COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE FINAL REPORT OF WESTERN KENTUCKY GAS ON ITS HEDGING PROGRAM FOR THE 2001-2002 HEATING SEASON AND MOTION TO CONDUCT A HEDGING PROGRAM FOR THE 2002-2003 HEATING SEASON	)))))	CASE NO. 2002-00093

SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF
TO WESTERN KENTUCKY GAS COMPANY

Western Kentucky Gas Company (Western) is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 1, 2002. 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 person 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, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to Item 1 of Western s response to the Commission Staff s first data request. Western states that the objective of its hedging program is to assure a measure of price protection and to stabilize gas purchase costs for its customers. Provide an analysis, with graphs, that compares:

a. The market price of gas and the hedged price of gas during the period covered by the hedging plan for the 2001-2002 heating season.

b. The market price of gas and the Expected Gas Cost component of Western s Gas Cost Adjustment during the period covered by the hedging plan for the 2001-2002 heating season.

2. Refer to Item 2 of Western s response to the Commission Staff s first data request, which includes the survey question referenced on page 2 of Western s hedging report regarding customers understanding and acceptance of hedging activities.

a. The second choice conveys the message that a buy-up-front approach would be implemented without taking price into consideration. Explain how this message is consistent with a hedging program such as that proposed by Western.

b. Describe any plans Western has to conduct such surveys involving only its customers. If Western has no such plans, explain why.

3. Refer to Item 7 of Western s response to the Commission Staff s first data request which includes Atmos s Risk Management Control Guidelines for its regulated operations. Provide the two most recent annual gas commodity risk management plans for Atmos referenced in Guideline No. 5.

4. Refer to Item 12(a) of Western s response to the Commission Staff s first data request. Describe Western s familiarity with the Black-Scholes model of option pricing.

5. Refer to Item 12(b) of Western s response to the Commission Staff s first data request which shows that Western has established ceiling and floor prices of $6.00 and $3.20, respectively. Identify any other ceiling and floor prices that were considered and explain why they were not chosen as the prices for the 2002-2003 hedging program. If no other prices were considered, explain why.

6. Refer to Item 12(e) of Western s response to the Commission Staff s first data request.

a. Under a scenario where gas price trends appear to be headed downward, explain whether Western would be agreeable to setting only a cap on the volumes hedged rather than setting a range in order to allow it an opportunity to cease hedging activity.

b. If Western is not agreeable to setting only a cap on the volumes hedged, explain why.

7. Refer to Item 13 of Western s response to the Commission Staff first data request which indicates that Atmos is considering using a single financial hedging supplier for all of its utility business units.

a. Explain in detail why Atmos would choose to use a single supplier for all utility business units.

b. Based on the general concept that a larger pool of bidders and suppliers encourages competition, which should result in lower prices, describe in detail what Western and/or Atmos believe to be the advantages of using a single supplier or the disadvantages of using multiple suppliers.

c. Explain how this Commission can be assured that a decision to choose a single supplier is in the best interests of Kentucky ratepayers served by Western.

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DATED April 26, 2002

cc: All Parties