

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 SECOND 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 May 20, 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 WKG's COSSW, WP_B-3 ADIT, page 10, specifically, lines 7 and 8 where the accumulated deferred income tax ("ADIT") liabilities ("DTL") related to the Fixed Asset Cost Adjustment and Depreciation Adjustment are listed. Explain the basis for the amounts, including the transaction that gave rise to the ADIT, and provide the accounting entries recording the transaction that gave rise to the ADIT and any other information related to the amounts.

2. Refer to Case No. 2015-00343,¹ the response to the Attorney General's Second Request for Information, Item 13, regarding the DTL and ADIT assets associated with Division 002, Shared Services. State whether WKG's position with respect to the DTAs and DTLs is consistent with that of Atmos Energy Corporation ("Atmos") in the above-styled case. If not, provide an explanation on any area which WKG does not agree with Atmos.

3. Refer to the response to Staff's First Request for Information ("Staff's First Request"), Item 4. The information provided is only partially responsive to the request.

¹ Case No. 2015-00343, *Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications* (filed April 1, 2016).

Provide the cumulative impacts that bonus depreciation has on WKG's calendar year 2015 ADIT, rate base and revenue requirements.

4. Refer to WKG's Revised Cost of Service Schedules and Workpapers ("COSSW"), Schedule B Rate Base, page 5, and the response to Staff's First Request, Item 5.b. Confirm that WKG's proposed rate base includes \$600,356 in Construction Work in Progress ("CWIP") and that, upon their classification, the assets recorded as CWIP will be transferred to Account 121 – Non-Utility Property.

5. Refer to the response to Staff's First Request, Item 6.b.

a. Provide a list of the specific projects and/or instances during the test year when services were provided to WKG through or by the "General Office Service Area (Division 002)."

b. Explain why the Division 002 Distribution and Marketing Projects were included in the Revised COSSW when they were excluded from the original COSSW.

6. Refer to the response to Staff's First Request, Item 7.d. Provide a schedule of rate case expenses incurred to date and an updated estimate, if applicable, of the total rate case expense for this proceeding.

7. Refer to the response to Staff's First Request, Items 8.c.(1) and (2).

a. Provide a schedule separately showing the number and cost of well workovers and plugged wells for the ten-year period ending December 31, 2015. State whether the amounts were expensed or capitalized.

b. Provide a schedule showing separately the projected number and cost of well workovers and plugged wells for 2016 and 2017. Include an explanation of what determines the need for well workovers and/or plugging wells.

c. Provide a schedule showing separately the amount of expense in Account 923 for well workover and plugged well expense the calendar years 2006 through 2013.

d. Explain why well workover and plugged well costs are not capitalized on WKG's books.

e. Refer to Attachment 1-08 for Account 923 for Calendar Year 2015. Explain the basis for the credits to Account 923 under the Net Amount column.

f. Also refer to the response to Staff's First Request, Item 15.a.

(1) Provide the number of wells that WKG owned, operated, or otherwise acquired since its inception.

(2) Provide the dates the wells were drilled, leased, or otherwise acquired by WKG.

(3) Provide the dates that any of the wells were sold, abandoned, or otherwise disposed of by WKG.

(4) Provide the amount of asset impairment expense WKG recognized in 2015 and the account to which the impairment was recorded.

(5) State whether the asset impairment expense is reflected in WKG's operation and maintenance expenses for the test year contained on Schedule E of the statement of adjusted operations in the application.

8. Refer to WKG's 2015 annual report filed as part of its application, pages 110 and 209, and the response to Staff's First Request, Items 13 and 14.

a. Confirm that the balance of Gas Utility Plant in Service as the end of the test year, December 31, 2015, was \$453,197

b. State whether Atmos Energy Holdings' non-regulated status is the only reason that assets of WKG are recorded as non-utility property.

c. Confirm that, of the Total Gross Plant of \$14,882,143 included in the proposed rate base, \$14,428,949 is not considered Gas Utility Plant in Service.

d. Explain why the cost rate for long-term debt in Attachment 1 of the response to Staff's First Request, based on the 13-month average at December 31, 2015, is 5.90 percent, when in the COSSW, on Schedule I, page 25, also based on the 13-month average at December 31, 2015, the cost rate for long-term was 5.31 percent.

e. Explain whether WKG has performed an analysis of its risks as compared to those of a gas distribution utility such as Atmos's Kentucky operations.

f. From a regulated ratemaking perspective, explain why WKG should be authorized to earn a return on plant that is classified as non-utility property.

9. Based upon all changes since the filing of its application, provide updated schedules for WKG's rate base, revenue requirements, and all other affected schedules. Identify and explain all adjustments.

10. Provide a schedule listing the rates of unaffiliated entities that provide storage services comparable to those provide by WKG.



Aaron D. Greenwell
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Acting Executive Director
Public Service Commission
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DATED **MAY 05 2016**

cc: Parties of Record

Case No. 2016-00053

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