

**CASE**

**NUMBER:**

99-176

BEFORE THE  
KENTUCKY PUBLIC SERVICE COMMISSION

CASE NO. 99-176

**FILED**

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**PUBLIC SERVICE  
COMMISSION**

RE: DELTA NATURAL GAS COMPANY

Pursuant to notice duly given, the above-styled matter came to be heard October 28, 1999, at 9:00 a.m. in the Hearing Room of the Kentucky Public Service Commission, 730 Schenkel Lane, Frankfort, Kentucky 40601; The Honorable B. J. Helton presiding.

VOLUME I OF II

C O P Y

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BEFORE THE  
KENTUCKY PUBLIC SERVICE COMMISSION  
CASE NO. 99-176

RE: DELTA NATURAL GAS COMPANY

APPEARANCES:

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Chairman  
PUBLIC SERVICE COMMISSION

Hon. Edward J. Holmes  
Vice Chairman  
PUBLIC SERVICE COMMISSION

Hon. Gary Gillis  
Commissioner  
PUBLIC SERVICE COMMISSION

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1 CHAIRMAN HELTON:

2 Good morning. We are here in the matter of an  
3 adjustment of rates of Delta Natural Gas Company,  
4 Incorporated, Case Number 99-176. Could I have  
5 appearance for the parties please?

6 MR. WATT:

7 Robert Watt, Stoll, Keenon & Park, Suite 1000, 201  
8 East Main Street, Lexington, for Delta Gas.

9 MS. BLACKFORD:

10 On behalf of the office of the Attorney General,  
11 Elizabeth Blackford, Assistant Attorney General,  
12 1024 Capital Center Drive, Frankfort.

13 MR. WUETCHER:

14 On behalf of Commission Staff, Gerald Wuetcher and  
15 J. R. Goff.

16 CHAIRMAN HELTON:

17 Is there any member of the public that would like  
18 to give public comment before we begin the  
19 hearing? I believe as a preliminary matter before  
20 the Commission we have a motion by Delta. We have  
21 a motion by the Attorney General's Office.  
22 Neither party will have had a chance to respond to  
23 those motions yet, so we will give you until the  
24 close of business tomorrow to respond to each

1 other's motions. We will go ahead and take the  
2 testimony today so as not to any further delay the  
3 hearing. And then we will rule on the motions  
4 after and take whatever actions are necessary  
5 after we rule on the motions. Mr. Watt, you want  
6 to call your first witness?

7 MR. WATT:

8 Glenn Jennings.

9 (WITNESS DULY SWORN)

10

11 The witness, GLENN JENNINGS, having first been  
12 duly sworn, testified as follows:

13

DIRECT EXAMINATION

14 BY MR. WATT:

15 Q Glenn, would you please state your name for the  
16 record?

17 A Glenn Jennings.

18 Q Where do you live?

19 A I live at 9 Fairway Drive in Berea, Kentucky.

20 Q By whom are you employed?

21 A Delta Natural Gas Company.

22 Q What is your position?

23 A I'm President and CEO.

24 Q Would you please briefly describe your

1 duties?

2 A I have a team of officers that report to me  
3 that have the responsibility for various  
4 portions of the company. I oversee their  
5 efforts and oversee the overall efforts and  
6 operations of the company.

7 Q Have you filed direct testimony on behalf of  
8 Delta in this proceeding?

9 A Yes, I have.

10 Q Are there any changes, corrections, or  
11 additions to that testimony?

12 A No.

13 Q If I asked you the questions contained in your  
14 direct testimony today, would you give the same  
15 answers?

16 A Yes.

17 Q Have you filed rebuttal testimony on behalf  
18 of Delta?

19 A No, sir.

20 MR. WATT:

21 We have no further questions. We would  
22 move the admission of Glenn's direct  
23 testimony into the record.

24



1 CHAIRMAN HELTON:

2 So ordered. Ms. Blackford?

3 MS. BLACKFORD:

4 Thank you. I have no questions for Mr. Jennings.

5 CHAIRMAN HELTON:

6 Mr. Wuetcher?

7 MR. WUETCHER:

8 I have a few for Mr. Jennings.

9

10 CROSS EXAMINATION

11 BY MR. WUETCHER:

12 Q Mr. Jennings, did you agree that--well, is it the  
13 responsibility of Delta's management to monitor  
14 Delta's operations and capital structure to insure  
15 its financial integrity is maintained?

16 A Yes, that's one of the things that we do, I  
17 agree with that.

18 Q Okay. How does Delta monitor its operations  
19 and capital structure?

20 A Well, we, I guess, are continuously  
21 monitoring our operations through the various  
22 people we have working for us in the 21  
23 counties that we serve. And we monitor our  
24 financial performance and our capital

1 structure as just a part of our day to day  
2 overseeing the company, trying to keep  
3 ourselves in a position where we can be able  
4 to raise capital to do what we need to do in  
5 the future.

