

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ALTERNATIVE RATE FILING OF)
BURKESVILLE GAS COMPANY, INC.) CASE NO. 2000-158

O R D E R

IT IS ORDERED that Burkesville Gas Company, Inc. ("Burkesville Gas") shall file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due no later than 10 days from the date of this Order. 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 person 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 herein has been previously provided in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Provide a billing analysis for calendar year 1999 by customer class, showing revenues, Mcf sales, and number of bills rendered.

2. Provide a schedule that lists the number of customers by customer class (residential, commercial, industrial) by month for January through December 1999 and January through March 2000.

3. Refer to the schedule entitled "Gas Account-Natural Gas" on page 15 of the 1999 annual report of Burkesville Gas. Reported gas delivered equals the quantity reported as Mcf sales of 46,106 Mcf on the income statement included in the annual report. Were no line losses experienced for 1999? Provide a detailed explanation.

4. Refer to page 9 of Burkesville Gas's 1999 annual report to the Commission.

a. Does the \$338,742 in Total Gas Service Revenue include revenue from actual gas sales only? Explain the answer in detail.

b. Are other miscellaneous revenues such as delinquent service charges, reconnection fees, etc., included in the \$338,742 reported as Total Gas Service Revenue? If yes, provide the amounts of such revenues.

5. See Attachment 1 of Burkesville Gas's application, "Actual Income (&) Expenses (for the) Year Ending December 31, 1999." Increases to expenses shown for Accounts 730 and 753, Natural Gas Purchases and Transmission Fee, respectively, are part of gas costs. Recovery of such items should be requested as part of a filing according to Burkesville Gas's Gas Cost Recovery ("GCR") mechanism. Explain why increases to these costs are included in this general rate increase request.

6. Burkesville Gas has not filed a GCR Adjustment for the last two quarters. Explain why no filing has been made.

7. Provide a schedule summarizing Burkesville Gas's pro forma adjustments to revenue and expenses by account. Using the summary schedule total, adjust the 1999 net operating income and provide a revenue requirement determination that reconciles to Part III.3. of Burkesville Gas's Application. Burkesville Gas's application does not include supporting documentation for Part III.3., "Total amount of increased revenue requested" in the amount of \$151,336.

a. Provide supporting calculations for the adjustments included in the application, Attachment 1, under the "Favorable (Unfavorable)" budget variance column.

b. In addition to preparing a revenue requirement determination, Burkesville Gas should explain its methodology used to make this calculation. The methods permitted by the Commission include the operating ratio method, the debt service coverage method, a times interest earned ratio ("TIER") method, or some form of a rate of return method. Provide a complete explanation of the method selected and the basis for the required level of return.

8. Refer to Attachment 1 of Burkesville Gas's application at page 1 of 2. Provide supporting documentation for Burkesville Gas's proposed outside services employed for accounting fees in the amount of \$11,916. The CPA's monthly billing of \$600 comprises \$7,200 of this total, according to the application. Describe the accounting services included in the actual 1999 amount of \$4,716 that are not covered by the CPA's retainer.

9. Refer to Attachment 1 of Burkesville Gas's application at page 1 of 2. Provide supporting documentation for Burkesville Gas's proposed outside services

employed for legal fees in the amount of \$6,000. Describe the annual legal services Burkesville Gas requires totaling \$6,000.

10. Refer to Attachment 1 of Burkesville Gas's application at page 2 of 2. Provide a description of the expenses included in Sub-Account 42601, Travel, under the Account Number 426, Non-Utility Deductions in the amount of \$5,552.

11. Refer to Attachment 1 of Burkesville Gas's application at page 2 of 2. Provide a loan amortization schedule of the indebtedness to support the loan interest Sub-Account 42702, under the Account Number 427, Interest Expense, in the amount of \$15,528.

12. Provide a list of Burkesville Gas's shareholders. List any affiliates of Burkesville Gas and fully describe the relationships between companies. Include detailed explanations of common or joint-cost allocations and pricing of inter-company transactions where services are performed or goods are sold.

13. Refer to Burkesville Gas's application at Attachment 5, the loan "Modification Agreement" and the loan "Assumption Agreement."

a. Explain in detail the capital transaction that took place in 1999 and that is identified by the loan "Modification Agreement" and the loan "Assumption Agreement." Include a discussion of any impact the forgiveness of debt to Ken-Gas of

Kentucky, Inc. by the Small Business Administration and Bank of Clinton County has had on the transaction since Case No. 92-178¹ and Case No. 90-294,² respectively.

b. Provide all journal entries made to Burkesville Gas's general ledger in 1999 that relate to the above-mentioned loan "Modification Agreement" and loan "Assumption Agreement." Include an explanation of the purpose for each journal entry.

14. According to your 1999 annual report to the Commission, the schedule entitled "Gas Utility Plant in Service" showed retirements from Account Number 376, Mains, in the amount of \$180,449. These retirements represent an excess of 25 percent of Burkesville Gas's beginning of the year account balance for 1999. Explain in detail what occurred to bring about the retirement of such a significant portion of a single asset class in one year.

a. Was there a corresponding adjustment to the retirement of Gas Utility Plant in Service for the Accumulated Provision for Depreciation? If yes, explain why the amount was not separately stated on Burkesville Gas's 1999 Annual Report to the Commission on page 6, schedule entitled "Accumulated Provision for Depreciation, Depletion and Amortization of Gas Utility Plant."

b. Explain whether Burkesville Gas recognized or realized gain or loss on the Gas Utility Plant retirements and where the gain or loss was reported on Burkesville Gas's Statement of Income in its 1999 annual report to the Commission.

¹ Case No. 92-178, Burkesville Gas Company, Inc., Ken-Gas of Kentucky, Inc., and Ken Turner, Alleged Violation of KRS 278.300, Order dated October 28, 1992.

² Case No. 90-294, The Application of Burkesville Gas Company, Inc. for Approval of the Transfer and Sale of Ken-Gas of Kentucky, Inc. and Application of Burkesville Gas Company, Inc. for an Order Authorizing the Creation and Issuance of \$1,300,000 of Long Term Instruments of Indebtedness, Order dated February 21, 1991.

c. Provide all journal entries related to the retirements of the Gas Utility Plant, including any adjustments that have an impact on the statement of income.

Explain the purpose of each journal entry.

Done at Frankfort, Kentucky, this 18th day of May, 2000.

By the Commission

ATTEST:

Deputy W. H. Fowler
Executive Director