

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF THE RATES OF)
MIKE LITTLE GAS COMPANY, INC.,) CASE NO. 9535
FOR AN INCREASE IN GAS RATES)

O R D E R

IT IS ORDERED that Mike Little Gas Company, Inc., ("Mike Little Gas") shall file an original and 7 copies of the following information with this Commission, with a copy to all parties of record, by July 8, 1986, or within one week after the date of this Order, whichever is later. Include within the response to each item the name of the witness who will be available at the public hearing to testify on that particular issue. Careful attention should be given to copied material to ensure that it is legible. In the event the requested information is not available, Mike Little Gas shall state explicitly why the information cannot be furnished. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. For each full-time and part-time employee, including officers and managers, provide the following information:

- a. The name, title and total compensation received during the test period. Include a description and the amount of any fringe benefits paid.

- b. Total number of regular and overtime hours worked.
- c. A complete description of the duties and responsibilities.
- d. An analysis showing changes in the level of wages and other compensation from January 1, 1985, to the present. The analysis should include the date, the amount and the percentage of each change.
- e. For each hourly employee, indicate the number of regular and overtime hours pertaining to each wage scale in effect during the test year.
- f. Indicate to which account, and the amounts, each employee's wages and/or salary was changed to during the test year.
- g. Provide an analysis showing the amount of wages expensed and amounts capitalized.
- h. Provide a copy of each employee's 1985 W-2 statement.

2. With reference to the manager's annual salary of \$18,000, state how this amount was determined relative to salaries received for other companies owned or managed. State the additional duties and responsibilities applicable to Mike Little Gas that require greater compensation.

3. With reference to item #2a of the Commission's first request, for each of the following check numbers, indicate the purpose for which the payment was made, state whether the checks

were uncashed as of the date of this request, and the date by which the checks are expected to be cashed: #6379, #6419, #6605, #6610, #6611, #6612, #6613, #6614, #6615 and #6616.

4. With reference to item 2b of the Commission's first information request, provide the following information:

- a. State why Mike Little Gas paid for expenses and debts of Phelps Gas Company and Elzie Neeley Gas Company.
- b. State whether interest is being charged for the use of these funds.
- c. Provide any evidence deemed appropriate as to why an interest income adjustment should not be made to reflect the income that could have been earned if these funds had been maintained in an interest-bearing account.

5. With reference to item #2c of the Commission's first request, state the purpose for which the engineering expenses of \$7,500 in 1983 and \$8,937 in 1984 were incurred.

6. With reference to the response to item #5b, the \$6,350.86 invoice from Hall Clark Insurance Agency contained therein, provide the following information:

- a. State the purpose for which the audit was for.
- b. State the amount allocated to each company affected and explanation how the allocated amount was determined.

- c. State the date of the most recent audit of this type and the date which the next such audit is expected to be performed.

7. With reference to the response to item #5d of the Commission's first request, explain why the invoices/bills provided amount to substantially less than the reported transportation expense of \$5,066.

8. With reference to the \$9,885.65 in interest expense charged to Account No. 930.2 (Miscellaneous General Expenses) during the test year, provide the following information:

- a. Explain why the amount was recorded in Account No. 930.2.
- b. Page 7 of the Annual Report does not indicate a debt to First Commonwealth Bank; explain why this debt was not disclosed.
- c. State the original amount of the loan, the date of the loan, the interest rate, the term of the note and any other relevant terms regarding repayment of the loan.
- d. State the purpose for which the debt was incurred.

9. With reference to item #6 of the Commission's first request, provide the following information:

- a. Provide the calculation showing the derivation of the \$750 monthly rent as determined by pro-rating space used by gas companies and customers' ratio of each.

- b. Explain why the number of customers served by a company is a sound basis for determining rent.
- c. State what costs (water, electricity, etc.) are included within the rent.
- d. Explain what additional assets or benefits are provided to Mike Little Gas which justify a higher rent charge than for smaller companies occupying the same office space.

10. With reference to the response to item #7 of the first request, provide the following information:

- a. State whether any of the stolen cash was recovered.
- b. State whether insurance reimbursement was received on the theft. If so, state the amount; if not, explain why not.
- c. Inasmuch as Phelps has not proposed to eliminate this expense, provide any evidence deemed appropriate as to why a cash theft from Phelps' office should be borne by the ratepayers.

11. With reference to item #8 of the first Commission's request, explain the circumstances resulting in the \$25,000 investment in Elzie Neeley Gas Company. Include the date, form and reason for the investment. Also, provide an analysis showing all returns earned on the investment since the date of the investment.

12. With reference to the response to item #9a of the Commission's first request, Exhibit 5, page 2, of the application

and the 1985 Annual Report, page 7, provide the following information:

- a. Explain why the amounts of the notes listed in the response to item 9 of the first information request and the 1985 Annual Report are different from the amounts listed in Exhibit 5, page 6.
- b. Explain why the payees listed in the response to item 9 of the first information request and the 1985 Annual Report are different from the amounts listed in Exhibit 5, page 6.
- c. State which of the lists was correct as of November 31, 1985.
- d. State which of the lists was correct as of the time of the filing.
- e. If neither of the lists was correct as of the above dates, provide the correct listings.
- f. Provide the workpapers supporting adjustment 6 of the application, the \$2,815 adjustment to interest expense.

13. Explain why bad debts expense was accounted for as an offset against sales rather than as a change to Account No. 904, Uncollectable Accounts.

Done at Frankfort, Kentucky, this 26th day of June, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Hemmick

For the Commission

ATTEST:

Secretary