6 Q Well, let me--If I can, I'd like to go ahead  
7 and refer you to Delta's response to the  
8 Commission's Order of June 4, 1999, in Case  
9 Number 99-046. And in that question Delta  
10 was asked what operations, what analysis of  
11 its finances and operations that it performed  
12 to determine whether it was unable to earn  
13 its authorized rate of return. And as I read  
14 that response it's, basically, that Delta did  
15 not perform any such analysis. Now, do you--  
16 first of all, do you agree with the  
17 characterization of that response and, number  
18 two, do you agree with the response that was  
19 submitted to the Commission?

20 A You know, it would be helpful to me, there  
21 have been--we have responded to ten data  
22 requests in this case. It would be helpful  
23 to me if I could maybe just look at that  
24 particular one.

1 MR. WATT:

2 Could I have the number again, please,  
3 Jerry? I'll show it to him.

4 MR. WUETCHER:

5 It is the first response to the first  
6 information request of the June 4, 1999,  
7 Order.

8 MR. WATT:

9 Item number one?

10 MR. WUETCHER:

11 Yes, sir.

12 Q The question that was asked--do you have that?

13 A Yes.

14 Q The question that was asked was what analysis of  
15 its finances and operations, if any, has Delta  
16 performed to determine why it has been unable to  
17 earn its authorized rate of return over the last  
18 ten years. And the response was Delta has not  
19 performed any formal analysis except the  
20 information provided as part of the company's  
21 budget. Would it be correct for me when I  
22 characterize that response as saying that there  
23 are no formal procedures or processes, would that  
24 be a correct characterization of the response?

1 A No, it would not, I don't think. John Hall  
2 responded to this, but John and I conferred  
3 on this and I think the point that we were  
4 trying to make there, and you can ask him the  
5 question as well, but the point that we were  
6 trying to make was that we, annually, as we  
7 look at our budgets and financial plans for  
8 the next year, always analyze where we are  
9 and what our position is going to be and what  
10 things look like for the upcoming year before  
11 we present it to our Board. And each spring  
12 we evaluate our financial results, look at  
13 our budget for the next year, our expected  
14 return, we look at our capital structure, we  
15 look at everything. And then we come with it  
16 to our Board at the May Board meeting for  
17 them to review, consider and approve or  
18 change. And so, I would say--I wouldn't want  
19 to give the impression that Delta is just  
20 sort of drifting aimlessly because we don't  
21 consider that to be the case. We think we  
22 really scrutinize ourselves very hard about  
23 how we are doing and where we are headed.  
24 But we do it in the context of budgetary

1 looks once a year, and I think that is what  
2 we tried to say there. I think the point was  
3 we have not stopped and done any formal  
4 analyses other than what we do on an annual  
5 basis.

6 Q Okay. Well, the response makes reference to  
7 a document that was attached to Delta's  
8 response to the Attorney General's  
9 Information Request of June 4. And that is--  
10 I don't know if you have got that, the  
11 responses--the first Item 93 of the AG's data  
12 request?

13 A Okay. Okay, I have that.

14 Q So, is this--when you talk about formal  
15 analysis, the analysis that you are talking  
16 about is just this budget detail or budget  
17 income statement, but the documents that are  
18 attached is--a part of a budget statement?

19 A Well, what is provided in Item 93 is Delta's  
20 budget that was presented to our Board and  
21 the Board approved. And in doing that we  
22 always look at where are we financially? We  
23 project our earnings per share, our cash  
24 flow, our dividend requirements, our capital

1 structure and everything connected with the  
2 company.

3 Q Are those projections also part of the  
4 planning process?

5 A Well, you know, quite frankly it is  
6 impossible to operate in such a vacuum that  
7 you don't look at those things all the time  
8 if you are in the financial management of the  
9 company. There is no formal process that  
10 says, okay, at this particular time we are  
11 going to look at all of those things, we do  
12 it all the time. But once a year we stop,  
13 project all of our expenses, our capital  
14 spending, all of our needs and put that in a  
15 formal budget and present it. And that is  
16 what Item 93 was.

17 Q And that is all transmitted to the--I take  
18 it, to the Board of Directors?

19 A That's correct. It is sent to the Board in  
20 writing and then it is presented to the Board  
21 by myself and sometimes I have some of the  
22 management, like John Hall and others, sit in  
23 and we go through the budget in detail with  
24 the Board.

