

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MOUNTAIN UTILITIES,)
INC., FOR: (1) ORDER AUTHORIZING A)
RATE INCREASE, (2) INTERIM ORDER TO)
IMMEDIATELY IMPLEMENT ITS PROPOSED)
RATES ON AN EMERGENCY BASIS) CASE NO. 9546
PURSUANT TO KRS 278.190, (3) ORDER)
AUTHORIZING A CERTIFICATE OF)
CONVENIENCE AND NECESSITY TO)
RECONSTRUCT THE TOM'S CREEK AREA OF)
THE SYSTEM)

O R D E R

On March 31, 1986, Mountain Utilities, Inc., ("Mountain Utilities") filed an application requesting approval of a rate increase, approval of an interim rate increase, and a certificate of convenience and necessity. The Commission suspended Mountain Utilities' proposed rates for 5 months until September 28, 1986. The interim rates proposed would increase the average monthly bill by \$12.68, or 30 percent.

In its application Mountain Utilities stated that it has non-discretionary expenditures which necessitate interim rate relief. These expenditures were stated to be delinquent gas purchases to the wholesale supplier, Kentucky-West Virginia Gas Company ("Kentucky-West Virginia"), and delinquent payments to the Department of Local Government ("DLG") for its gas system restoration project loan and the provisions of the DLG loan conditions.

Pursuant to Case No. 9407, Show Cause - Delinquent Account with Kentucky-West Virginia, currently before the Commission this

debt has recently been resolved. With regard to Case No. 9546, the DLG has granted tentative approval of an additional loan of \$162,000 to refinance the delinquent portion of the existing DLG loan, retire existing bank loans, and upgrade and reconstruct the Tom's Creek Section of the system.

Current Commission guidelines state that an applicant may qualify for interim rate relief when it proves that non-discretionary expenditures have been incurred that cannot reasonably be paid without materially impairing the credit or operations of the utility. In order to meet this criterion, verifiable proof that these conditions will occur in the 5-month suspension period if the interim rates are not granted must be submitted. The guidelines further require the submission of a monthly cash flow analysis for each month prior to the expected final Order in the applicant's general rate case.

In its application, Mountain Utilities did not file any testimony supporting the non-discretionary expenditures which have necessitated the interim rate request. In addition, the cash flow analysis provided does not include an analysis for each month prior to the expected final Order in the case. Mountain Utilities proposed in its application that the rates be effective April 28, 1986. The Commission suspended the rates for 5 months; therefore, the final Order in this case may be anticipated by September 28, 1986. The cash flow analysis provided extends only through May 1986.

Due to the additional loan from the DLG and the payment of the delinquent account with Kentucky-West Virginia, there is no

evidence supporting the need for an interim rate increase. Therefore, it is the Commission's opinion that Mountain Utilities has not met its burden of proof of demonstrating that the credit or operations of the utility will be materially impaired if the interim rates are not granted.

The Commission, having considered the request for an interim rate increase and being advised, is of the opinion and finds that:

1. Mountain Utilities has not complied with the Commission's guidelines for applications for interim rate relief and, accordingly, the request for interim rates should be denied.

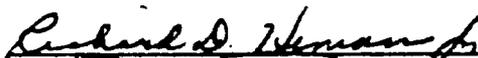
2. The reasons provided by Mountain Utilities as the basis for the interim rate increase are not valid in that they are solved with the additional loan and the payment of the delinquent account.

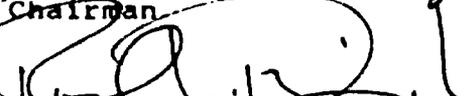
IT IS THEREFORE ORDERED that:

1. The request by Mountain Utilities for an interim rate increase be and it hereby is denied.

Done at Frankfort, Kentucky, this 12th day of May, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary