

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

ADJUSTMENT OF RATES OF ERI-GEK SEWER)
TREATMENT PLANT UNDER KAR 5:076)
ALTERNATE RATE ADJUSTMENT PRO-) CASE NO. 8649
CEDURE FOR SMALL UTILITIES)

O R D E R

IT IS ORDERED that Eri-Gek Sewer Treatment Plant shall file an original and seven copies of the following information with the Commission by November 10, 1982. If the information requested or a motion for an extension of time is not filed by the stated date, the Commission may dismiss the case without prejudice.

1) According to page 11 of the 1980 Annual Report, the contracted routine maintenance fee of \$150 per month was to expire on December 31, 1981. However, the 1981 expense for routine maintenance service fee was \$3,400 and the cost of this fee was listed as \$350 per month.

Concerning this expense, provide the following information:

- a) An explanation for the increase of this cost from \$150 to \$350 in the same year.
- b) An explanation for why the \$150 fee did not remain in effect for 1981, as stated in the 1980 report.

c) The name of the company that supplies this service. Has Eri-Gek contacted any other companies in an attempt to find a lower rate? If yes, provide a list of the companies contacted and the monthly fee quoted. If no, explain why management has failed to pursue lower costs.

2) According to a letter dated August 9, 1982, from your CPA, Eri-Gek uses the cash basis for accounting. As the accrual basis is required under the Uniform System of Accounts and is used for rate-making purposes, provide all revenues or expenses that were included in the 1981 Annual Report but under the accrual method were applicable to either prior or later periods. Explain each item.

3) Provide a revised income statement for the test period using the accounts prescribed in the Uniform System of Accounts.

4) Provide the amount of bad debt expense for the years 1980, 1981, and the test period.

5) Provide the present demand on the system and the present capacity of the system in gallons per day ("GPD").

6) Provide the method used to determine depreciation expense for the test year.

7) Provide invoices of all bills for power for the test year. Explain why power costs increased from \$10,859 in 1980 to \$19,615 for 1981, and decreased to \$16,421 in the test year.

8) According to the 1981 Annual Report, notes payable to associated companies increased from \$4,933 at the first of the year to \$21,933 at the last of the year; correspondingly non-corporate proprietorship decreased from \$52,228 to \$38,776.

Regarding these transactions, provide the following:

- a) A copy of the note(s) payable.
- b) Terms of the note(s).
- c) An explanation for the purpose of these transactions.

Done at Frankfort, Kentucky, this 13th day of October, 1982.

PUBLIC SERVICE COMMISSION

Katherine Sandall
For the Commission

ATTEST:

Secretary