

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

ADJUSTMENT OF RATES OF THE MIKE)
LITTLE GAS COMPANY, INC.) CASE NO. 8799

ORDER DENYING REHEARING

On September 27, 1983, the Commission entered an Order granting Mike Little Gas Company, Inc., ("Mike Little") \$39,973 in additional operating revenues or 85 percent of its requested increase. On October 14, 1983, Mike Little filed an application for rehearing requesting that the Commission set aside its Order of September 27 on the grounds that:

1. The rates approved by the Commission were unlawful and unreasonable in that they would not produce the additional revenues of \$39,973 approved in the Order.

2. The findings of the Commission concerning accumulated depreciation, depreciation expense, depreciation of the system map, line loss limitation, and rate of return were unlawful and unreasonable.

Mike Little offered no new evidence in its petition to support its application for rehearing.

The Commission recognized an error in its Order of September 27, 1983, in that 4,351 Mcf were erroneously included in the rate determination. The Commission amended its Order by Order of October 14, 1983, to reflect the temperature adjustment of

4,351 Mcf. The Order of September 27 is now in full force with the amended rates as set out in the Order entered October 14, 1983.

In the original application, Mike Little used an accelerated depreciation method to determine depreciation expense and, consequently, accumulated depreciation. In response to Item No. 6 of the information request dated May 19, 1983, Mike Little supplied a schedule restating depreciation expense and accumulated depreciation for 1982 using straight-line rates. The Commission adjusted these items to include the depreciation of radio equipment, which was also allowed in this case. Past Commission policy has been to allow only straight-line depreciation for rate-making purposes except under very unusual circumstances. As Mike Little tendered no explanation as to its position on this issue, a rehearing on this issue is not warranted.

Concerning the Commission's decision to disallow depreciation of the system map, again, Mike Little did not state its reasons for opposing the decision. The Commission's decision to disallow the expense was based on allowing \$1,000 in annual expenses to keep the map current. This expense was allowed for rate-making purposes and, therefore, if the map is kept current, there will be no depreciation in value. For this reason the depreciation of the system map was disallowed, and no rehearing is necessary.

The 5 percent line loss limitation placed on gas purchases was made in strict adherence to past Commission policy, and no rehearing should be granted.

Mike Little disagrees with the Commission's use of a 13 percent return on net investment rate base. The Commission in other gas cases has granted returns far below the 13 percent granted to Mike Little. As no further arguments were asserted in the petition regarding the necessity for a higher return, the Commission is of the opinion that a rehearing on this issue would not provide meaningful new evidence.

Therefore, based upon the evidence of record and being advised, the Commission finds that:

1. Mike Little's application for rehearing of the issues discussed above should be denied.

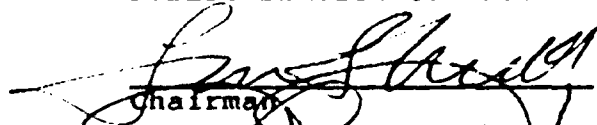
2. The Order of September 27, 1983, amended by Order dated October 14, 1983, provides fair, just and reasonable rates for Mike Little to charge for gas service and should remain in full force and effect.

IT IS THEREFORE ORDERED that the petition for rehearing filed by Mike Little on October 14, 1983, be and it hereby is denied.

IT IS FURTHER ORDERED that the Orders of September 27, 1983, and October 14, 1983, shall remain in full force and effect.

Done at Frankfort, Kentucky, this 3rd day of November, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary