

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ADJUSTMENT OF THE RATES OF)
MARTIN GAS, INC., FOR AN INCREASE) CASE NO. 9550
IN GAS RATES)

O R D E R

IT IS ORDERED that Martin Gas, Inc., ("Martin") shall file an original and seven copies of the following information with this Commission, with a copy to all parties of record, by May 21, 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 responsible for responding to questions relating to the information provided at the public hearing. Careful attention should be given to copied material to insure that it is legible. In the event the requested information is not available, Martin shall state explicitly why the information cannot be furnished. 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. Please provide a breakdown of the test-period Uncollectible Accounts - Account No. 904, in the amount of \$6,999. Please provide the total amount, the debtor, the total number of months in arrears, and the date of the write-off of the amount.

2. Please provide a breakdown of the test-period Maintenance of Lines - Account No. 767, in the amount of \$5,121. Please provide a description, the payee, the amount, the date, and

copies of invoices for amounts over \$250. Like items which are individually less than \$50 may be grouped together with analogous information provided.

3. Please provide a breakdown of test-period Outside Services - Account No. 923, in the amount of \$6,201. Please provide a description, the date, the payee, the business purpose, and the amount. Please provide supporting invoices or contracts, etc., for individual items with an annual cost of over \$250. Like items which are individually less than \$50 may be grouped together with analogous information provided.

4. Please provide a breakdown for the test period of Regulatory Commission Expense - Account No. 928, in the amount of \$4,034. Please provide a description, the date, the payee, the business purpose, and the amount. Please provide supporting invoices or contracts, etc., for individual items with an annual cost of over \$250. Like items which are individually less than \$50 may be grouped together with analogous information provided.

5. Please provide a breakdown for the test period of Other Interest Expense - Account No. 431, in the amount of \$18,326. Please provide a description, the date, the payee, the business purpose, and the amount. Please provide the amount of the related debt, the creditor, the goods or services purchased and the business purpose for incurring the debt.

6. Martin has proposed in its application to include amortization of past due gas purchases. The amortization requested for rate-making purposes is \$28,612 annually. The Commission does not typically allow double-cost recovery of past due gas purchases

as gas purchases are fully recovered through the purchased gas adjustment clause to the extent allowable for rate-making purposes. Are there any unusual circumstances which the Commission should consider in this case?

7. Martin has proposed for rate-making purposes \$459 annual depreciation expense on assets funded through the temporary surcharge allowed by the Commission. The temporary surcharge and the cost recovery of excessive line loss were to be accounted for as Customer Advances for Construction. Customer Advances for Construction are to offset capitalization of extraordinary repairs and replacements. Therefore, the proposed depreciation expense of \$459 on capitalized extraordinary repairs and replacements may not be allowable for rate-making purposes. Please provide any evidence which supports the inclusion of depreciation expense on customer advances for rate-making purposes.

8. According to Exhibit 2, page 1, of Martin's application, Martin is proposing a 15 percent return on net investment. In its Order of December 20, 1985, in Case No. 9291, the Commission found that it was not fair and reasonable to determine Martin's revenue requirements on the basis of a return on rate base since Martin had no collateral long-term funds invested. Therefore, in Case No. 9291, the Commission determined Martin's revenue requirements based on an 88 percent operating ratio applied to the added distribution costs above gas purchases. Please provide any evidence which Martin feels may lead the Commission to reconsider using a return on rate base methodology for revenue determination.

9. Please provide quotes or bid estimates of the proposed \$2,500 annual increase in property insurance expense.

10. Please provide a breakdown of all rate case expenses incurred in this matter. The breakdown should include the date, the payee, the kind of service, business purpose, and the amount.

11. Reconcile the \$322,045 of pro forma revenues, shown in Exhibit 3, page 1, with the \$318,143 of proposed revenues, shown in Exhibit 4, page 1.

12. What company(s) supply gas to Martin? At what rate(s)? Provide the monthly amounts purchased from each supplier during the calendar year 1985.

13. Does Martin purchase any gas produced in Kentucky? If so, from whom and at what rates. Provide the monthly amounts purchased during the calendar year 1985 from each Kentucky supplier.

14. How many system feed points exist for the Martin system? Identify the location of each.

15. What potential exists for increasing Martin's customer base? What conditions must be present?

16. Does Martin currently have a delinquent purchased gas bill with any of its suppliers? If so, with whom and for how much (as of the date of this Order). What action has Martin initiated to resolve any delinquent bill?

17. In Exhibit 1 of its application Martin provides the following "distribution expenses": mains and services labor - \$9,506; mains and services supplies and expenses - \$1,437; and maintenance of lines - \$5,121. For each item describe what was done, over what period of time and who performed the work.

Done at Frankfort, Kentucky, this 14th day of May, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Weman Jr.
For the Commission

ATTEST:

Secretary