COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|---|
| THE APPLICATION ON BEHALF OF | ) | |
| BURKESVILLE GAS COMPANY, INC., FOR | ) | CASE NO. |
| AUTHORITY TO ISSUE PROMISSORY NOTE | ) | 2000-159 |
| EVIDENCING INDEBTEDNESS $103,000 | ) | |
| PAYABLE OVER 102 MONTHS | ) | |

## DATA REQUESTS OF COMMISSION STAFF

Burkesville Gas Company, Inc. ("Burkesville Gas") is requested, pursuant to 807 KAR 5:001, to 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 on or before June 15, 2000. 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 copy of Burkesville Gas's "book" depreciation schedule for the year ended December 31, 1999. Include in the depreciation schedule or supplemental schedule the following details.

a. Individual asset description.

b. Date placed in service.

c. Original cost.

d. Useful life.

e. Method of depreciation.

f. Depreciation expense.

g. Accumulated depreciation.

2. Provide a copy of the agreement between Burkesville Gas and Ken-Gas of Kentucky, Inc. ("Ken-Gas") to purchase and sell the gas utility plant in 1992.

a. Include any attachments or schedules to the agreement showing the assets acquired and the values assigned to them.

b. Provide a copy of Ken-Gas's depreciation schedule used to record the original cost to the first user of the gas utility plant and accumulated depreciation up to the time of the acquisition of the assets by Burkesville Gas.

3. The Commission's Financial Audit Branch issued an audit report of Burkesville Gas for the year ended December 31, 1996. Were the adjusting journal entries that were contained in the audit report posted to Burkesville Gas's books?

a. Explain when the adjustments were made to Burkesville Gas's books and provide a copy of the adjusting journal entries complete with account numbers.

b. Were the Financial Audit Branch's recommended changes to the estimated useful lives of Burkesville Gas's utility plant made for computing depreciation expense and accumulated depreciation? Describe the changes made. Include the plant account number and tie the changes to the year of original entry. Explain why any recommended changes were not made.

4. For the years 1995 through 1998, the Commission's Annual Report Branch noted errors in the original filings of the annual reports to the Commission. Revised annual reports were required. The most frequent error was a failure to reconcile current year Retained Earnings with the prior year ending balance. Provide a schedule reconciling Retained Earnings according to the "revised" annual reports filed with the Commission from December 31, 1995 through December 31, 1999. Provide a detailed explanation of the reason for any annual differences other than the "Balance Transferred From Income."

5. Refer to the summary schedule included in Burkesville Gas's response to the Commission's May 5, 2000 deficiency letter, which includes the column headings "Note Amount" and "Covered by Invoices" for 1996 through 1999.

a. The annual totals of amounts "Covered by Invoices" are $12,215.82, $9,070.89, $24,822.28 and $38,714.85. Provide details of the accounts charged for the amounts incurred annually for the referenced years. Explain the purposes of the transactions.

b. If any of the assets are not included in gas utility plant in service at December 31, 1999, explain why it is not.

c. Provide annual reconciliations for the amounts “Covered by Invoices” to the annual additions and retirements per Burkesville Gas’s 1996, 1997, 1998 and 1999 annual reports to the Commission on the schedule on page 5 entitled “Gas Utility Plant in Service.” Explain any differences.

d. Provide a schedule of any “Adjustments – Increase or Decrease” per Burkesville Gas’s 1996, 1997, 1998 and 1999 annual reports to the Commission on the schedule on page 5 entitled “Gas Utility Plant in Service.” Describe the reason in detail for each adjustment and provide the accounts charged for the corresponding adjustments.

e. Was there a written agreement for the monies advanced by Consolidated Financial Resources, Inc (“CFRI”) for each “Note Amount” on the summary schedule included in Burkesville Gas’s response to the Commission’s May 5, 2000 deficiency letter? If no, explain why in detail. If yes, provide copies of the notes or other written agreements.

6. Provide a schedule comparing Burkesville Gas’s December 31, 1999 total capital with its December 31, 1999 rate base.[1] Total capital should include proprietary capital (common stock plus retained earnings) and debt capital (long-term debt).

a. Include comparisons of total capital to rate base with and without the financing from CFRI included as long-term debt.

[1] Utility rate base should include Plant in Service, less Accumulated Depreciation, plus Materials and Supplies, plus Prepayments, plus a cash Working Capital Allowance [(Operating and Maintenance Expenses less Purchased Gas and Transmission Expenses) times 1/8], less Customer Advances for Construction.

b. Explain how Burkesville Gas's rate base at December 31, 1999 supports the financing from CFRI for which approval is requested.

c. If its total capital (including financing from CFRI) exceeds rate base, explain why the difference exists.

d. If its total capital (including financing from CFRI) exceeds rate base, explain why Burkesville Gas should be permitted to secure this additional long-term financing.

7. In its annual report to the Commission for the calendar year 1998 Burkesville Gas reported a year end balance of $859,185 for total long-term debt compared to $629,909 for the year end December 31, 1999. Provide a detailed explanation of the long-term debt reduction that occurred during the 1999 calendar year.

Martin J. Huelsmann
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602