

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE INVESTIGATION INTO THE)
REASONABLENESS OF THE GAS)
COST RECOVERY FILING OF GASCO) CASE NO. 2008-00096
DISTRIBUTION SYSTEMS, INC.)

SECOND DATA REQUEST OF COMMISSION STAFF TO
GASCO DISTRIBUTION SYSTEMS, INC.

Gasco Distribution Systems, Inc. ("Gasco"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 5 copies of the following information, with a copy to all parties of record. The information requested herein is due May 9, 2008. 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.

Gasco 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 requests to which

Gasco fails or refuses to furnish all or part of the requested information, Gasco 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 the responses to Items 1(a) and 2(e) of the Commission's March 31, 2008 Order. Provide workpapers, spreadsheets, etc. showing how the 7 percent retainage and \$0.60 transportation fee charged Gasco for gas transported through the Titan Energy Group, Inc. ("Titan") pipeline are derived. Include a narrative description of the calculations that identifies the specific expense accounts, as shown in the Titan income statements, which are included in the derivation of the fees. Also, identify all assumptions included in deriving the fees.

2. Refer to the response to Item 2(a) of the Commission's March 31, 2008 Order. Provide the percentage ownership interests of Mr. Steele and Ms. King in Titan. If any non-officers have ownership interests in Titan, provide their names and their percentage ownership interests in Titan.

3. Refer to the responses to Items 2(b) and 2(c) of the Commission's March 31, 2008 Order which states that Gasco has no gas supply contract with Titan.

a. If there is any contract or written agreement that governs the transactions between the two companies, provide copies of it.

b. Provide the locations of Titan's pipeline and its oil and gas wells, by state and by county. Describe where the pipeline is located relative to Gasco's system.

c. Gasco's GCA filings prior to 2007 showed that it paid retainage and transportation fees to an entity identified as B & W. Provide a description of B & W including any relationship it may have had with Titan or Gasco, or their owners.

4. Refer to the Titan income statements attached to the response to Item 2 of the Commission's March 31, 2008 Order.

a. For each of the three fiscal years included in the attachment, provide the amount of revenue Titan derived from its services to Gasco.

b. Identify the specific accounts in which the revenue from Gasco was included in the three income statements.

c. In general, identify and describe the factors or circumstances that have contributed to Titan's annual revenue declining by \$95,000, or 35 percent, from the fiscal year ended June 30, 2005 to the fiscal year ended June 30, 2007.

5. Refer to the response to Item 5 of the Commission's March 31, 2008 Order, specifically the draft language with which Gasco states it will amend its tariff. The language reads as follows: "If actual gas costs were not billed during the period incurred or were not included in a gas cost recovery filing within the quarterly period referenced in the tariff, the company may recover its actual unbilled gas costs for any period through its gas cost adjustment mechanism consistent with the provisions of KRS 278.225 or other applicable statute."

a. Given that Gasco's gas cost adjustment mechanism ("GCA") is designed to recover estimated gas costs prospectively and true-up that recovery with

actual gas costs incurred on an after-the-fact basis, explain the reasoning for the first clause in the draft language – “If actual gas costs were not billed during the period incurred.”

b. The draft language, starting after the comma, reads “the company may recover its actual unbilled gas costs for any period.” Since gas cost recovery is subject to Commission review of a GCA filing, explain why the first part of the clause should not read “the company may *seek to* recover.” (Emphasis added).

c. The next section of the clause reads “its actual unbilled gas costs for any period through its gas cost adjustment mechanism consistent with the provisions of KRS 278.225.” Given the after-the-fact nature of the recovery of actual gas costs under Gasco’s GCA, and the 24-month limit in KRS 278.225, explain why amending this section to read “its unrecovered gas costs through its gas cost adjustment mechanism consistent with the provisions of KRS 278.225” would not be more appropriate. This would replace “actual unbilled” with “unrecovered” and eliminate “for any period.”

6. Refer to the responses to Item 5 of the Commission’s March 31, 2008 Order. Explain how KRS 278.225 could be considered to allow any type of gas cost recovery when the statute is one of limitation for customer liability.

7. Refer to the response to Item 6 of the Commission’s March 31, 2008 Order. Explain how KRS 278.225 could be considered to allow any type of gas cost recovery when KRS 278.160(2) prohibits the recovery of any amount greater than prescribed in a utility’s filed tariff.

8. Refer to the response to Item 8 of the Commission's March 31, 2008 Order which states in part: "Revenue collected through a surcharge will be reflected as operating income and will be included in the calculations of revenue requirements if a rate case should be filed during the collection period."

In Case No. 2003-00494,¹ the Commission imposed a surcharge for costs which were not included in the calculations for revenue requirements. If surcharge revenues were not to be so included in a Gasco rate adjustment filing, would your answer be any different? Explain the response.



Stephanie Stumbo
Executive Director
Public Service Commission
P.O. Box 615
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Dated: April 30, 2008

cc: Parties of Record

¹ Case No. 2003-00494, The Application of Airview Estates, Inc. for a Rate Adjustment Pursuant to the Alternative Rate Filing for Small Utilities, Order dated June 14, 2004.