

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. 10204
IN GAS RATES)

O R D E R

On March 24, 1988, Martin Gas, Inc. ("Martin"), filed an application requesting approval of a rate increase. The Commission suspended Martin's proposed rates for 5 months until September 23, 1988. The requested rates would increase the average monthly bill by \$14.13 or 28.3 percent.

On May 9, 1988, Martin filed a Motion for Interim Emergency Rates. In its Motion, Martin stated that it has operated at a negative net income in previous years and has no source of funds available to satisfy a summary judgment granted by the Floyd Circuit Court to Columbia Gas of Kentucky, Inc. ("Columbia"), except through increased gas sales revenue. As supporting documentation, Martin filed testimony, financial exhibits, and a copy of the summary judgment.

A review of the supporting documentation indicates that the criteria established in the Guidelines for Interim Rates have not been met. Martin's cash flow analysis included a projected sources and uses statement and a projected income statement. While both statements show negative cash or net income, they do not constitute a cash flow analysis. A cash flow analysis begins

with net income and adds back non-cash items, such as depreciation expense and accrued interest expense. The analysis then should be adjusted for purposes of interim rate requests to reflect any foregone discretionary expenditures. Based on this filing, Martin's cash flow would appear to be positive. The filed testimony does not adequately document that Martin has foregone discretionary expenditures or reduced those expenditures to minimum levels. The cash flow analysis did not include the assumptions used to calculate projections, lacks supporting calculations, and does not include the impact of the Columbia judgment. In addition to data requests, a hearing on the interim emergency rate request would be needed. The timing of this additional evidentiary proceeding would cause a delay in the processing of the final decision in this case. The Commission intends to expedite the processing of Martin's rate request as much as possible.

Based on the information supplied by Martin in support of its request for interim rates, the Commission is of the opinion that Martin's credit and operations will not be impaired by failure to grant interim rates and the interim rates should, therefore, be denied.

SUMMARY

The Commission, having considered the request for interim emergency rates, and being advised, is of the opinion and finds that:

1. Martin has not supplied adequate supporting evidence to warrant the granting of emergency rates.

2. Martin's request would cause delays in the current rate case.

3. The request for emergency rates should be denied.

IT IS THEREFORE ORDERED that the Motion by Martin for interim emergency rates be and it hereby is denied.

Done at Frankfort, Kentucky, this 6th day of June, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Demary
Chairman

Robert M. Davis
Vice Chairman

James M. Williams
Commissioner

ATTEST:

Executive Director