1 Q When you say it is submitted in writing, is  
2 there some type of narrative or analysis that  
3 goes along with this document?  
4 A Well, this information here is the detail by  
5 account for every account in the company.  
6 And all those accounts are assigned to one of  
7 the members of management, so every  
8 operating account, every expense account,  
9 every capital account, every capital  
10 expenditure account are listed here. So,  
11 that is all the detail of all the accounts in  
12 the company. And then we assign those to  
13 people and they are responsible for those as  
14 we go through the year as to how we do versus  
15 how we plan to do. So, this right here is  
16 presented to the Board and then we go through  
17 and discuss those and highlight anything in  
18 those, particularly changes from the previous  
19 year, or things that are unusual, or things  
20 that are different than perhaps they were the  
21 year before, that sort of discussion. It is  
22 sort of a give and take discussion that  
23 covers a period of time with the Board. It  
24 is not just, you know, a one minute sort of

1 thing. It is a fairly detailed discussion.  
2 But I don't know that we don't always have a  
3 particular format in which we present that  
4 other than this sort of format which is all  
5 the detail by account and it compares always  
6 to the previous periods of time so they can  
7 see how things are looking compared to budget  
8 and how they vary.

9 Q Let me make sure I understand, this goes--  
10 this document goes to the Board of Directors  
11 and then each management official that is  
12 responsible for a particular account then  
13 gives some type of briefing to the Board of  
14 Directors, there is nothing in writing that  
15 accompanies this material?

16 A Well, generally--well, it might not always be  
17 --that's not completely accurate. It might  
18 not always be that each person that's  
19 responsible for each account will be there to  
20 do that. I will be there to do that and I  
21 will bring those other people in as I choose  
22 to. This past year when we did it I brought  
23 all the officers into the Board meeting and  
24 we went through and reviewed all the budget.



1           There are years when I only brought some of  
2           them in, it depends on the nature of what is  
3           in the budget and what I assess the need to  
4           be. I mean, I view that as just part of my  
5           job and part of my judgment to call that.  
6       Q     Okay. I guess what I'm trying to clarify  
7           here is where there has been a lack of  
8           documents, you are saying that there is--this  
9           is the basic document; correct?  
10       A     Correct.  
11       Q     Then accompanying that is the verbal briefing  
12           that is made by the various officers so that  
13           the Board of Directors is kept up to date on  
14           what is going on?  
15       A     That's correct, and that verbal briefing  
16           might be myself, it might be John Hall in  
17           some of the accounts, it might be some of the  
18           other people, Johnny Caudill, Allen Heath,  
19           whoever is involved, where I feel like we  
20           need to highlight an area or spend more time  
21           on it. Those people utilize the management  
22           under them to develop the budget. We start  
23           the process in February, generally, and we  
24           work on our budgets February, March and April

1 and we work on our salary adjustments, we  
2 work on anything that we are going to be  
3 proposing early on in the year. And there is  
4 a lot of detail that each of these people  
5 develops that eventually comes up to the top  
6 budget. Well, you don't give your Board, you  
7 know, that much detail to go through when you  
8 talk about budgets, you give them the budget  
9 and you compare it on key comparisons, you  
10 give them the overall look about cash flow  
11 and EPS and capital structure and then you  
12 respond to questions or you highlight those  
13 things that you think are important for them  
14 to know about. That is the way I handle it  
15 and that is the way I choose to try to handle  
16 the budget process for Delta.

17 Q And the budget is approved--the Board of  
18 Directors meets what, quarterly?

19 A Meets quarterly normally, it is a routine,  
20 the third Thursday of each quarter.

21 Q And the budget is normally approved at what  
22 quarterly meeting?

23 A At the May Board meeting which is generally  
24 the third Thursday in May and those are--

1 those quarters are February, May, August and  
2 November are the four quarters.

3 Q And after the May meeting, is there any type  
4 of update given to the Board of Directors by  
5 management as to how the company is doing in  
6 relation to the budget that was approved in  
7 May?

8 A Yes, two ways. First, myself and our  
9 Chairman are on the Board, so we are Board  
10 members, and monthly we have monthly internal  
11 reports that compare every account, expense  
12 and capital, to budget. We review those, I  
13 review them in my management meetings with  
14 the officer team, and we discuss variations  
15 and I expect responses on how we are doing  
16 compared to how we thought we were going to  
17 be doing. Secondly, then, at each quarterly  
18 Board meeting after May, I go through the  
19 results, compare the budget with the Board,  
20 and highlight and explain anything that is  
21 different or things that I feel like they  
22 need to know about. They ask any questions  
23 and we have a very thorough discussion about  
24 where the company is financially each quarter

1 as we go through that year compared to where  
2 we had planned to be.

3 Q Have you had an opportunity to review Dr.  
4 Blake's response to the Commission's Order of  
5 September 14, 1999, Item 31? I think your  
6 counsel is pulling out a copy for you right  
7 now.

8 A I'm glad, I'm sure I've seen it.

9 Q Well, let me go on and you can tell me if you  
10 are familiar with it. That response, Dr.  
11 Blake, among other things, states that Delta  
12 has "experienced an almost continual decline  
13 in the equity component of its capital  
14 structure over the last ten years." And he  
15 states that Delta has "all the unmistakable  
16 signs of financial distress" and refers to  
17 "Delta's alarming financial trends." Would  
18 you agree with Dr. Blake's statement and his  
19 description of Delta's trend?

