

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

ADJUSTMENT OF THE RATES OF )  
AUXIER ROAD GAS COMPANY, INC., ) CASE NO. 9318  
FOR AN INCREASE IN GAS RATES )

O R D E R

IT IS ORDERED that Auxier Road Gas Company, Inc., ("Auxier Road") shall file an original and seven copies of the following information with the Commission by July 15, 1985, or within 2 weeks of the date of this Order with a copy to all parties of record. In the event the requested information is not available, Auxier Road shall state explicitly why the information cannot be furnished. Include within the response to each item the witness who will be available at the public hearing to testify on that particular issue. If neither the response nor a motion for extension of time is filed by the stated date, the case may be dismissed.

1. With reference to the response to Item No. 14 of the first request, provide the following information:

a. The calculation showing the derivation of the \$529,810 in operating expenses.

b. An explanation of the \$38,265 "extraordinary amount." Also, provide the calculation showing the derivation of this amount.

2. With reference to the \$20,279 proposed adjustment to reduce other income, provide the following information:

a. In that Auxier Road had \$13,918 in temporary cash investments as of the end of the test year, why has it proposed to reduce interest income to \$ zero.

b. With reference to Exhibit Q, state the factors which resulted in the refunding to customers of \$30,719 during the test year.

c. With reference to Exhibit Q, provide a complete explanation of the purpose of the \$50,600 expended for extension of mains to the Cliff area. Also, cite references to the Commission's Order authorizing this construction, and provide a complete explanation of how this construction benefited Auxier Road's customers.

3. With reference to Item No. 17, the mortgage agreement with Department of Local Government, provide the following information:

a. With reference to paragraph 7, state the amount currently on deposit in the escrow account for replacement or emergency repair of equipment. Also, state how interest earned on this account is accounted for.

b. With reference to paragraph 10, provide copies of the two most recent semi-annual management audits. Also, provide copies of future reports as they become available.

4. Provide copies of the 1984 Federal and State tax returns. If the 1984 returns are not available, explain why and provide copies of the 1983 returns.

5. With reference to the response to Item No. 8 of the first request, provide the following information:

a. Provide a copy of the detailed deposit schedule as of December 31, 1984.

b. Explain how the item referred to as "extraordinary deduction" relates to page 9, line 35 of the 1984 Annual Report, Extraordinary Income.

c. Explain in detail how the interest earned on customer deposits and the interest incurred on customer deposits were accounted for prior to 1984, in 1984, and subsequent to 1984. Explain the reasons for any changes made in accounting procedures.

d. Provide a more clear and detailed response to Item No. 8 of the first request.

6. With reference to the response to Item No. 13 of the first request, provide the following information:

a. The workpapers showing the derivation of the \$30,259 in extraordinary property losses.

b. The Uniform System of Accounts for Class C gas utilities provides that Account No. 182--Extraordinary Property Losses shall not be used without authorization of the Commission. Cite references to the Commission's Order authorizing Auxier Road to include extraordinary property losses in this account.

7. Provide an analysis of charitable contributions made by Auxier Road during the test year. Also, explain how these contributions benefited the customers of Auxier Road.

8. With reference to the response to Items 6(b) and 6(c) of the first request, shown therein are numerous payments to Estill B. Branham for out-of-pocket expenses. Provide the following information:

a. What is the policy of Auxier Road concerning expense reimbursements to Mr. Branham?

b. How are the expenses kept track of?

c. Provide any documentation available (vouchers, receipts, etc.) supporting these expenses.

9. With reference to Item 6(d) of the first request, shown therein are numerous lease payments to Willa Mae Branham:

a. State the relationship between Estill and Will Mae Branham.

b. Is Willa Mae Branham a stockholder of Auxier Road?

c. Describe the facilities to which the rental payments apply.

d. Provide a copy of the rental agreement.

10. With reference to Item No. 16(d), shown therein is over \$3,000 for "vehicle repair" incurred during the test year:

a. Provide a list of all vehicles owned and maintained by Auxier Road. Include in the list the primary use and primary driver of the vehicle.

b. For each vehicle, provide the maintenance expense incurred during the test year.

11. With reference to the response to Item No. 23 of the first request, provide the following information:

a. Why has the test-year actual interest expense of \$27,140 been used in the calculation rather than the pro forma interest expense of \$21,773.

b. Explain the basis for the use of 20 percent as the income tax rate.

Done at Frankfort, Kentucky, this 28th day of June, 1985.

PUBLIC SERVICE COMMISSION

*Richard D. Henning*  
For the Commission

ATTEST:

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Secretary