

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 (2) FOR APPROVAL) CASE NO. 9689
TO INCUR INDEBTEDNESS FOR)
CONSTRUCTION PURPOSES)

O R D E R

IT IS ORDERED that Valley Gas, Inc., ("Valley") shall file an original and eight copies of the following information with this Commission, with a copy to all parties of record. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. The information requested herein is due no later than December 3, 1986. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

Information Request No. 1

1. On Exhibit 4, page 1, of the application, an error has been made in the computation of total revenues produced from proposed rates. Please supply correction.

2. Please explain and substantiate the need for the proposed change in rate design from: 0-1 Mcf, All Over 1 Mcf; to Customer Charge, All Mcf.

3. Please provide support for the proposed \$5 customer charge.

4. How many miles of pipe is in the Valley system?

5. What percentage of pipe are mains and service lines?

6. What percentage of the Valley system consists of steel pipe? When was it installed?

7. Are you aware that a system with unprotected steel pipe requires a Corrosion Control Program, as stated in 807 KAR 5:022, Section 10?

8. How does Valley protect its steel pipe from corrosion?

9. Are there any gas leaks on the Valley system?

10. Describe Valley's leak survey program. (Who performs them? How frequently? When was the last one conducted?)

11. According to Exhibit 2, page 1, Valley's test-year balance sheet ending June 30, 1986, Valley has listed \$20,000 in stock subscriptions receivable. Is the receivable bearing any rate of interest? If so, please provide the rate and a copy of any agreement which stipulates this rate.

12. According to the same Exhibit and page number, Valley has listed Accounts Receivable-Officer of \$24,960.

a. Please provide a breakdown of this receivable to include the debtor, the date incurred, the amount incurred, and the interest rate and terms of repayment.

b. Please provide a copy of any written agreement which stipulates the terms of the receivable.

13. According to Exhibit 1, page 1, of Valley's application, Valley has listed \$6,650 in customer deposits.

a. Are the customer deposits kept in a separate account?

b. Does this account draw interest?

c. If so, at what rate of interest?

14. Please provide a calculation of the rate of return of 14.2 percent as requested in Exhibit 2, page 1, of Valley's application.

a. Please isolate each cost component and related required return.

b. Please provide documentation of the cost of any borrowed capital.

c. Please provide a calculation of the cost of equity funds including a thorough narrative explaining the methodology employed.

d. Please provide the source of any extraneous data utilized in developing the required rate of return of equity funds.

15. Provide monthly Mcf purchases for the test period.

16. Provide the calculation of gas cost as shown on Exhibit 3, page 1.

17. Provide a copy of the billing or quote to support the proposed amount of insurance costs.

18. According to Exhibit 3, pages 3 and 4, Valley has made adjustments to management, labor, rent and transportation based on an "appropriate trend." What trend was used for these adjustments and why is it appropriate?

19. Provide an aging of accounts receivable which supports a 2,500 percent over test-period bad debts expense as proposed by Valley.

Done at Frankfort, Kentucky, this 26th day of November, 1986.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director