of Kentucky, through its Utility and Rate Intervention Division and the City of Martin, Kentucky, intervening in the matter. On December 20, 1985, the Commission issued an Order granting additional revenues of \$15,306 annually.

On January 14, 1986, Martin filed an application for rehearing or reconsideration seeking the Commission's review of its disallowance of Martin's proposed adjustment of \$15,500 for repairs and maintenance to reduce excessive line loss. Martin also sought reconsideration of the Commission's Order requiring Martin to escrow funds collected from the cost recovery of line loss in excess of the 5 percent allowable for typical rate-making purposes.

The Commission's intent in requiring the funds from excessive line loss cost recovery to be placed in escrow was to provide adequate accountability of these funds. In review, however, it appears that the requirements of a monthly report and the crediting of these funds to customers' advances for construction as described by the Commission's Order of December 20, 1985, provides adequate accountability of cost recovery of excessive line loss.

It its Order of December 20, 1985, the Commission denied Martin's proposed adjustment of \$15,500 annually for maintenance and repairs on the basis that the adjustment lacked sufficient detailed support and lacked any cost of service benefit which should result from the \$15,500 increase in annual expenditures for repairs and maintenance. In its application Martin cited several places in the evidence of record where it felt that the need for the \$15,500 annual expenditure for repairs and maintenance was adequately documented. Martin further stated, "...Martin's unaccounted-for-gas percentage will be reduced...". It is primarily the unquantified and undocumented benefit arising from the increase in repairs and maintenance which was the basis for the Commission's denial of the \$15,500 in additional annual revenues.

Nonetheless, the Commission is aware of the condition of Martin's utility plant in service and is aware that Martin is currently in receivership. Therefore, the Commission is of the opinion that Martin should be granted \$15,500 in annual revenues to effect repairs to its system to reduce excessive line loss.

However, the Commission is further of the opinion that certain accounting and engineering monitoring is necessary to ensure that the benefits arising from the increase in repairs and maintenance expense will accrue to the ratepayers. The Commission is currently developing specific plans for the use of these proceeds in the system improvements. A further Order will follow which will address the exact use of the proceeds.

The Commission is of the opinion that the additional annual revenues of \$15,500 should be billed to each of Martin's customers as a monthly surcharge clearly identified as a temporary surcharge to reduce line loss. The surcharge collected must be deposited in a separate escrow account until such time as plans to reduce excessive line loss are finalized and a further Order is issued. The surcharges collected shall be accounted for in Account 128, Other Special Funds, and these surcharges shall be accounted for as Customer Advances for Construction in Account 252 and not as a revenue. The surcharge shall continue for no longer than 12 months from the date of this Order and no monies shall be expended from the escrowed surcharge until authorized by the Commission in the subsequent Order. The Commission is further of the opinion that Martin shall file monthly reports of the amount of surcharge billed, collected and deposited in escrow.

FINDINGS AND ORDERS

The Commission, after examining the evidence of record, is of the opinion and finds that:

1. A hearing in this matter is not necessary.

2. The requirement of placing funds collected from excessive line loss cost recovery in escrow as stated in the Order entered December 20, 1985, is unnecessary and should be amended.

3. Additional revenue of \$15,500 on an annual basis for a 1-year period for repairs and maintenance is necessary to reduce excessive line loss.

4. The additional revenues of \$15,500 annually should be billed as a temporary monthly surcharge.

5. The temporary surcharge should be separately identifiable on each customer's monthly bill.

6. The temporary surcharge should continue for no longer than 12 months from the date of this Order.

7. The collections of the temporary surcharge should be deposited in a separate escrow account.

8. The temporary surcharge collected should be accounted for in Account 128, Other Special Funds.

9. Specific engineering plans to use the proceeds of the surcharge to reduce excessive line loss will be addressed in a subsequent Order.

10. No expenditure should be made from the funds placed in escrow or Account 128 until authorized by the Commission in a subsequent Order.

11. Martin should file monthly reports of the amount of the temporary surcharge billed, collected and deposited in the separate escrow account.

12. The temporary surcharge billings should be accounted for as Customer Advances for Construction in Account 252 and not as a revenue item.

13. Martin should file its amended tariff within 30 days of the date of this Order.

IT IS THEREFORE ORDERED that:

1. Martin shall not be required to place monies collected from excessive line loss cost recovery in escrow.

2. Martin shall be granted additional revenues of \$15,500 on an annual basis.

3. The additional revenues of \$15,500 annually shall be billed as a temporary monthly surcharge.

4. The temporary surcharge shall be separately identifiable as a temporary surcharge on each customer's bill.

5. The temporary surcharge shall continue for no longer than 12 months from the date of this Order.

6. Collections of the temporary surcharge shall be deposited in a separate escrow account.

7. Collections of the temporary surcharge shall be accounted for in Account 128, Other Special Funds.

8. No expenditures shall be made from the funds placed in escrow or Account 128 until authorized by the Commission in a subsequent Order.

9. The temporary surcharge billed shall be accounted for as Customer Advances for Construction in Account 252 and not as a revenue item.

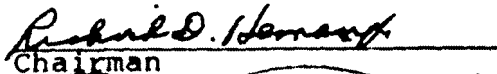
10. Martin shall file monthly reports of the amount of the temporary surcharge billed, collected and deposited in the separate escrow account.

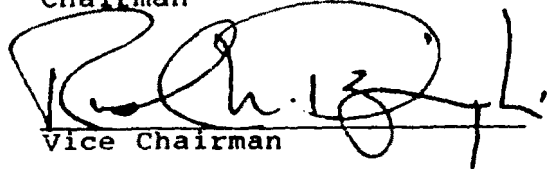
11. All aspects of the Commission's Order of December 20, 1985, not specifically amended, remain in full force and effect.

12. Martin shall file its amended tariff within 30 days of the date of this Order.

Done at Frankfort, Kentucky, this 31st day of January, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE

COMMISSION IN CASE NO. 9291 DATED

January 31, 1986

The following rates and charges are prescribed for the customers served by Martin Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

The following temporary surcharge is in addition to the current monthly rates and charges as on file with the Kentucky Public Service Commission and is to be in effect for a period of no longer than twelve months from the date of this Order. The temporary surcharge is to be set out as a separate item on all bills.

RATES: Monthly

Temporary Surcharge

\$3.12 per month