

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF ELAM UTILITY	)	
COMPANY INC., MORGAN & WOLFE CO.,	)	
KENTUCKY FOR THE AUTHORIZATION TO	)	
BORROW \$797,425, FROM THE ECONOMIC	)	CASE NO. 2001-324
DEVELOPMENT ADMINISTRATION	)	
THROUGH THE DEPARTMENT FOR LOCAL	)	
GOVERNMENT	)	

FIRST DATA REQUEST OF COMMISSION STAFF TO  
ELAM UTILITY COMPANY, INC.

Elam Utility Company, Inc. ("Elam"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due not later than 10 days from the date of this request. 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 page 2 of the Application, Item 7. Elam states that one of the reasons for the past due expense is that Elam's former principal supplier, Gasco, changed the terms of the current settlement by increasing the amount of current

payment required by over \$12,000. Provide copies of any documents that Elam received from Gasco regarding the referenced change in terms.

2. Refer to the Application, schedule “Revenues and Expenses Estimated for Twelve Months Beginning October 2001.”

a. In the first column of this schedule, should “January 2001” be January 2002? If no, explain the response.

b. In Case No. 2000-432,<sup>1</sup> the Commission ordered Elam to take the necessary steps to eliminate the liability of the Isons’ debt to the former owners of the system, the Phillipses, from Elam’s financial statements. Also, the Commission stated, “neither the loan nor the interest associated with it should be shown [sic] Elam’s financial statements.”<sup>2</sup> Provide an explanation of why Elam includes the column “Co. Purchase” on the spreadsheet, as this column is reflecting payments made to the Phillipses for the purchase of Elam.

c. Provide an explanation and any supporting documentation of the calculations used to determine the amounts shown in the “Insurance” column.

d. Provide an explanation and any supporting documentation of the calculations used to determine the amounts shown in the “Maintenance” column.

3. Provide Elam’s 2001 general ledger to date, or to the most current date available.

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<sup>1</sup> Case No. 2000-432, The Application of Elam Utility Company Inc. for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities.

<sup>2</sup> Case No. 2000-432, Staff Report dated March 14, 2001, page 11.

4. Refer to the Application, the Gas System Restoration Project Application for Assistance by the Department of Local Government (“DLG”), page 1. Explain how Elam determined the number and dollar amount of the meters and regulators needing replacement.

5. Refer to the Application, letter from David R. Harrod, CPA, dated September 28, 2001.

a. He states, “Management is also taking additional steps to further strengthen the cash flow of the Company by searching for a new physical location with a lower monthly rent...” Provide an explanation of the additional steps that Elam has taken in searching for a new location. Include in the explanation progress made in procuring a new location, any bids or offers from potential lessors, and the estimates of renting or leasing new office space. Also provide the status of this search as of the date of Elam’s response to this data request.

b. He states, “this loan will not only payoff all old debts but will have a positive cash flow effect on operations of an average of approximately \$500 per month.” Provide the workpapers or other documentation used to determine this amount.

6. Refer to the Application, schedule “Elam Utility Company Outstanding Accounts Payable To Be Paid with DLG Loan.”

a. The schedule reflects four items that are overdue taxes: Internal Revenue Service (“IRS”) 941 taxes, Kentucky state withholding tax, Kentucky sales tax, and utility taxes for 2000 through June 2001.

(1) Explain whether the IRS 941 taxes refer to the portion of taxes that is withheld from the employees, the portion that Elam should pay as the employer, or both.

(2) Define the term “utility taxes” as it appears in this context. The response should explain upon what entity the taxes are levied (i.e., Elam or Elam’s customers), what agency levies the taxes, and how the amount of tax levied is calculated.

(3) The Kentucky sales tax and, if levied on the customers, the utility taxes are taxes designed to be collected by an agent, in this case Elam, and passed on to the taxing agency immediately. Provide a detailed explanation why Elam did not pass these taxes on to the appropriate government agencies in a timely fashion. Also explain for what purpose the money was used, since it was not passed through to the agencies as it should have been.

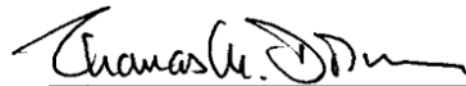
b. Did the Commission approve the Commercial Bank loans that Elam is asking to refinance? If yes, provide the case number. If no, explain why they were not submitted for approval. Also, provide an explanation detailing the purpose of each loan, including dollar amount and description.

7. Elam states in its application that it expects to see improvement in its cash flow as a result of the proposed loan from DLG. Elam’s current Gas Cost Adjustment (“GCA”) factor, effective July 1, 2001, is substantially over the current wholesale price of gas.

a. Describe how the current GCA factor will contribute to Elam’s expected improvement in cash flow.

b. Elam could possibly face a situation in its next GCA filing that requires Elam to refund an over-collection through its GCA mechanism. Describe the possible effect on Elam's expected cash flow under this scenario.

c. Elam lists three gas supply invoices in its past due amounts. Explain why Elam's GCA factor was insufficient to pay these invoices.



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Public Service Commission  
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DATED November 7, 2001

cc: All Parties