

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS COMPANY )      CASE NO.  
INC. FOR AN ADJUSTMENT OF RATES         )      2004-00067

THIRD DATA REQUEST OF COMMISSION STAFF  
TO DELTA NATURAL GAS COMPANY, INC.

Delta Natural Gas Company, Inc. ("Delta") is requested, pursuant to 807 KAR 5:001, 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 June 22, 2004. 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 Delta's Response to Commission Staff's Second Data Request dated May 11, 2004 ("Staff's Second Request"), Item 4. In Mr. Seelye's opinion, what accounts for the difference between the reconstructed billing and the actual revenue recorded by Delta?

2. Refer to Delta's Response to the Staff's Second Request, Item 6, Workpaper WP-1.

a. By employee number, identify whether the employee is salaried or hourly.

b. Is Delta aware that the Commission has routinely utilized a standard work year of 2,080 hours for wage and salary normalization adjustments?

c. Provide a recalculation of the labor adjustment and any other labor-related adjustments based on the wage and salary calculation using 2,080 hours. Include all assumptions, workpapers, and documents used to prepare the calculation.

d. For any salaried employee shown with overtime hours, provide an explanation of why a salaried employee is earning overtime.

e. Provide the number of terminations and new hires during the test year. Indicate on Workpaper WP-1 any employees terminated or hired during the test year.

f. For each new hire, indicate if Delta used a full year to calculate the pro forma salaries and wages. If a full year was not used, explain why a full year was not used to calculate the pro forma salaries and wages.

3. Refer to Delta's Response to the Staff's Second Request, Item 6, Workpaper WP-9. Explain the purpose of the workpaper titled "Analysis of Administrative Hours." How does this analysis function in Delta's payroll system?

4. Refer to Delta's Response to the Staff's Second Request, Items 7(a) and (b).

a. Provide a list of the Gas Technology Institute for Research and Development (“GTIR&D”) projects that Delta believes it might use in the future.

b. Delta’s contribution to GTIR&D has decreased every year since 2000. Explain why the amount has decreased each year.

5. Refer to Delta’s Response to the Staff’s Second Request, Item 8. Delta’s response does not address the issues raised in the question. Provide the originally requested information.

6. Refer to Delta’s Response to the Staff’s Second Request, Item 10(b). Will Delta be able to decrease its debt rather than increase the number of shares of common stock?

7. Refer to Delta’s Response to the Staff’s Second Request, Item 13.

a. Provide a list of incentives that are available for electric customers.

b. Explain whether incentives are available for natural gas customers and, if so, provide a list of them.

c. Explain which party bears the expense of an incentive; i.e., the retailer, the utility, or a third party.

d. The first page of the Fama and French article is obscured. Provide a legible copy.

8. Refer to Delta’s Response to the Staff’s Second Request, Item 14.

a. Provide the amount of the under-recovery of gas costs for the test period.

b. Provide the amount of the under-recovery that Delta had to finance during the test period, as well as the amount of interest paid and the interest rate of the loans.

c. If Delta updated its gas cost adjustment in its tariff to include a carrying cost on under-recoveries, provide the carrying cost that Delta would use.

9. Refer to Delta's Response to the Staff's Second Request, Item 16. Part of the copy of the Value Line page for AGL Resources is obscured. Provide a legible copy.

10. Refer to Delta's Response to the Staff's Second Request, Item 20. Footnote 3 states that the Clerical & Office Expense for supplies is depreciation for office equipment not included. Provide a list of the office equipment included in this category and the calculations used to determine the depreciation.

11. Refer to Delta's Response to the Staff's Second Request, Item 22.

a. When Delta complied with the Federal Energy Regulatory Commission's ("FERC") Order 631, was a transition adjustment required? If yes, provide the amounts and the corresponding accounts.

b. Explain how Delta complied with each applicable section of FERC Order 631.

12. Refer to Delta's Response to the Staff's Second Request, Item 25.

a. Refer to page 7 of 10, Item 25(u). The response indicates that \$163,328 of the Sarbanes-Oxley expenses is non-recurring. Should the non-recurring expenses be excluded for rate-making purposes? Explain the response.

b. Refer to page 8 of 10, Item 25(y). The response indicates that a revision should be made to an adjustment related to the bonus removed on Hall WP-4.1 of the application. Provide a revised version of Hall WP-4.1 and all other schedules affected by the revision.

c. Refer to page 9 of 10, Item 25(z). Identify the actuary. Also, the response states, "The most recent Actuary's study for the 12 months ended June 30, 2004 projects annual net pension expense to be \$725,434...." Explain how a projected amount can be known prior to the end of the study period.

d. Refer to page 9 of 10, Item 25(aa). Provide the calculations supporting the estimated expense of \$156,727 and a detailed explanation of the recurring 401K expenses that are included in the estimated amount.

