

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WKG STORAGE, INC. FOR)
RATE ADJUSTMENT FOR SMALL UTILITIES) CASE NO.
PURSUANT TO 807 KAR 5:076) 2016-00053

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO WKG STORAGE, INC.

WKG Storage, Inc. ("WKG"), pursuant to 807 KAR 5:001, is 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 on or before April 8, 2016. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

WKG shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which WKG fails or

refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a paper containing personal information, WKG shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Case No. 2001-00235¹ in which WKG's acquisition of the assets and business of Kentucky Pipeline and Storage Company, Inc. ("KPSC") was approved by the Commission.

a. Provide a breakdown, by account number, of the assets acquired in the transaction.

b. Provide the total consideration WKG paid for KPSC's assets and business broken down by component (cash, assumed liabilities, etc.).

2. Refer to WKG's Notice of Proposed Rate Adjustment, Item 4, where it states that "Atmos Energy Corporation ["Atmos"] is the only customer served under this tariff." Explain whether WKG has the ability to serve customers other than Atmos.

¹ Case No. 2001-00235, *The Application of WKG Storage, Inc. for Approval of a Change in Control through Acquisition of Assets of Kentucky Pipeline and Storage Company, Inc. and for Approval of Tariff* (Ky. PSC Sept. 24, 2001).

3. Refer to WKG's Revised Cost of Service Schedules and Workpapers filed on March 1, 2016 ("COSSW"),² WP_B-1 Inj, page 7, column b, line 30. Explain how the \$8,652 amount was derived.

4. Refer to WKG's COSSW, WP_B-3 ADIT, page 10.

a. State whether WKG's calculation of accumulated deferred income ("ADIT") includes the impact of bonus depreciation in its rate base.

b. If the response to Item a. above is negative, provide updates to all affected schedules and workpapers reflecting the impact of bonus depreciation on ADIT and rate base.

5. Refer to the 2015 annual report, page 110; the 2015 annual report, page 207, column g; and the COSSW, Schedule C, page 11, column d.

a. Explain whether the amounts in the annual report on page 207 for Accounts 352–Wells, 354–Compressor Station Equipment, 355–Measuring and Regulating Equipment, and 356–Purification Equipment are included in the amounts shown for the same accounts on Schedule C.

b. If the answer to part a. above is yes, explain why only the smaller amounts in the annual report are recorded in Account 101, Gas Plant in Service, and the remainder of the larger amounts shown on Schedule C are recorded in Account 121, Nonutility Property, as must be concluded based on the balance sheet on page 110 of the annual report.

² The Commission's January 29, 2016 deficiency letter advised WKG that its COSSW would need to be based on "the immediate past year" rather than the 12 months ended June 30, 2015, as WKG had done in its January 21, 2016 application. In response, WKG submitted a revised COSSW on March 1, 2016.

6. Refer to WKG's COSSW, Schedule C, pages 11–13.
 - a. Provide a description of the function of the Greenville Data Center.
 - b. Provide a description of the functions performed by "SSU – General Office (Div 002), General Plant, Distribution and Marketing Projects."
 - c. Explain how the allocation factors of 0.13, 0.23, and 0.24 percent shown on pages 12–13 were derived.

7. Refer to WKG's COSSW, Schedule E, page 17.
 - a. State or provide WKG's capitalization policy.
 - b. Explain whether any non-recurring expenses are included in column e of Schedule E.
 - c. State whether WKG included rate case expense in developing its revenue requirement.
 - d. If the response to part c. is negative, provide WKG's current estimate of its rate case expense for this proceeding, broken down by expense type.

8. Refer to WKG's COSSW, Schedule E, page 17, and its 2013, 2014, and 2015 annual reports.
 - a. Account 816, Wells Expenses, was \$78,868 in 2015. The Wells Expense for earlier years shown in the annual reports was (\$4,718) in 2012, \$63,614 in 2013, and \$340,004 in 2014.
 - (1) Explain fluctuations of this magnitude in Wells Expense and why WKG believes the 2015 amount should be used for ratemaking purposes.
 - (2) Provide a detailed breakdown of Wells Expense for 2015.

b. Account 920, Administrative and General Salaries, has increased from \$127,447 in 2012 to \$190,314 in 2015. Provide the number of employees and salary of each employee for each year from 2012 through 2015.

c. Account 923, Outside Services Employed ("Account 923"), was \$583,910 in 2015. The amount for Outside Services Employed for earlier years shown in the annual reports was \$65,828 in 2012, \$52,206 in 2013, and \$42,647 in 2014.

(1) Explain fluctuations of this magnitude in Account 923 and why WKG believes the 2015 amount should be used for ratemaking purposes.

(2) Provide a detailed breakdown of the amount reported in Account 923 for 2015, which identifies each vendor, the service provided by the vendor, and the amount paid to each vendor.

d. Provide the monthly charges to Accounts 816 and 923 for the months available in 2016.

9. Refer to WKG's COSSW, Schedule E-1 Expense, page 18. State whether the two adjustments regarding the Barnsley Project reflect the full amount of the costs related to the project incurred by WKG in 2015.

10. Refer to WKG's COSSW, Schedule F, page 21, column g, line 82, and its 2015 annual report, page 114, column c, line 6. Explain why the two amounts are not the same.

11. Refer to WKG's COSSW, Schedule F, page 21, and WP F, page 22. Explain whether any depreciation rates were changed during 2015 or if any of the proposed depreciation rates reflect a change from the rates in effect in 2015.

12. Refer to WKG's COSSW, Schedule G, page 23.

a. State whether the ad valorem tax of \$17,100 represents WKG's total ad valorem tax for 2015.

b. If the response to a. above is negative, provide the total amount of WKG's 2015 ad valorem tax.

c. Provide the amount of ad valorem tax paid for each of the years 2012 through 2014.

13. Refer to WKG's COSSW, Schedule I, page 25.

a. Footnote 1 states that the "Capital Structure and Cost of Debt are December 31, 2015 13 mo average book balances." The balance sheet in WKG's 2015 annual report shows no debt balance at either the beginning or end of the year. Provide the source of the capital structure on page 25, explain why it includes no short-term debt, and why it should be used for ratemaking purposes.

b. Explain whether WKG was aware, that in cases filed pursuant to the Alternative Filing Regulation by small investor-owned utilities with atypical capital structures, the Commission typically determines the utility's revenue requirement using an 88 percent operating ratio calculation.

14. Refer to the balance sheets and income statements in WKG's 2013, 2014, and 2015 annual reports. Explain why most of the assets are recorded as nonutility property, but revenues and expenses are recorded as operating revenue and expense.

15. Refer to the 2015 annual report, page 110, lines 14 and 33.

a. Explain why Account 121, Nonutility Property, declined \$340,000, from \$14,489,264 to \$14,159,264, from the beginning to the end of 2015.

b. Explain why Account 146, Accounts Receivable from Associated Companies, went from negative \$310,840 to negative \$45,623, from the beginning to the end of 2015.

16. Refer to the 2015 annual report, page 112, lines 33 and 38.

a. Explain why Account 232, Accounts Payable, increased from \$36,486 to \$507,235, from the beginning to the end of 2015.

b. Explain why Account 234, Taxes Accrued, went from positive \$123,706 to negative \$134,460, from the beginning to the end of 2015.

James W. Gardner

James W. Gardner
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Public Service Commission
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DATED **MAR 24 2016**

cc: Parties of Record

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