

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

RATE ADJUSTMENT OF WESTERN)	CASE NO.
KENTUCKY GAS COMPANY)	90-013

O R D E R

IT IS ORDERED that the Attorney General of the Commonwealth of Kentucky, by and through his Utility and Rate Intervention Division, ("AG") shall file the original and 12 copies of the following information with the Commission by June 13, 1990, with a copy to all parties of record. 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 witness 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 requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. On page 20 of DeWard's testimony, reference is made to 5 individuals receiving bonuses relating to the acquisition.

a. Provide a copy of Western's proxy statement referred to in the testimony.

b. Does the AG know if the five individuals are still employed by Western or Atmos?

2. On page 18 of his testimony Mr. DeWard states that "to [his] knowledge the Commission has never allowed a plant acquisition adjustment as an element of rate base." In Case No. 9059¹ the Commission allowed Delta Natural Gas both rate base treatment and amortization of an acquisition adjustment.

a. If Mr. DeWard is or will become familiar with Case No. 9059, in his opinion, has Western met the burden of proof needed set forth in Case No. 9059 to recover the acquisition adjustment?

3. On Schedule 13-2 item number 6, is Mr. DeWard referring to an allocation of computer expenses or other specific expenses; or is he referring to an overall allocation?

4. On page 23 of his testimony, Mr. DeWard proposes to eliminate the cash working capital component of Western's rate base because the formula method does not provide for a cash working capital requirement. Does Mr. DeWard believe that it is better to provide no cash working capital allowance rather than use the formula method?

¹ Case No. 9059, An Adjustment of the Rates of Delta Natural Gas Co., Inc., Order dated September 11, 1985, pages 3 and 4.

5. On page 40 of his testimony Mr. DeWard discusses outside services and the company's annualization of payroll. Is the AG implying that Western's method of annualization is incorrect?

6. On page 9 of Dr. Sheehan's testimony, at lines 21 through 27, he discusses "tariffs that provide a substantial rate break below fully allocated costs for large industrial users...."

a. Explain whether this is a generic reference or whether this is a specific reference to Western's proposed rates.

b. If this is a specific reference to Western's proposed rates, provide any analysis Dr. Sheehan has performed to determine fully allocated costs for Western's large industrial users.

7. On pages 10 through 12 of his testimony, Dr. Sheehan discusses the problem of Western's "redundant investment in rate base" and "how to handle the excess costs" associated with this investment.

a. On page 10, Dr. Sheehan states that large industrial customers may leave the system if they are required to pay rates based on cost causation. Provide any cost based rates Dr. Sheehan has developed which support this statement.

b. Explain whether Dr. Sheehan is addressing a problem (redundant investment) that already exists, or that may exist if large industrial customers leave the system.

8. On page 15 of his testimony, Dr. Sheehan characterizes Western's proposed rate design as one that discourages conservation.

a. Identify those customer classes for which Western's proposed rate design will discourage conservation.

b. Explain in detail how Western's proposed rate design would discourage conservation by the residential class.

9. On pages 16 and 17 of his testimony, Dr. Sheehan discusses the possibility of recovering a much larger portion of fixed costs from large industrial customers in the customer charge and first block of the rate structure.

a. Provide any analysis Dr. Sheehan has performed to determine the appropriate level(s) for customer charges for Western's large industrial customers.

b. Explain whether it is Dr. Sheehan's position that a declining block rate structure with a high cost initial block is recommended for large industrial customers while such a rate structure is not recommended for firm service customers.

Done at Frankfort, Kentucky, this 30th day of May, 1990.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director