20 A That was Item 31?

21 Q Item 31.

22 A Your question was do I agree with his response to  
23 Item 31?

24 Q Yes, sir. Or does his--well, do you agree

1 with his description that Delta has  
2 experienced an almost continual decline in  
3 the equity component of its capital structure  
4 over the last ten years?

5 A Yes.

6 Q Okay. Would you agree with his statement  
7 that Delta has the unmistakable signs of  
8 financial distress?

9 A Yes.

10 Q And would you agree with his characterization  
11 of the last ten years as an alarming  
12 financial trend?

13 A Yes.

14 Q Can you tell us what events occurred between 1989  
15 and 1998 that caused the decline in Delta's equity  
16 component of capital structure?

17 A There are several. I guess the--I studied  
18 this a little bit last night, because I was  
19 setting around with nothing to do, the world  
20 series was over, the Yankees had won, and I  
21 thought I look at that one more time just to  
22 refresh myself. And I didn't go back and  
23 look from 1989 to 1999 but I did look at  
24 least the last five years. And Delta's--

1 first of all, Delta hasn't earned it dividend  
2 in but one of the last five years. So, we  
3 have four years out of five that we have paid  
4 out more than we earned, in effect. Our  
5 payout ratio is greater than 100%. And I  
6 looked at our retained earnings, what happens  
7 when you have that happen is your retained  
8 earnings tend to decline, if you pay out more  
9 than you earn. And our retained earnings--I  
10 looked at the last four years--from 1996 our  
11 retained earnings were almost \$2.8 million.  
12 And now they are--at June 30, '99, they are  
13 just a million. So, that is a million eight  
14 decline or 63% decline in our retained  
15 earnings. And what that means is if your  
16 retained earnings eventually get down to  
17 nothing, is you cannot pay any more dividends  
18 when you run out of retained earnings.  
19 Retained earnings are there to buffer you  
20 against times when you don't perhaps earn  
21 what you pay and to provide funds to  
22 reinvest. And so, that--that is one thing  
23 that has hurt us from a capital structure  
24 standpoint is just the decline in retained

1 earnings. But what has led to that has been  
2 a combination of things. I would say in our  
3 last rate case, which was in 1976 test year,  
4 it was resolved in 1977, we felt that--

5 MR. WATT:

6 '96-'97.

7 A Pardon?

8 MR. WATT:

9 '96-'97.

10 A Yes. And we felt that--we felt that we  
11 needed more revenues than what we received in  
12 that case, and we really felt it at the time,  
13 I think expressed that, that that was going  
14 to make it tough on us to earn our dividend,  
15 and I think that prophesy came to be true.  
16 That is only part of it, part of it is  
17 weather. I mean, we have had some very warm  
18 winters and, as you know or may not know from  
19 what is in the case, we are very weather  
20 sensitive on our sales. And I look back at  
21 our degree days, at least last four or five  
22 years, in 1995 the weather was only 90% of  
23 normal, '98 it was 93%, '99 was 89%, so we  
24 have had some weather related impacts. We

1 have had increase in costs since our last  
2 rate case. We have invested more money in  
3 capital, some of it produces additional  
4 revenues, some does not, some is replacement  
5 of existing facilities. We are now replacing  
6 some facilities, some transmission pipe lines  
7 that are old and aged and need to be replaced  
8 really from a safety and operational  
9 standpoint that don't generate additional  
10 revenues. We have had increase in cost, you  
11 know, for payroll and benefits, health care,  
12 some of the things way beyond our ability to  
13 control that are influenced by other things  
14 in the economy. And those things all have  
15 contributed to the decline in earnings. And  
16 our revenues just haven't been there to  
17 enable us to offset those and to earn a  
18 return that we need. So, I think all of  
19 those have led us to the position we are in  
20 right now which is a pretty distressed  
21 position. When you--when you are a public  
22 company paying dividends to shareholders and  
23 trying to raise new money, and four of the  
24 last five years you haven't earned your



1 return, and you are still out there trying to  
2 provide service in a growing 21 county  
3 community in Kentucky that is very rural and  
4 spread out, it is very difficult to do. And  
5 it does tend to make you feel distressed,  
6 especially, after two or three years where  
7 you didn't earn that. And you say I'm  
8 concerned if I'm going to be able to raise  
9 the equity and the capital in the future to  
10 continue to do that.

11 Q Let me touch on those briefly.

12 A Okay.

13 Q You said this was the last five years. Would  
14 you agree that the reasons that you gave,  
15 aside from the reference to the last rate  
16 case, that all those have been present for  
17 the last ten years? If we take Dr. Blake's  
18 analysis and move it back another five years,  
19 those all didn't just pop up in the last five  
20 years, then?

