

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF THE)
PHELPS GAS COMPANY, INC.) CASE NO. 90-078

O R D E R

IT IS ORDERED that Phelps Gas Company, Inc. shall file the original and 9 copies of the following information with this Commission, with a copy to all parties of record. Careful attention should be given to copied material to make certain that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than ten days after the date of this Order.

1. Explain how the test year monthly rent expense of \$350 per month was determined and provide all justification available for this level of rent, including all cost of market basis for the cost.

2. With respect to the balance sheet filed with the application in this rate case, explain the necessity of the \$25,000 Account Payable to the Mike Little Estate dated December 27, 1989. Further, explain how the interest rate of 10 percent on this

account was arrived at and when payment of the balance is expected to be made.

3. With respect to reported test year expenses:

a. Provide an explanation of how common office costs are allocated among the four businesses operating out of the jointly used office space. Specifically, explain the methodology used to allocate the telephone, electricity, and heating costs of the office.

b. Explain the basis for the level of compensation to Daniel Greer. In this response, specify the salary determination and the responsibilities of the position he now holds.

4. With reference to the Pro-Forma Statement, provide all supporting documentation, calculations and the basis for each adjustment. Also, explain how each adjustment is considered a "known and measurable" change.

5. With regard to events occurring after the end of the test year and included in the Pro-Forma adjustments requested:

a. Provide a detailed record of payment made to Marshall and Stevens. Provide a breakdown between the costs incurred for the reproduction cost appraisal and the appraisal done for estate tax purposes. With regard to these charges, explain the methodology used to allocate these costs among the parties responsible for these charges.

b. Provide details of the arrangement made with regard to the Merrill Lynch account including:

(1) In whose name the account is established.

(2) The person(s) authorized to access the account.

(3) Explain how deposits into the account are made.

(4) Explain how the costs and incomes to and from the account will be allocated among the entities depositing funds into the account.

6. The financial exhibits included in this rate case indicate that account titles other than those included in the Uniform System of Accounts for gas utilities are being used for financial reporting purposes. Explain the circumstances that necessitate the use of these accounts as opposed to the accounts required by the Commission.

7. Reference the Monthly Service Charge.

a. Give specific details of "monthly billing services, equipment rental and monitoring" contained in this charge. Justify the specific charge per month in the test year and provide justification for any proposed increases.

b. Does Phelps propose to retain the nonrecurring charges currently in its tariff? Does the monthly service charge duplicate any of the nonrecurring charges? Provide specific information.

8. Reference Exhibit 4, Part C, Billing Analysis.

a. Provide specific and detailed workpapers showing how these figures were computed. Test-year sales shown on this exhibit do not agree with the annual report. Explain.

b. Explain how the estimated 1990 purchases and proposed revenue were computed. Use workpapers to track from test-year data and show specific adjustments.

c. For the test year, show the number of customers at each level of usage, the number of MCF used and the amount of this bill. Using the same information, set up a comparison of rates in the test year and proposed rates at the same level of gas usage, and the total gas revenue produced by each.

9. Reference page 3 of the application. Provide a detailed explanation of the statement "during 1989 the company experienced a gain of only \$54."

10. Reference page 5 of the application.

a. Provide computations to show how the \$.16 per MCF surcharge was derived.

b. Show how the 117 MCF claimed as a flood loss was computed.

11. Reference the Pro Forma Adjustments.

a. Provide workpapers to show test-year sales and a pro forma adjustment for the purchased gas adjustment ("PGA") in Case No. 9911-H, if any.

b. Were test-year gas purchases adjusted to the gas costs in PGA Case 9911-H? If not, why?

12. Reference Table 1 to Footnotes, Projected 1990 Sales and Purchases. Why is a 7 percent line loss being used?

13. Give specific details of how Phelps computed test-year late payment penalties of \$2,223.79.

14. Provide a workpaper showing the number of customers for each month of the test year.

15. Explain the balance in the unrecovered gas cost account. Has this amount been refunded to the customers?

Done at Frankfort, Kentucky, this 29th day of May, 1990.

PUBLIC SERVICE COMMISSION


Robert M. Davis
For the Commission

ATTEST:


Lee M. MacCubben
Executive Director