

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT) CASE NO.
AND POWER COMPANY TO ADJUST GAS RATES) 92-346

O R D E R

IT IS ORDERED that the Attorney General ("AG"), shall file the original and 12 copies of the following information with the Commission by January 15, 1993, 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.

1. Based on the testimony of Thomas C. DeWard, is it correct to conclude that the AG is recommending an increase in the revenue requirement of The Union Light, Heat and Power Company ("ULH&P") of \$2,062,450? If this is not the correct amount, provide the revenue requirement proposal supported by the AG.

2. Throughout Mr. DeWard's testimony and schedules he uses the revenue multiplier ULH&P calculated on Schedule C-12 of the application.

a. Indicate whether Mr. DeWard was aware that the uncollectible accounts value included in the revenue multiplier

reflects both the electric and gas uncollectible accounts, rather than only the gas uncollectibles.

b. Provide an explanation of whether Mr. DeWard believes it is appropriate to use an uncollectible accounts value which includes both electric and gas operations in determining a revenue multiplier for a gas rate case.

3. On page 7 of Mr. DeWard's testimony he states that if the accumulated depreciation is not adjusted by the pro forma adjustment to depreciation expense, there will be a mismatch between operating income and rate base. Provide an explanation of the mismatch to which Mr. DeWard refers.

4. Concerning the proposal to adjust deferred tax charges associated with post retirement benefits:

a. Explain in detail why the liability for the post retirement benefits should be used to offset rate base.

b. Explain in detail why a mismatch exists when the deferred tax charges have been included in rate base but the liability has not.

5. Concerning the proposal to reduce rate base by the 13-month average of unrecovered purchased gas costs recorded in Account No. 191.40, explain in detail whether Mr. DeWard took into consideration the effect the quarterly revision to ULH&P's gas cost adjustment clause would have on this proposed adjustment to rate base.

6. Concerning the proposal to reduce rate base for the accrued property tax, provide a detailed explanation of why the

inclusion of the accrued property tax is consistent with ULH&P's inclusion of prepaid taxes, licenses, materials and supplies, inventories, and nominated gas balances in rate base.

7. Concerning the proposal to reduce rate base for accrued employee benefits, explain in detail what constitutes a "cost-free liability" and explain how accrued employee vacation and personal time off represent such cost-free liabilities.

8. Explain whether Mr. DeWard has performed a lead-lag study for ULH&P. Provide copies of that study. If no study has been performed, explain in detail why this was not done.

9. Explain whether Mr. DeWard has calculated a cash working capital allowance for ULH&P using the balance sheet approach. Provide copies of the calculation.

10. Identify where in Mr. DeWard's testimony or schedules he has shown the impact his proposed adjustments to operation and maintenance expenses are reflected in ULH&P's rate base as a component of the cash working capital allowance. If no such impact has been included, explain in detail why the impact was not included.

11. Provide a detailed explanation of why Mr. DeWard did not recompute the rate base for ULH&P to reflect the full impact of his proposed adjustments.

12. Concerning Exhibit TCD-1, Schedule 9, provide a detailed explanation of how Mr. DeWard determined that 10 percent of total overtime was a reasonable amount for emergency overtime.

13. Provide an explanation of why it is appropriate to allow ULH&P's ratepayers what appears to be the double benefit of including the reductions in labor costs due to the early retirement and involuntary separations and denying the inclusion of the costs for these programs.

14. On page 15 of Mr. DeWard's testimony it is stated, "[i]f the Company can merely reduce its work force, there must have been excessive employee complements prior to the planned reduction." Provide a detailed explanation and copies of any studies or analyses prepared or performed which support Mr. DeWard's conclusion.

15. Concerning the proposed adjustment for rate case expenses, provide an explanation of why Mr. DeWard included an amount identified by ULH&P as the actual expense of Case No. 90-041.¹

16. Concerning the proposed adjustment to marketing expenses, explain why Mr. DeWard has proposed to remove amounts from Account Nos. 4912-41, 4912-42, and 4912-51, when ULH&P in Schedule C-3.11 has already proposed to remove the entire test year balance for Account No. 4912.

17. Concerning the proposal to remove \$29,720 recorded in Account No. 813, provide a detailed explanation of how Mr. DeWard determined that an investigation of the potential for gas storage in Kentucky was a non-recurring expenditure.

¹ Case No. 90-041, An Adjustment of Gas and Electric Rates of The Union Light, Heat and Power Company.

18. Provide a detailed explanation of why Mr. DeWard's proposed adjustment on Schedule 22 is not in conflict with his proposed adjustment on Schedule 15.

19. The year-end customer adjustment proposed by Mr. DeWard includes a comparison of customer levels in March 1992 and October 1991.

a. Explain the rationale for using the months of March and October to calculate the adjustment for year-end customers when the test year ended June 30, 1992.

b. Explain whether an adjustment based on a comparison of test year-end customers and test year-average customers would reflect an acceptable methodology in the opinion of Mr. DeWard.

20. The adjustment proposed by Mr. DeWard on Schedule 13 of Exhibit ____ (TCD-1) adds back non-jurisdictional assets, revenues and expenses that ULH&P proposed to eliminate. Per Mr. DeWard's calculation, the adjustments proposed by ULH&P increase its revenue requirement by \$295,545.

a. Identify what measures Mr. DeWard has taken in an attempt to ascertain whether ULH&P eliminated the proper level of expenses in its adjustments.

b. Explain whether Mr. DeWard's opposition to ULH&P's proposed adjustments is based solely on the results, i.e. - the increase in revenue requirements. Would the inconsistency with the prior case be a problem for Mr. DeWard if the adjustments resulted in a reduction in revenue requirements?

c. Explain whether Mr. DeWard is generally agreeable to adjustments that eliminate non-jurisdictional items if, in his opinion, the adjustment is properly calculated.


21. The adjustment proposed by Mr. DeWard on Schedule 16 of Exhibit ____ (TCD-1) reduces gas supply expense by \$42,857. The source reference is Schedule C-2.1 of ULH&P's application.

a. Explain which of the adjustments proposed by ULH&P removes the revenues associated with this expense, as stated on page 20 of Mr. DeWard's testimony.

b. Schedule C-2.1 of ULH&P's application shows operating revenues and expenses - unadjusted. Explain why Mr. DeWard based his adjustment on this schedule and explain how he determined that ULH&P's proposed adjustments to its gas supply expense did not eliminate this expense item.

Done at Frankfort, Kentucky, this 6th day of January, 1993.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director