21 A Well those, all of those things that I talked  
22 about, inflation, increase in cost, capital  
23 spending and weather all have been there  
24 really as long as Delta has existed, and I'm

1           sure the last ten.

2       Q     Okay. And to the extent that these are all  
3           part of a trend, I take it that Delta's  
4           internal review processes would have picked  
5           those trends up? Do you feel comfortable  
6           that it's internal analyses that you say you  
7           are conducting on a periodic or a continuous  
8           basis have picked those up and got on your  
9           radar screens pretty early on?

10       A     I think that is correct.

11       Q     Okay. Do you know, has Delta at any point in  
12           this ten year period retained any type of  
13           outside consultants or experts to examine its  
14           operations or assess its financial condition  
15           to make any recommendations to correct these  
16           financial trends?

17       A     I guess, probably not specifically for that,  
18           I can elaborate if you would like.

19       Q     Sure.

20       A     There have been--well, one time when we underwent  
21           a lot of scrutiny, and I don't know that we  
22           necessarily--well, I guess we did hire it,  
23           although we didn't invite it, was the management  
24           audit that we had. We paid for it and they were

1 employed by us but it was a required thing. That  
2 was a quite intensive scrutiny of Delta and its  
3 operations and particular efficiencies and all  
4 those sorts of things that went on for a couple of  
5 years. And we implemented all the recommendations  
6 of that audit, I think, and eventually resolved  
7 all of those and implemented a great number of  
8 those things to try to be as efficient as we  
9 could. We have hired--over the years we have  
10 hired outside consultants to assist us as we were  
11 looking at preparing rate cases or whether we  
12 needed to or how we might approach those, and we  
13 have involved people from various consulting firms  
14 that have given us their advice on what they  
15 thought we should do or not do. And then, in  
16 addition to that, we continuously talked with the  
17 one group of people outside the company that have  
18 a big stake in our financial performance and that  
19 is investment bankers and analysts that work for  
20 those banking firms. And Mr. Hall and I have an  
21 ongoing dialogue with a lot of investment bankers  
22 that might sell Delta's equity in the marketplace  
23 in the future. And those people are always  
24 advising us, usually it is verbally, but they are

1           advising us on how they feel about Delta's  
2           financial position and whether they are concerned  
3           about it and what are we doing about it, or what  
4           steps are we taking. And they always say, well,  
5           here is what people in other states or other  
6           jurisdictions are doing, because they are always  
7           dealing with the utility companies. And I speak  
8           here, you know, of firms that are normally  
9           underwriting public offerings for the most part.  
10          And they have analyst and specialists on their  
11          staffs. For instance, he and I met fairly  
12          recently with a couple of those, just discussing  
13          with him Delta's condition, where we were, the  
14          fact that four of the last five years we hadn't  
15          earned our common dividend and what we were trying  
16          to do about that. I mean--because they--so they  
17          do provide advice but to say we hired them, you  
18          know, I don't--we might do business with them in  
19          the future, but I couldn't say that we hired them  
20          for that sole purpose.

21        Q        Would you agree with Dr. Blake that one  
22                    solution to reversing the decline of the  
23                    equity component is a rate adjustment?

24        A        One solution to reversing--

1 Q Reversing Delta's declining or decline in  
2 equity component is a rate adjustment?

3 A Yes, to the extent that that would then allow  
4 us to having earnings greater than the  
5 dividends that we are paying out, yes,  
6 because it would add to equity because  
7 retained earnings would grow.

8 Q Okay. Are there any other solutions besides  
9 the rate adjustment route, that you see?

10 A I suppose, you know, that you could always  
11 say, well, maybe you should do less or maybe  
12 you should reduce cost, but we feel that over  
13 the last eight or ten years with the  
14 management audit, with all of the other  
15 things that we have done, that we are pared  
16 down to what we consider very bare bones. I  
17 haven't heard a lot of complaints during this  
18 proceeding that we are--that we have a lot of  
19 areas where we need to be more efficient.  
20 And I don't see those or know of those, but I  
21 guess that is the other possibility is to do  
22 something like that. The problem with that  
23 is, it hurts being able to provide service  
24 like we are doing now, it hurts being able to

1 provide service to a growing service area.

2 That's the other side of that coin.

3 Q Well, then, would it be safe to say that the  
4 solutions that you see are viable to your  
5 problem are basically ones that are, at least  
6 in part, dependent upon management decisions?

7 A I'm sorry, I didn't hear you.

8 Q The solution to your--to the decline in the  
9 equity component is, in part, dependent upon  
10 the actions that management would take?

11 Granted, for example, you can't  
12 automatically--well, automatically is  
13 probably a bad word, but you cannot adjust  
14 your rates without the approval of the Public  
15 Service Commission, but the first step to  
16 doing that is making the decision to file for  
17 a rate adjustment?

