

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF B & H GAS)
COMPANY TO INCREASE THE)
RATES CHARGED ITS CUSTOMERS) CASE NO. 8735
PER 807 KAR 5:076)

O R D E R

IT IS ORDERED that B & H Gas Company ("B&H") shall file an original and seven copies of the following information by February 7, 1983. 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) The Commission is aware of an audit performed to correct deficiencies in B&H's annual reports for 1979, 1980, and 1981. Provide the workpapers from this audit.

(2) In 1979, a PSC audit of B&H was performed by Commission staff. The revisions of B&H's 1978 report which occurred as a result of the 1979 audit differ substantially from the revisions in the 1979, 1980, and 1981 annual reports which B&H submitted as part of the record in this case. For the following balance sheet accounts, briefly explain the reasons for any major adjustments (e.g., plant which should have been capitalized was expensed, etc.)

<u>Account</u>	<u>PSC Audit Bal. 12/31/78</u>	<u>B&H 1978 A/R - Bal. 1/1/79</u>
Meas. & Reg. Equip (#378)	\$36,289	\$56,060
Transp. & Power Equip (#392, #396)	11,345	7,845
Intangible Plant (#301)	-0-	10,000
Common Stock (#201)	15,000	8,000
Retained Earnings (#216)	13,845	4,761
Other L. T. Debt (#224)	41,636	51,538
Gas Plant Acq. Adj. (#114)	38,504	33,408

(3) Certain items in the revised reports do not agree with each other, particularly with regards to accumulated provisions for depreciation, depletion, and amortization of gas utility plant on pages 4 and 6. For instance in 1979 the year-end balance of accumulated provision for depreciation, depletion, and amortization (page 2, line 6) was \$55,289. This amount should also appear on page 4, line 33, as well as on page 6, line 25. Also, the schedule on page 4 "Detail of Accumulated Provision for Depreciation, Depletion, and Amortization of Gas Utility Plant" should contain accumulated depreciation and amortization figures, rather than the depreciation expense and amortization expense figures which are given in the revised reports.

(A) The following is an attempted revision of the "Accumulated Provisions" schedule on page 6, using figures found elsewhere in the reports. Included are the lines where these figures properly belong.

Accumulated Provision for Depreciation, Depletion
and Amortization of Gas Utility Plant, 1978 - 1981
page 6

Balance beginning of year 1979 (line 1)	\$49,431.90
Accruals for year:	
Depreciation (line 3, 1979)	2,972.05
Amortization (line 5, 1979)	3,340.78
Net Charge - Plant Retired (line 19)	<u>(455.50)</u>
Balance end of 1979 (line 25), beg. 1980 (line 1)	55,289.23
Depreciation (line 3, 1980)	3,066.45
Amortization (line 5, 1980)	<u>3,340.78</u>
Balance end of 1980 (line 25), beg. 1981 (line 1)	61,696.46
Depreciation (line 3, 1981)	2,825.64
Amortization (line 5, 1981)	<u>3,340.78</u>
Balance end of 1981 (line 25)	\$67,862.88

Provide verification that this revision is correct or provide any changes which are necessary.

(B) The accumulated depreciation and the accumulated amortization of acquisition adjustment are needed in the "Detail of Accumulated Provision" schedule on page 4. Provide these amounts for 1979, 1980, and 1981.

(C) The 1979 report shows a charge for plant retired of \$455.50 under the "Accumulated Provision" schedule on page 6. However there is no corresponding entry for the retirement of this plant in the asset accounts on page 5. Briefly explain this retirement and provide the corresponding entry.

(4) The total revenue increase requested is \$39,673 according to exhibit 1, schedule 1 of the application. However, the requested increase is listed as \$38,286 on page 4 of the application. Provide a reconciliation of the difference between these two figures.

(5) According to exhibit 1, schedule 6, of the application, line loss is estimated to be approximately 20 percent. Is B&H aware of the Commission's policy that 5 percent line loss is the maximum amount allowable for rate-making purposes for gas utilities? Do you understand and agree with the Commission's policy? If not, why?

(6) In Appendix A of the application, B&H proposes a \$2,500 insurance adjustment for liability insurance. Provide the insurance company's estimate of this cost when available. Also, briefly explain if B&H contacted more than one insurance company in an effort to find less expensive rates. List the other companies contacted and the annual estimates quoted.

(7) In Appendix A of the application B&H explains its adjustment to administrative and general salaries of \$16,375. Regarding this adjustment, provide the following:

(A) An explanation of how the adjusted salaries expense of \$24,000 was arrived at as reasonable compensation for the duties performed.

(B) An explanation of some of the present duties of the officers and the additional duties which will be performed if they devote 100 percent of their time to B&H operations. Also explain how these duties relate to Commission regulations.

(C) An explanation of the number of hours per week which the officers previously devoted to B&H's operations and an estimate of the hours per week which will be devoted to B&H operations in the future.

Done at Frankfort, Kentucky, this 12th day of January, 1983.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary