

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 )  
PURSUANT TO KRS 278.190; (3) ORDER )  
APPROVING BORROWING \$162,000 FROM ) CASE NO. 9546  
THE COMMONWEALTH OF KENTUCKY, )  
DEPARTMENT OF LOCAL GOVERNMENT; )  
(4) ORDER AUTHORIZING A CERTIFICATE )  
OF CONVENIENCE AND NECESSITY TO )  
RECONSTRUCT THE TOM'S CREEK AREA OF )  
THE SYSTEM )

O R D E R

IT IS ORDERED that Mountain Utilities, Inc., ("Mountain") shall file an original and eight copies of the following information with this Commission, with a copy to all parties of record, by August 29, 1986, or within 2 weeks after the date of this Order, whichever is later. Include with each response the name of the witness who will be available at the public hearing to testify on that particular issue. Careful attention should be given to copied material to insure that it is legible. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. On July 30, 1986, Mountain filed with the Commission a copy of the letter written to the Department of Local Government ("DLG") in response to the Kentucky Gas System Restoration Project

Account Review Board ("Gas Review Board") action taken on June 4, 1986. Please provide a copy of the Gas Review Board letter sent to Mountain explaining the June 4, 1986 action taken.

2. Please provide the details of any further development with the loan from the DLG.

3. Will there be any new customers added to Mountain's system due to the proposed construction? Is so, provide details.

4. Please provide a copy of the amortization schedule of DLG loan considering the reconstruction of the loan by adding the delinquent payments to the end of the loan.

5. Provide the explanation for obtaining the two bank loans during September 1985, totalling \$52,000. In addition, please explain how Mountain is going to make the \$33,402 loan principal and interest payment due September 1, 1986.

6. With regard to the response to Item 10 of the June 3, 1986, Order, please provide the 1986 plant additions and the corresponding depreciation expense.

7. The financial audit report dated March 13, 1986, prepared by the Public Service Commission auditors reflected that \$21,162 of plastic pipe still on Mountain's books is deemed unfit for use due to being exposed to the weather for approximately 4 years. Please provide any evidence as to why Mountain should continue to depreciate this pipe and earn a return on it given the prescribed accounting treatment.

8. Please explain the difference in the amount of unclassified utility plant for the years 1982 through 1985 per the application of \$759,389 and the 1985 Annual Report of \$751,005.

9. With regard to the maintenance of meters expense, included in the response to item No. 12 of the June 3, 1986, Order, please explain the duties of Frank Arnett and E.M. Conley; state how many hours per week they each work for the District, and explain how their salary and/or wages are determined.

10. Per the response to Item No. 1 of the June 3, 1986, Order, it was stated that an additional accounts payable entry was made subsequent to the rate application preparation but before preparation of the 1985 Annual Report. Part of this accounts payable entry was stated to be the December telephone bill. However, after review of the response to Item No. 12e, it is apparent that the test year includes 12 telephone bills already. Please provide all the information concerning this accounts payable adjustment including the entry, invoices, and the date of the entry. In addition, please explain the telephone expense discrepancy of including 13 months of expense instead of 12.

11. With reference to the response to Item No. 12d of the June 3, 1986, Order, please provide copies of invoices for the following transactions:

|       |                               |           |          |
|-------|-------------------------------|-----------|----------|
| 1/14  | Music Carter Hughes Chevrolet | 3891 CD-1 | \$267.34 |
| 2/11  | Music Carter Hugues Chevrolet | 3926 CD-1 | \$238.90 |
| 3/7   | Kelly Chevrolet-Olds, Inc.    | 3948 CD-1 | \$163.65 |
| 12/13 | Music Carter Hughes Chevrolet | 4174 CD-1 | \$ 36.30 |

In addition, please explain why Mountain is apparently paying for vehicle repairs when it rents its vehicles from Computer and Utility Services, Inc.

12. Mountain responded to item No. 15 of the June 3, 1986, Order that no stock dividends have been paid. Please provide the

amount, if any, of cash dividends declared and paid during the past 5 years.

13. Regarding the proposed renovation of the Tom's Creek section, what type (material) of pipe will be used? Will this pipe be purchased new?

14. Mountain has stated that 22,600 feet of pipe need to be replaced in the Tom's Creek section. If approved, will the DLG loan include monies for all this pipe, plus the approximately 60 meters, regulators and valves?

15. If the DLG monies are not sufficient to pay for the construction bid accepted regarding work on the Tom's Creek section, how does Mountain propose to make up the difference?

16. Please provide a copy of the bid specifications Mountain developed regarding work on the Tom's Creek section.

17. List the individuals or firms who were solicited for bids.

18. Why are additional rates needed to implement a corrosion control program rather than using monies allocated for general operation and maintenance?

19. Why shouldn't corrosion control be considered part of an operator's general operation and maintenance responsibilities?

20. Until Mountain replaces the bare steel pipe in the Tom's Creek section how does Mountain proposed to prevent the unprotected steel from corroding and becoming a threat to public safety? In the past 5 years, how many leaks has Mountain repaired on the Tom's Creek section? How many were caused by corrosion?

Done at Frankfort, Kentucky, this 19th day of August, 1986.

PUBLIC SERVICE COMMISSION

*Richard D. Hemmelf*  
For the Commission

ATTEST:

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Executive Director