18 A That's correct.

19 Q Would the same thing be, for example,  
20 changing your rate structure to, for example,  
21 provide for a weather normalization factor  
22 within your existing rates?

23 A That's true but, you know, on weather, you  
24 know, our rates have always been set before

1 this Commission assuming normal weather.  
2 That is the assumption, the 30 year average  
3 weather is what is called normal, and we have  
4 always had our rate set based on that. We  
5 don't control the weather, obviously, but we  
6 have always had the assumption that we could  
7 earn our return based on normal weather. So,  
8 that has always been something that has  
9 always been before the Commission any time we  
10 have had a proceeding.

11 Q Okay. Can you explain then, if a rate  
12 adjustment is one solution to the financial  
13 distress that Delta has been experiencing  
14 during the last ten years, why did Delta  
15 delay for almost six years before filing for  
16 a rate adjustment in Case Number 97-066, back  
17 in 1997?

18 A Okay. So, I'll back up and give you a little  
19 history on that because I think that is  
20 probably important. If I get off to a point  
21 where you get tired of it, just stop me, but  
22 I've been at Delta 20 years and we had a case  
23 going on when I joined the company in 1979,  
24 we had had an acquisition and we had a case.

1           During that time we had rate cases and I know  
2           because I personally prepared and handled  
3           them all for the company completely, except  
4           for our legal side which I don't practice  
5           law, fortunately. But--

6    Q       At least not officially, right?

7    A       No response. But we had rate cases in 1981,  
8           '82, '84, '85, '90, '97 and now '99, or '96,  
9           '97 and '99. That's the history and I know  
10           because I have it permanently ingrained  
11           somewhere within me having dealt with all of  
12           those. But we had it--we tried rate cases  
13           and we discovered in the '80s there that we  
14           were spending an enormous amount of our time  
15           and resources and very costly time with rate  
16           cases trying to stay current with things in a  
17           growing service area and trying to stay  
18           current with our rates. And we said, well,  
19           let's look at ourselves as well and let's try  
20           to stay away from rate cases as much as we  
21           can. Let's try to be as efficient as we can,  
22           let's try to be as lean as we can, and that  
23           was the--and that was what we did. So, from  
24           '90 'til '96 there, that six or seven years,



1 we made a very conscious effort and we did it  
2 through this process that we talked about  
3 earlier of annually in the spring an internal  
4 self investigation of the company. Where are  
5 we? Where do we project we are going to be  
6 next year; what do we project our earnings  
7 are going to be; what do we project our cash  
8 flows to be; how much credit line do we have;  
9 how much is still available; you know, what  
10 is our capital structure projected to be  
11 like? We do that, as I said, at the outset  
12 of this, every year we do that, very  
13 intensive look. And each year that we did  
14 that from 1990 forward, we concluded that we  
15 felt that we could function during that year  
16 without adjusting our rates. Now, part of  
17 what we did, you know, is we did like every  
18 other company in the state and the U.S., I  
19 think, in the last few years, we downsized,  
20 we right sized, we whatever term you want to  
21 use, we did more with less, we served more  
22 customers with fewer employees, all that  
23 stuff. And we got down to where we  
24 considered ourselves to be somewhat lean and

1 mean. That's always subject to  
2 interpretation, depends on, you know, which  
3 side of the coin you are on. But we tried to  
4 do that, and in doing that we tried to  
5 operate without adjusting our rates. And the  
6 other reason we tried to do that is because  
7 we deal with fairly significant competitive  
8 situations in our service area with electric,  
9 with Kentucky Utilities, which is now LG&E,  
10 and with the RECCs. They have very low cost  
11 electric power. They offer a lot of  
12 incentives, they work hard with builders and  
13 developers to encourage them to go all  
14 electric in the things they develop and so,  
15 we made a strong, strong effort to try to  
16 keep our rates competitive and we still do  
17 that. And so, we don't--it is not our choice  
18 always to want to constantly raise our rates  
19 because we have to deal with the price and  
20 competitive issues with that when we do. So,  
21 during the '90s we did that and that is one  
22 reason, you know, that is one reason that we  
23 didn't come back in last year for a rate  
24 case. We, and you always assume in all that

1 process that you are going to have normal  
2 weather. You assume over the long haul that  
3 you are going to have normal weather and in  
4 the past we have had a year when it is warmer  
5 than normal, and maybe the next year it is  
6 colder than normal so, you know, you make  
7 more, you know, than normal weather would  
8 provide you one year and you don't the next.  
9 But I don't know if there is such a thing as  
10 global warming or not, but I know that we are  
11 in a trend that is alarming and leaves us in  
12 the distressed position, partially in the  
13 distressed position that you referred to  
14 earlier. So--now, that is a long winded  
15 answer and I didn't intend to make it that  
16 way.

