

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF APACHE GAS TRANSMISSION) CASE NO
COMPANY, INC. FOR AN INCREASE IN RATES) 2007-00354

FIRST DATA REQUEST OF COMMISSION STAFF TO
APACHE GAS TRANSMISSION COMPANY, INC.

Apache Gas Transmission Company, Inc. ("Apache"), pursuant to 807 KAR 5:001, is 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 October 16, 2007. 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.

Apache shall make timely amendment to any prior responses 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

Apache fails or refuses to furnish all or part of the requested information, Apache 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 applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Provide Apache's latest state and federal income tax returns with the taxpayer identification numbers redacted.

2. Reference is made to the "Fort Knox line" on pages 3 and 5 of the application. Provide a complete physical description of the Fort Knox line and describe its impact on Apache's operations and expenses.

3. Refer to the balance sheets for calendar years 2004, 2005, and 2006.

a. Describe the nature of the liability identified as "A/P CFRI" and explain the reasons for the changes in the account balance over the 3-year period.

b. Describe the nature of the relationship between CFRI and Apache.

c. Describe the nature of the liability identified as "A/P Summit" and explain the reasons for the changes in the account balance for over 3-year period.

d. Describe the nature of the relationship between Summit and Apache.

e. Describe the nature of the liability identified as "DT & CS Shirey Rev Fam Trst" on the 2004 and 2005 balance sheets.

f. Identify the components of the liability “Notes Payable – Other” reported for the three year period.

4. State the distance from Apache’s Texas Eastern interconnect to Burkesville Gas Company’s (“Burkesville”) city gate.

5. Refer to Attachment 2, page 1 of 4, of Apache’s application. Provide a breakdown of the \$4,422 in Account 165, Prepayments, as of December 31, 2006. Explain why there were no similar prepayments on the 2004 or 2005 balance sheets.

6. Refer to Attachment 3, specifically, the Fees for Transmission of Gas, Account 480. Explain how Apache derived the specific amount, \$42,452, of the proposed revenue increase. Identify the methodology, such as rate of return, debt service coverage, etc. that was used to derive the proposed revenue increase.

7. Refer to Attachment 4, specifically, the description of Income Taxes – State and Federal – Account 409.1. Explain why the 2005 income tax payments were not accrued and expensed in 2005. Provide a breakdown of the \$5,614 in income tax expense reported in 2006 by year and whether federal or state income tax.

8. Refer to Attachment 4, Exhibit A.

a. Describe the nature of the U.S. DOT Pipeline Safety User Fee Assessment.

b. Explain why it is appropriate to classify this item as property tax expense. State whether this classification is consistent with prior year classifications.

c. How did Apache’s assessed valuation for property tax purposes in 2006 compare with the previous year’s assessment?

9. Refer to Attachment 4, Exhibit C, of the application and Attachment 1 of Apache's August 27, 2007 response to cure the deficiencies in its application.

a. Explain why the reclassification of the management fee for 2004 as maintenance of lines was not included in the 10-year average of maintenance expense if the fee represented repairs and maintenance of the transmission line.

b. Describe how the factor of 70 percent was determined to be the appropriate level to represent the anticipated increase in maintenance expenses. Include all supporting data, schedules and calculations used to derive this factor.

c. Explain why capital expenditures that were recorded as utility plant on Apache's balance sheet are included in the calculation of projected maintenance expenses.

d. Describe in detail the phrase "anticipated maintenance of State Highway 90 and to the Fort Knox line."

10. Refer to Attachment 3 and Attachment 4, Exhibit D.

a. How much of the increase in legal fees is due to costs incurred in conjunction with preparing this rate application?

b. Provide a breakdown of legal fees for the period from January 2007 through June 2007. Indicate each payee and describe the services provided.

11. Refer to Attachment 4, Exhibit E.

a. In Item 1, there appears to be a duplication of Brenda Everette's time for the period ending 7/31/07, resulting in the expense being included in both the actual and estimated amounts. Is this correct? In no, explain why. If yes, provide the appropriate revisions to Exhibit E and all related attachments, exhibits, etc.

b. Explain in greater detail how the estimate for Brenda Everette's expense for the time period 7/1/07 – 12/31/07 was determined, as the actual expense for the first half of 2007 does not support the estimate of 17.5 hours per month.

c. The narrative in Attachment 4, page 1 of 2, attributing the decrease in accounting expense to the reclassification of Brenda Everette's fees to management fees does not appear to be supported by Exhibit E, Item 1. Provide a breakdown of the costs recorded in Account 92301 – Accounting, for 2006 and the first half of 2007 indicating payee and description of services provided.

d. State whether Brenda Everette works for any affiliate of Apache or company that shares common ownership with Apache. If yes, identify the companies and describe the work that she performs for them.

12. Refer to Attachment 4, Exhibit E, and Exhibit E, Item 3, regarding the Shirey Family Trust:

a. Has this cost been incurred in prior years? If yes, provide the amount and explain how it was classified on the income statement. If no, explain why Apache has only recently incurred this cost.

b. Explain how the monthly amount of \$1,800 was determined as the appropriate level for the management fee. Include in the explanation the number of hours devoted to the tasks shown on Exhibit E.

13. Refer to Attachment 3 and Attachment 4, Exhibit F.

a. The estimated liability insurance expense for 2007 reflects a 133 percent increase over the actual 2006 expense. Provide a detailed explanation for this increase.

b. State whether Apache obtained its current liability policy through a competitive bidding process. If bids were not sought, explain why. If bids were sought, provide copies of the responses Apache received.

c. Explain why no liability insurance expense is reflected on the income statements for 2004 and 2005.

14. Refer to the billing analysis schedules for calendar years 2004, 2005, and 2006, which show a decrease in Mcf volumes of roughly 20 percent in 2006 compared to the two previous years.

a. State the reasons (e.g., milder temperatures, fewer customers) for the reduced volumes delivered to Burkesville in 2006, compared to 2004 and 2005.

b. State whether Apache uses data from the U.S. Department of Commerce's National Climatic Data Center ("NCLC") to monitor current heating degree days compared to the 30-year normal heating degree days published by the NCLC.



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

DATED: September 25, 2007

cc: All Parties