

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

(1) ADJUSTMENT OF THE RATES OF VALLEY GAS,)
INC., FOR AN INCREASE IN GAS RATES, AND) CASE NO.
(2) FOR APPROVAL TO INCUR INDEBTEDNESS FOR) 9689
CONSTRUCTION PURPOSES)

ORDER ON INTERIM RATE RELIEF

On September 8, 1986, Valley Gas, Inc., ("Valley") by separate motion, filed to place its requested rates into effect on an emergency basis subject to the Final Order in this case.

Valley submitted financial statements which showed approximately \$12,600 net loss for the fiscal year ended June 30, 1986. Valley did not submit a 5-month cash flow analysis as suggested by the Commission's "Guidelines for Interim Rate Relief" nor did Valley submit monthly financial statements in its general rate application as required by 807 KAR 5:001, Section 2, from which approximate cash flows could be estimated.

It is intended that interim emergency rate relief be granted for non-discretionary expenditures incurred, or to be incurred prior to the expiration of the 5-month suspension period that cannot reasonably be paid without materially impairing the credit or operations of the utility. Furthermore, the burden of proof that non-discretionary expenditures have or will impair the credit or operations rests solely with the utility. Valley has not demonstrated that its credit or operations will be impaired as

envisioned by the guidelines. Therefore, the Commission must deny interim rate relief.

In addition to Valley's request for interim rates, Valley requested emergency approval of financing to relocate its lines located along route U.S. Highway 60 due to the relocation of the highway. According to Valley's application the total estimated relocation cost is approximately \$49,094. Approximately \$16,602 is to be paid by the Kentucky Department of Highways. Valley secured a line of credit from the First State Bank of Irvington, Kentucky for \$30,000 at a variable rate of 12 percent.

SUMMARY

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. Valley has not sufficiently documented impairment of its credit or operations due to non-discretionary expenses.
2. The proposed relocation of Valley's service lines is necessary and in the public interest.
3. The proposed method of financing is reasonable and in the public interest.

IT IS THEREFORE ORDERED that:

1. The interim rate proposed by Valley is hereby denied.
2. The proposed construction is hereby approved.
3. The proposed financing of the construction is hereby approved.

Done at Frankfort, Kentucky, this 3rd day of November, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director