17 Q I appreciate that.

18 A But I wanted to let you know that that is  
19 sort of the process that we have gone  
20 through.

21 Q Would you agree with the statement that  
22 Delta's decision to postpone coming in for a  
23 rate adjustment in order to use these other  
24 factors, in order to try to take other

1 methods to become more lean and mean or to  
2 view other approaches may have contributed to  
3 the financial distress that Dr. Blake refers  
4 to in his response?

5 A I agree with you completely. I think that we  
6 make the judgments at the company on whether  
7 to file for rates or not. Now, we can always  
8 be called in, but for the most part it  
9 doesn't work that way. And we make those  
10 judgments and we evaluate whether we do or  
11 don't need to with always a bias towards not,  
12 you know, because of the pricing and  
13 competitive side of it. And we have made  
14 those calls and those judgments, that's been  
15 within the prerogative of management to make  
16 those calls. We might not always make them  
17 right, but we have made them.

18 Q Well, let me turn for a moment to, and I  
19 think it has been called various names, and  
20 I'll just refer to it as the Alternative  
21 Regulation Plan that Delta has proposed. I  
22 take it you had at least a hand in preparing  
23 it?

24 A That's correct, I did.

1 Q Can you describes for us just what your role  
2 was in it, in the preparation of it?

3 A Yes. The--I guess I was involved in looking at  
4 what other companies do. For instance, I visited  
5 Alagasco, I visited Atlanta Gaslight, I talked to  
6 people that I know in the industry, I'm on the AGA  
7 and SGA Boards and I talk with people at other  
8 companies just to try to see what other people are  
9 doing to deal with some of the things that we are  
10 dealing with, particularly those companies that  
11 have had better historic earned returns than us  
12 and have not had the situation that we have had  
13 for the last few years of not earning their  
14 dividends, just trying to see what we could do  
15 different in the way we are doing it. And I had a  
16 couple of concerns, one was to provide what I was  
17 looking for as a more--for lack of a better term,  
18 more streamlined process and a less costly process  
19 and so, I talked with people, I talked with people  
20 on the Alabama PSC, Bob Reed, in particular, who  
21 oversees the Alagasco Alt Reg, and I talked with  
22 Bob about it to see how the staff viewed it. I  
23 talked with people at Alagasco to see how they  
24 viewed it and to see if they thought what they had

1 was working reasonably well. And they both did.  
2 I visited with Atlanta Gaslight and I talked to  
3 people there about what they were doing, looking  
4 toward a way to streamline and to be less costly  
5 because rate cases for us are costly. And we are  
6 not the largest LDC in Kentucky, we are the  
7 smallest of the five so-called big five or  
8 whatever, you know, we are the smallest of those.  
9 And a rate case like this is very expensive on  
10 Delta Gas and its customers, so we were looking  
11 for a way to try to do something without that, if  
12 we could. And we finally decided that the  
13 approach that Alagasco had was something to start  
14 from because when you have something that both  
15 this Commission and Staff and the Company are  
16 comfortable with and the Attorney General's Office  
17 and people that intervene there are comfortable  
18 with that whole process, it seems to me like a  
19 good starting point. So, my involvement was  
20 involved more with that, with the overall look of  
21 let's look at a different way to do things. Let's  
22 don't just go with the status quo and that is what  
23 we tried to do.

24 Q You mentioned two companies, Atlanta Gaslight

1 and Alagasco.

2 A Yes.

3 Q I guess Alagasco is the Alabama Gas  
4 Corporation?

5 A That's correct.

6 Q Was your--and correct me if I'm wrong, but it  
7 seems as if the focus of the plan that has  
8 been proposed is based in large measure on  
9 using the Alagasco plan as a model; would  
10 that be correct?

11 A That would be correct.

12 Q What other states--or what--let's--first,  
13 let's start off, what other companies besides  
14 Atlanta Gaslight and Alagasco did you look  
15 at?

16 A Those are the only two specific ones where I  
17 spent a lot of time and actually visited and  
18 talked about, you know, what are you doing.  
19 We were also in the middle of, at the time,  
20 of the ongoing unbundling debate and the  
21 collaborative process and all that and so, I  
22 was also at Atlanta Gaslight looking at what  
23 they were doing from an unbundling standpoint  
24 and how was that working or not working, and

1 talking with Alagasco about the same thing  
2 which they had decided they did not want to  
3 pursue and why did they feel that way. So,  
4 it was, you know, it was more than just that  
5 one thing, but it gave me the opportunity to  
6 cover several things while I was there. And  
7 I've talked in the associations about other  
8 companies and things that they are doing.  
9 And I finally thought--I finally focused in  
10 on these two, because I thought that they,  
11 maybe, were more close to what we might  
12 consider doing here.

13 Q Well, correct me if I'm wrong, you would  
14 agree that a lot of states are engaging in  
15 alternative regulation policies. They are  
16 experimenting with new things to see how they  
17 can improve the system or make it work better  
18 both for the utility and for the customers;  
19 would you agree with that?

