

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BELFRY GAS,)
INCORPORATED FOR AN APPLICATION FOR)
ADJUSTMENT OF RATES AND FOR AUTHORITY) CASE NO. 89-068
TO INCUR ADDITIONAL INDEBTEDNESS)

O R D E R

On March 27, 1989, Belfry Gas, Incorporated ("Belfry") filed an application to increase its rates. The proposed rates would generate approximately \$151,930 or approximately 36.5 percent in additional annual revenues. In response to the Commission's Order dated May 30, 1989, Belfry filed information on June 14, 1989 which resulted in a revised request of additional revenues of \$128,649, an increase of 30.9 percent over normalized test-year revenues of \$416,109.

On September 6, 1989, Commission Staff issued its report recommending an increase in annual revenues of \$62,017. Staff further recommended to increase rates over a 5-year period by \$26,873 annually through the use of a monthly surcharge to each customer to pay one-half of its accrued gas bills to Kinbag Development ("Kinbag"). On September 15, 1989, Belfry responded to the Staff Report informing the Commission that it had refinanced \$240,290.83 on an installment basis and that it believed revenues were not sufficient to meet operating expenses, service its debt and provide a reasonable surplus. These items were addressed in the Staff Report. Belfry further stated that it

agreed to accept the findings and recommendations contained in the Staff Report.

After a review of the record in this matter, the Commission is of the opinion that the Staff Report reflects the reasonable revenue requirements of Belfry and will provide adequate rates to allow Belfry adequate cash flow to meet its operating expenses and provide for reasonable equity growth. Therefore, the Commission adopts Staff's recommended increase in revenues of \$62,017, an increase of 14.9 percent over normalized test-year operating revenues. The Commission further adopts Staff's recommended 5-year surcharge which would produce additional annual revenues of \$26,873 to pay one-half of its arrearages to Kinhag.

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

1. The recommendations and findings contained in the Staff Report are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and are incorporated by reference as if fully set out herein.

2. The rates in Appendix A, attached and incorporated hereto, are the fair, just, and reasonable rates to be charged by Belfry and will produce gross annual revenues of approximately \$478,126. The rates are also adjusted for rates approved through Purchased Gas Adjustment cases up to and including Case No. 7341-QQ. The monthly surcharge in Appendix A will produce approximately \$26,873 annually to specifically pay one-half of its

gas arrearages to Kinhag over 5 years or upon sufficient collection of the surcharge to extinguish one-half of the debt, whichever occurs first.

3. The request by Belfry, amended in its June 14, 1989 filing for authority to incur additional indebtedness of \$340,000, is denied.

4. The \$233,243 recommended level of financing in the Staff Report which was accepted by Belfry is approved by the Commission.

5. Beginning with the first full month after the date of this Order, Belfry should file with this Commission monthly reports which document its monthly gas purchases and cancelled checks to show that it is keeping current on payment of its gas bills and that it is applying the surcharge to payment of that debt. Belfry should include copies of journal entries made each month to account for these payments and receipts. The report should be due 30 days after the end of the reporting month. Belfry should further notify the Commission upon extinguishment of the debt to Kinhag.

IT IS THEREFORE ORDERED that:

1. The recommendations and findings contained in the Staff Report are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and are incorporated by reference as if fully set out herein.

2. The rates in Appendix A, attached and incorporated hereto, are the fair, just, and reasonable rates to be charged by Belfry and will produce gross annual revenues of approximately

\$478,126. The rates are also adjusted for rates approved through Purchased Gas Adjustment cases up to and including Case No. 7341-QQ. The monthly surcharge in Appendix A will produce approximately \$26,873 annually to specifically pay one-half of its gas arrearages to Kinhag over 5 years or upon sufficient collection of the surcharge to extinguish the debt, whichever occurs first. If these proceeds are used for any other purpose, Belfry's authority to assess the customer surcharge shall immediately cease and Belfry shall refund all proceeds of the surcharge. Improper use of these proceeds shall also subject Belfry to the penalties provided in KRS 278.990.

3. The request by Belfry, amended in its June 14, 1989 filing for authority to incur additional indebtedness of \$340,000, is denied.

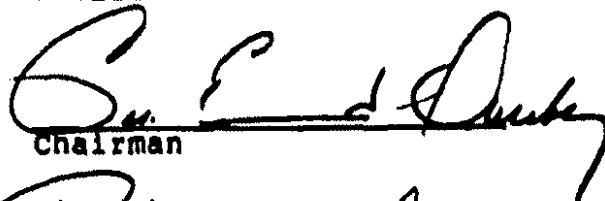
4. The \$233,243 recommended level of financing in the Staff Report and accepted by Belfry is approved by the Commission.

5. Beginning with the first full month after the date of this Order, Belfry shall file with this Commission monthly reports which document its monthly gas purchases and cancelled checks to show that it is keeping current on payment of its gas bills and that it is applying the surcharge to payment of that debt. Belfry shall include copies of journal entries made each month to account for these payments and receipts. The report shall be due 30 days after the end of the reporting month. Belfry shall further notify the Commission upon extinguishment of the debt to Kinhag.

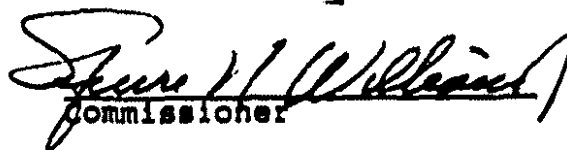
6. Within 30 days from the date of this Order, Belfry shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 25th day of September, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

**APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 89-068 DATED September 25, 1989.**

The following rates are prescribed for the customers served by Belfry Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

RATES: Monthly

First 1,000 cu. ft.	\$8.13	Minimum Bill
Over 1,000 cu. ft.	6.3400	Per 1,000 Cu. Ft.

A surcharge in the amount of \$3.24 per month shall be applied to each customer served for a period of 5 years.