13. Refer to Delta's Response to the Staff's Second Request, Item 28.

a. Refer to Item 28(a). The second paragraph of the response appears to be missing information. Resubmit the response with any omitted information included.

b. Refer to Item 28(b). State whether this expense will be recurring.

c. Refer to Item 28(c). The response did not provide all of the originally requested information. Explain why this expense should be included for rate-making purposes.

14. Refer to Delta's Response to the Staff's Second Request, Item 30. The response did not provide all of the originally requested information. Explain why these expenses should be included for rate-making purposes.

15. Refer to Delta's Response to the Staff's Second Request, Item 31. Provide a copy of the materials provided to a participant. Explain how this program does not constitute a form of promotional advertising as defined in 807 KAR 5:016.

16. Refer to Delta's Response to the Staff's Second Request, Item 32(a). Explain why a nature study was capitalized as Storage Rights of Way instead of as part of the 12-inch Canada Mountain Line.

17. Refer to Delta's Response to the Staff's Second Request, Item 33(a). For each of the 4 previous years, provide the annual level of expenses classified as "General" for work performed by Stoll, Keenon & Park, LLP.

18. Refer to Delta's Response to the Staff's Second Request, Item 35 and Delta's Response to the Attorney General's ("AG") First Data Request, Item 49. The response to the Staff's request states that the monthly fee paid to Nancy Lethgo is a recurring charge. However, in the response to the AG's request, Delta states that her consulting work and the agreement have been concluded. Delta further states that the part-time position has been filled by another part-time person.

a. If the contract with Ms. Lethgo has been terminated, explain why the expense should be considered recurring and included for rate-making purposes.

b. Was the newly hired part-time employee included in the wage and salary normalization?

19. Refer to Delta's Response to the Staff's Second Request, Item 36.

a. Refer to Item 36(a). For each of the 4 previous calendar years, provide a schedule of similar projects including the vendor and the amount.

b. Refer to Item 36(g). The response indicates the expense is not an annual recurring charge. Explain why the expense should be included for rate-making purposes.

20. Refer to Delta's Response to the Staff's Second Request, Item 40. For each employee benefit, provide the following information regarding costs:

a. Premiums and/or costs as of test-year end.

b. Indicate if any premiums and/or costs changed during the test year, the amount of the change, and the date of the change.

c. Indicate if any premiums and/or costs changed from January 1, 2004 through March 31, 2004, the amount of the change, and the date of the change.

d. For any employee benefit premium and/or cost that changed during the test year, explain why Delta did not propose to normalize the expense.

e. For any employee benefit premium and/or cost that changed from January 1, 2004 through March 31, 2004, explain why Delta did not propose to normalize the expense.

21. Refer to Delta's Response to AG's First Data Request, Item 42. For each of the items listed below, explain why the expense should be included for rate-making purposes:

a. Line No. 5 – Bath County News Outlook.

b. Line No. 31 – Junior Achievement of the Bluegrass.

c. Line No. 35 – London-Laurel County.

d. Line No. 42 – Myron Corporation.

e. Line No. 45 – Newton Manufacturing Company.

f. Line No. 49 – Richmond Register.

22. Refer to Delta's Response to AG's First Data Request, Item 45, part (a).

For each item listed below, provide a detailed description of the expense and explain why the expense should be included for rate-making purposes:

a. Check No. 213725 – ARMA International.

b. Check No. 212155 – Boonesboro Lions Club.

c. Check No. 214857 – Glenn R. Jennings.

d. Check No. 214929 – NACE International.

e. Check No. 216453 – Stanton Woman's Club.

f. Check No. 215708 – Owingsville Kiwanis Club.

g. Check No. 200771 – Kentucky Industrial Liaison.

23. Refer to Delta's Response to AG's First Data Request, Item 45, part (b).

The note on line 23 of the response indicates that \$264 was a spousal expense. Provide a detailed description of the expense and explain why this expense should be included for rate-making purposes.

24. Refer to Delta's Response to AG's First Data Request, Item 45, part (c).

For each item listed below, provide a detailed description of the expense and explain why it should be included for rate-making purposes:

a. Lines 65, 86, 232, 258, 284, 285, 295, 302, and 351 – Robert Hazelrigg.

b. Lines 99 and 288 – Office Coffee Systems.

c. Lines 162, 216, 248, 251, and 321 – BB&T Bankcard Corporation.



25. Would Delta agree that as part of its proposed increase in revenues there should also be a corresponding adjustment to its PSC Assessment, which reflects the most current assessment rate? Explain the response.



---

Beth O'Donnell  
Executive Director  
Public Service Commission  
P. O. Box 615  
Frankfort, KY 40602

DATED June 9, 2004

cc: All Parties