

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF BELFRY GAS,            )  
INCORPORATED AND FOR AUTHORITY TO            ) CASE NO. 93-111  
INCUR ADDITIONAL INDEBTEDNESS                )

O R D E R

IT IS ORDERED that Belfry Gas, Incorporated ("Belfry") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure 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 within 20 days of the date of this Order.

The following questions pertain to Belfry's request for authority to borrow \$300,000. Additional requests for information regarding the rate application will be forthcoming.

1. Provide the Monthly Report on Surcharge and Gas Purchases for each month December 1992 through March 1993 as ordered in Case Number 89-068.

2. Refer to Exhibit 13, page 1 of 1 of the application. Provide a detailed breakdown of the \$95,000 accounts payable for 1992 natural gas purchases. This breakdown should include a list of vendors to whom payment is due, the amount owed to each vendor (showing any penalty or interest separate from the actual gas purchases) on both a monthly and cumulative basis and any payments made on those accounts. Include with this response copies of each invoice received from the natural gas supplier and each check tendered in full or partial payment of the invoice(s).

3. Refer to Exhibit 13, page 1 of 1 of the application. Provide a detailed breakdown of the accounts payable totalling \$108,266.18 outstanding to Kinhag. This breakdown should include on a monthly basis the mcfs purchased by Belfry, the cost billed per mcf by Kinhag and any interest and/or penalties accruing in the total balance outstanding. Include with this response copies of each invoice received from Kinhag and each check tendered in full or partial payment of the invoice(s).

4. State whether the amounts owed to Kinhag include purchased gas costs for which recovery has previously been either denied or approved for recovery through the surcharge established in Case No. 89-068. Provide the amount previously included.

5. State whether Belfry is proposing to abolish the surcharge approved in Case No. 89-068.

6. Provide a detailed analysis of the gas purchases account beginning with the first month of the surcharge. This analysis should separately show beginning balances due to each supplier, monthly purchases, monthly payments, the mcf's purchased each month, and the cost per mcf for each month.

7. Provide copies of any and all current contracts entered into by Belfry for the purchase and transportation of natural gas.

8. Provide the city gate delivered price of gas from Columbia Gas Transmission Company to Belfry during the test year on a per mcf basis. Additionally, provide a breakdown of this per mcf price between the cost of the gas and the cost of transportation.

9. Provide a full explanation of the relationship between Kinhag and Belfry including any common ownership or family relationships between the owners of Belfry and Kinhag.

10. Provide a detailed narrative explanation for Belfry's apparent practice of deferring payment of purchased gas when the utility is entitled to recover 100 percent of its prudent gas costs through the purchased gas adjustment clause.

11. Provide a detailed narrative explanation as to why the extra debt service costs related to debt incurred to repay past due gas purchases should be included in the reasonable level of expenses for rate-making purposes. This explanation should address whether, in the utility's opinion, this would or would not represent retro-active rate-making.

12. Explain how the debt service payments would be made on the loan acquired to pay the arrearage to Kinhag if the Commission does not include recovery of these costs for rate-making purposes.

13. Refer to Exhibit 13, page 1 of 1 of the application. Provide a complete explanation and all supporting documentation for the \$769.41 additional payment to be made to Kinhag.

14. Refer to Item 6 of Exhibit 2, page 1 of 1 of the application. Provide a copy of the note outstanding to the First National Bank of Pikeville in the original amount of \$240,290.83. Additionally, provide the most recent interest rate being applied to the loan and the frequency with which the interest rate is changed.

15. Provide a net present value analysis showing any savings to the utility that will result from the proposed refinancing.

16. Provide a complete detailed breakdown of the sources of the collateral for the proposed \$300,000 loan from the First National Bank of Pikeville.

17. Refer to Exhibit 16 of the application. This loan confirmation letter from the bank indicates that the purpose of the loan is for System Replacement and Improvement and also Debt Restructuring. However, Exhibit 14, page 1 of 1, indicates that the proceeds will be used only to refinance existing long-term debt and past due gas purchases. State what system replacements and improvements the bank is referring to.

18. Refer to Exhibit 6, page 1 of 1 of the application. Reconcile the 1992 test year interest expense totalling \$5,711.12

with the interest expense totalling \$9,252.53 as shown on Exhibit 4 page 1 of 1. Provide all supporting documentation and workpapers used in this reconciliation. Additionally, if errors are uncovered as a result of this reconciliation, provide corrected exhibits to the application.

Done at Frankfort, Kentucky, this 7th day of May, 1993.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director