

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF ELAM UTILITY COMPANY, INC.,)
MORGAN COUNTY KENTUCKY, FOR AUTHORIZATION)
TO BORROW \$180,000.00 FROM THE ECONOMIC) CASE NO.2000-339
DEVELOPMENT ADMINISTRATION THROUGH THE)
DEPARTMENT FOR LOCAL GOVERNMENT)

FIRST DATA REQUEST OF COMMISSION STAFF
TO ELAM UTILITY COMPANY

Elam Utility Company, Inc. ("Elam"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 6 copies of the following information, with a copy to all parties of record. The information requested herein is due ten days after the date of this request. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the June 30, 2000 letter from the Department for Local Government.

a. Assuming the 5.5 percent interest rate mentioned in the DLG letter, provide a calculation of Elam's principal and interest payments through December 31, 2001.

b. Provide a description and amount of any other costs associated with the loan such as fees or points.

2. Refer to Exhibit 1, Account Payable - Gasco.

a. Provide a copy of the note that Elam signed with Gasco.

b. Provide the terms, amount, payback period, and interest rate of the Gasco note.

c. The balance of the amount owed to Gasco as of May 31, 2000 is \$146,523.76. Describe the circumstances that resulted in Elam's accumulation of arrearages of this size to its gas supplier.

d. Identify any instances from January 1, 1998 to the present when Elam faced possible loss of gas supply from Gasco due to Elam's inability to pay for its gas supply.

3. Provide the interest savings Elam will experience if the debts to Gasco and Commercial Bank are paid with the loan proceeds. Include calculations showing the annual interest on the debts to Gasco and Commercial Bank.

4. Refer to the Statement of Income, Statutory Basis.

a. Given Elam's \$3,105 in net income for 1999, provide any worksheets Elam used to determine its ability to service the new loan.

b. If Elam did not develop any worksheets, provide a pro forma Income Statement showing the effect of the DLG loan.

c. Explain the category under Other Operating Revenues labeled "Cancellation of Accrued Interest." Provide any documentation related to the cancellation of the interest.

5. Refer to the Balance Sheet, Statutory Basis. Provide a description of what is included in the Accounts Payable account.

6. Explain whether or not Elam expects to raise its rates in the near future.

7. On the second page of the application, Item 7, Elam states that, "Elam will use the proceeds from the DLG loan to payoff outstanding debts to Gasco, Inc. for the purchase of natural gas and will pay off other notes to Commercial Bank...."

a. Provide the amount of the loan that will be used to pay off outstanding debts to Gasco, Inc.

b. Provide the amount of the loan that will be used to pay off notes to Commercial Bank. Include the outstanding balance of each note to be repaid and whether the note will be fully repaid.

c. For each Commercial Bank loan that will be repaid, provide a detailed explanation of the original use of the loan proceeds. If the loans were used to retire other obligations, provide an explanation of the costs that created the original obligations.

8. Refer to Exhibit 1, "Schedule of Notes Outstanding for Elam Utility," and the Elam Financial Statements, as submitted with the application.

9. Provide a reconciliation of the amount shown as "Interest Paid 12/31/99" in Exhibit 1, \$25,935.97, and the amounts recorded as interest charges on the

Statement of Income in the amount of \$34,263.03. Provide details of any interest charges that are not included in Exhibit 1.

10. Provide a reconciliation of the amount shown as "Outstanding Balance 12/31/99" in Exhibit 1, \$849,969.37, and the amounts on the Balance Sheet relating to outstanding debts (e.g., Long Term Debt, Accounts Payable, Notes Payable, etc.).

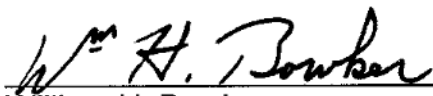
11. If the cancellation of accrued interest is excluded from Other Operating Revenues and the full interest on all outstanding debts and the new DLG financing is included, explain whether Elam will have sufficient income to service the debt on the new financing. Provide supporting documentation.

12. Provide the original accounting entries made to record the cost of treasury stock on the balance sheet. Explain the accounting basis for including this item in the proprietary capital of Elam.

13. Provide the monthly entries used to record the interest accrued and/or payments made on the treasury stock.

14. Refer to Page 4 of the application, which lists the Financial Exhibit information required by 807 KAR 5:001, Section 6. Provide a copy of the loan agreement between Elam and the Phillips referenced in Section 6(4).

15. Was the loan with DLG refinanced? If so, provide a copy of the new loan and the changes in terms and conditions of the loan.



William H. Bowker
Deputy Executive Director
Public Service Commission of Kentucky
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DATED 7/21/2000
cc: All Parties