

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MIKE LITTLE GAS)	
COMPANY, INC. FOR AN ADJUSTMENT OF)	CASE NO.
RATES PURSUANT TO THE ALTERNATIVE)	2003-00141
RATE FILING PROCEDURE FOR SMALL)	
UTILITIES)	

O R D E R

On April 24, 2003, Mike Little Gas Company, Inc. (Mike Little) applied for an adjustment of rates pursuant to Administrative Regulation 807 KAR 5:076, the alternative rate filing procedure for small utilities. The Attorney General, by and through his Office of Rate Intervention (AG), sought and was granted intervention in this proceeding.

Mike Little requested an increase in annual revenue of \$85,000, or 25.7 percent, over its proposed test-year revenues of \$330,453. Commission Staff (Staff) conducted a limited review of Mike Little s 2002 test-year financial records and issued its report on July 22, 2003, recommending that the Commission grant Mike Little an annual revenue requirement from rates of \$417,280, an increase of \$61,253, or 17.2 percent over Mike Little s normalized test-year revenue of \$356,027.

During the Staff s field review, Mike Little indicated that, in addition to its request to increase its gas service rates, it would like to increase its non-recurring charges and requested assistance with the cost justification. Staff provided the requested assistance and performed the required analysis. Mike Little did not propose to increase its non-recurring charges in its initial application, and did not provide notice to its customers of

any increase for these charges when it provided notice of its proposed increase in its gas service rates required under 807 KAR 5:011, Section 9(2). However, Staff did consider the requested non-recurring charges in the Staff Report, found them to be cost-justified, and advised Mike Little that upon proper notice such charges could be considered. On September 24, 2003, Mike Little filed the required customer notice of these increases and provided proof of such notice to the Commission. Having received no request for intervention or a hearing, the Commission finds that the non-recurring charges should be considered for approval as part of the present application.

On July 22, 2003, Mike Little filed a supplement to its application requesting consideration of debt for operating expenses. The Staff issued a data request to Mike Little on July 24, 2003 to determine the nature and terms of the debt. Mike Little filed its responses to the data request on September 16, 2003. Generally, the Commission does not approve the financing of operating expenses with debt. Given that the Staff-recommended revenue increase should provide sufficient earnings to repay the incurred interest, the Commission has not adjusted the revenue increase to recognize the debt.

The Commission's July 22, 2003 Order requested that the parties submit written comments on the Staff Report within 20 days from the date of the Order. On August 6, 2003, the AG filed notice that no comments would be filed and no request for informal conference or hearing would be made. On September 3, 2003, Mike Little filed notice that no comments would be filed. Based on this sequence of events, the case now stands submitted to the Commission for a decision.

FINDINGS AND ORDERS

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. The recommendations and findings in the Staff Report are supported by the evidence of record and are reasonable and should be adopted as the Commission's findings and incorporated by reference as if fully set out herein.

2. The rates contained in Appendix A should produce Staff's recommended revenue requirement of \$417,280.

3. The request for consideration of financing for operating expenses is not reasonable and should not be included for rate-making purposes.

IT IS THEREFORE ORDERED that:

1. The recommendations and findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.

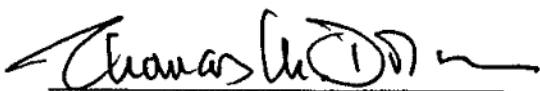
2. The rates and charges contained in Appendix A are approved for service rendered by Mike Little on and after November 1, 2003.

3. Within 20 days of the date of this Order, Mike Little shall file with the Commission its revised tariff setting out the rates and charges approved in Appendix A, showing the effective date of the tariff and that it was issued by authority of this Order.

Done at Frankfort, Kentucky, this 22nd day of October, 2003.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas H. [unclear]", written over a horizontal line.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2003-00141 DATED October 22, 2003

The following rates and charges are prescribed for the customers in the area served by Mike Little Gas Company. 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 effective date of this Order.

Residential/Commercial:

	<u>Base Rate</u>	<u>Gas Cost</u>	<u>Total Rate</u>
Minimum Bill 0 1 Mcf	\$5.50	\$6.9574	\$12.4574
Over 1 Mcf	\$4.3271	\$6.9574	\$11.2845

The rates set out herein reflect the gas cost adjustment approved in Case No. 2003-00366.

Non-recurring Charges:

Returned Check Charge	\$12.50
Reconnection Charge	\$50.00
Connection Charge	\$65.00 (in addition to the meter deposit)
Service Charge	\$35.00