

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

SUPPLEMENTAL 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 November 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. Refer to Apache's responses to Items 3(e) and 3(f) of Commission Staff's First Data Request ("initial request").

a. Describe the purpose of the \$550,000 loan from the Shirey Family Trust, identified in 3(e), on which final payment was made August 1, 2006.

b. In its response to Item 3(f), Apache states that it received several loans from CFRI during 2003 and 2004 that "were needed in the regular course of business." Describe in more detail how Apache used the proceeds of these loans.

2. Refer to Apache's responses to Items 4 and 8(a) of Staff's initial request, which refer to 17.82 miles of line as the distance from the Texan Eastern interconnect to the city gate of Burkesville Gas Company ("Burkesville") and as the amount of pipeline Apache has in service. The balance sheet in Attachment 2 of Apache's application indicates that the plant in Account 101, Transmission Line, consists of 20 miles of line.

a. Explain the discrepancy between the amount of pipeline listed in the balance sheet (20 miles) and the amount listed in Apache's Response to Items 4 and 8(a) (17.82 miles).

b. If Apache has approximately 2 miles of additional line not involved in serving Burkesville, state where this line is located and state whether the cost of this line is included in the proposed rate to be charged to Burkesville.

3. Refer to Apache's response to Item 9(b) of Staff's initial request, which indicates that the 70 percent shown in Attachment 4, Exhibit C, of Apache's application resulted from calculating the amount "necessary to keep the system in working order." As 70 happens to be the resulting percentage increase, explain how the amount of the increase was determined. Include all relevant assumptions, workpapers, calculations, etc. used in the determination.

4. Refer to Apache's response to Item 9(c) of Staff's initial request and Attachment 4, Exhibit C of the application. The response indicates that the capitalized costs included in the proposed adjustment to increase maintenance expense were incurred either (1) to replace dated and worn out components with new components or (2) to replace 3-inch line with 6-inch line. Provide, by year, for the period 1997 through 2006, a breakdown of the capitalized costs of \$105,054 shown in Attachment 4, Exhibit C, between the amounts incurred to replace dated / worn out components and the amounts incurred to replace 3-inch pipe with 6-inch pipe.

5. Refer to Apache's response to Item 9(d) of Staff's initial request.

a. What is the Department of Highways' timetable for the Highway 90 road project?

b. What is Apache's experience with the relocation of lines in conjunction with a Department of Highways' road repair or construction project?

c. In some instances, the Department of Highways reimburses utilities for line relocation costs that are incurred due to a state road project. What is Apache's understanding regarding possible reimbursement of any portion of the costs it may incur if the Highway 90 project comes to fruition?

6. Refer to Apache's response to Item 10(b) of Staff's initial request and Attachment 4, Exhibit D, of the application. In the format used in that response, provide a breakdown of the legal fees that Apache has incurred since June 29, 2007. Explain why Apache's annual expenses for legal fees have varied significantly since 2004 (reference Apache's 2004, 2005, and 2006 income statements).

7. Refer to Apache's response to Item 11(c) of Staff's initial request and Attachment 3, page 1 of 2, of the application. The response indicates that payments to Holland, CPAs were the only costs, other than the amounts paid Brenda Everette in 2006, recorded as Accounting Services in either 2006 or 2007. The attachment includes a budgeted expense for 2007 of \$2,105 while the amount expensed so far in 2007 is \$1,530 for services provided by Holland, CPAs, which was for preparation of Apache's 2006 tax returns. Preparing income tax returns was also the only service provided by Holland, CPAs and charged to Accounting Services in 2006. What accounts for the additional \$575 included in the budgeted amount, which would be in addition to the amount actually expensed in 2007 for the preparation of Apache's income tax returns?

8. Refer to Apache's response to Item 11(d) of Staff's initial request, which, among other things, asked that any companies for which Brenda Everette worked that share common ownership with Apache be identified. The response indicated that she

provides accounting services to other companies in which Tom Shirey is an acting officer; however, it did not identify the companies. Provide a list of the relevant companies, as originally requested.

9. Refer to Apache's response to Item 12(a) of Staff's initial request, which indicates that after 2004 there was a change in "policy to not accrue any management and accounting fees that Apache was not able to pay."

a. State whether Apache changed its policy in 2006 and began to again accrue management fees. If yes, explain why it made the policy change at that time. If no change occurred in 2006, explain why \$6,211 was recorded as management fees in 2006.

b. Provide a breakdown of the \$6,211 recorded as management fees in calendar year 2006.

10. Refer to Apache's response to Item 12(b) of Staff's initial request, which asked that Apache explain how the amount of \$1,800 was determined to be the appropriate level for the monthly management fee paid to the Shirey Family Trust. The response states that "[t]he \$1,800 seemed more than reasonable and equitable for the services provided for Apache." This response is not responsive. Explain how the \$1,800 was derived and why it is reasonable.

11. Refer to Apache's response to Item 13(a) of Staff's initial request. Explain why liability insurance for the year ended December 31, 2006 was only for a "partial year." Identify the portion of calendar year 2006 that was covered.

12. Refer to Apache's response to Item 13(b) of Staff's initial request and Apache's updates to Attachments 3 and 4 of its application. Apache has received a

new liability insurance premium for the policy year beginning October 15, 2007, in the amount of \$6,287. Explain why this amount should not be the amount included in Attachment 3 for recovery through rates.

13. Refer to Apache's response to Item 13(c) of Staff's initial request. Explain what is meant by the reference to two separate insurance policies. State whether Apache carried any liability insurance in 2004 and 2005.

14. Refer to Apache's response to Item 14(b) of Staff's initial request, which refers to a 10.72 percent annual decline in total sales volumes since 2003.

a. Provide the calculation which shows the derivation of the 10.72 percent annual decrease in sales volumes since 2003.

b. Provide Apache's 2003 Mcf volumes by month, and in total.

c. Provide Apache's Mcf volumes for all months in 2007 for which the information is available.



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DATED: November 2, 2007

cc: All Parties