20 A Yes, I would, I would agree with that.

21 Q What other states besides Alabama and Georgia did  
22 you look at?

23 A Well, I get a lot of information from the AGA  
24 about what is going on in all of the 50



1 states because they are all involved, you  
2 know, with AGA. And I go to all the NARUC  
3 meetings and I, you know, the NARUC gas  
4 committee and the winter and summer meetings  
5 and I go to those and listen to the debates  
6 that are going on about what is going on in  
7 each state. And I guess other than those two  
8 things--and the SGA, I go through them and  
9 see what the SGA companies are doing. But  
10 other than those meetings and just getting a  
11 feel that everybody, like you say, is looking  
12 at different things like performance base  
13 rate making or PBRs as it's referred to or  
14 ways to streamline the regulatory process. I  
15 don't know that I looked specifically at any  
16 other companies. I guess I looked at the  
17 overall picture and then sort of focused in  
18 on the ones that I knew, and that I had  
19 personal, you know, real personal contact  
20 with, I know the people at the companies and  
21 I knew that they would be willing to spend  
22 time with me and share in detail what they  
23 were doing. So, then, I focused in on those  
24 because of that.

1 Q Delta retains a consulting firm to assist it  
2 in putting together its Alternative  
3 Regulation Plan; is that right?

4 A We retained the Prime Group, Steve Seelye,  
5 Randy Walker to work with us on it. Once we  
6 had thought, this is something we really feel  
7 like makes sense, not just for Delta Gas but  
8 for its customers as well. Then, we said  
9 let's look at developing that and are there  
10 things about the--those approaches that we  
11 would like to try to change. For instance,  
12 not having a settle up mechanism in the  
13 Alabama one, you know, because we thought  
14 something that worked more like the PGA or  
15 the GCR in Kentucky so that you don't always  
16 settle up and be sure you really settle back  
17 to a target return instead of just adjusting  
18 once as they do there and working two or  
19 three quarters and then start over again  
20 without ever really settling.

21 Q When you retain your consultants, did you  
22 tell them to go out and look at other states  
23 or at least contact the officials and find  
24 out what was going on and report back to you?

1 A No; no. No, we did not. We retained them to  
2 help us develop an approach geared around the  
3 approach that we thought made sense, which  
4 was we finally decided was the Alagasco  
5 approach.

6 Q So, when you retained the Prime Group you had  
7 already made the decision that the Alagasco  
8 model was going to be the--at least the basis  
9 for your experimental plan?

10 A That's correct.

11 Q And prior to retaining the consultants, did  
12 you go out and maybe at least contact--well,  
13 what other state commissions did you contact  
14 just to find out what they were doing or  
15 considering or had approved?

16 A I contacted no state commissions, personally,  
17 I don't think anyone on my staff did.

18 Q Okay.

19 A Like I said, we--but I did and I have for  
20 several years now, gone to the winter  
21 meeting, the summer meeting and the annual  
22 NARUC meetings, the gas committee meetings,  
23 the gas subcommittee meetings, and the  
24 accounting subcommittee meetings, either

1 myself or John Hall. And so, we felt like  
2 that we had a pretty good feel for what  
3 people were doing or not doing as a result of  
4 sitting and listening to commissioners talk  
5 about what is going on in their state versus  
6 our state versus their state, and then  
7 getting the written stuff that we get and  
8 stuff that is on the Internet now, you know,  
9 from NARUC. And then, we went to AGA and did  
10 the same thing because we are a member there,  
11 and we went to SGA and did the same thing,  
12 but we did not, to my knowledge, at least I  
13 did not sit down and go through all of those  
14 and say, okay, out of all those options, you  
15 know, let's check them all off and decide on  
16 Alagasco. It was more of a management  
17 determination that, at some point, if we are  
18 going to propose something different which of  
19 all those things now that we have listened to  
20 and heard do we think makes the most sense in  
21 Kentucky. And we thought the Alagasco one  
22 did.

23 Q Well, were there any other companies or plans  
24 that you looked at and at least considered,

1 did a little research on, and then said, that  
2 is just not right for us or that won't work  
3 in Kentucky?

4 A No, I guess the only thing that I really  
5 ruled out was Atlanta Gaslight's unbundling,  
6 that's the--when I spent a couple of days  
7 there and looking at--because built into  
8 their unbundling is a whole different  
9 approach to rate making. It is an approach  
10 of a monthly customer charge, basically, and  
11 really not metered service. And the more I  
12 looked at that I walked away from that and  
13 said, that has a lot of pitfalls and I can  
14 see a lot of problems with that the first  
15 year. And my prophesy has been borne out  
16 maybe by accident but it has been. And we  
17 just decided on that that we would not pursue  
18 any of that, and then went back to the  
19 Alagasco. We spent a lot of time looking at  
20 it, talking with them, I visited there at  
21 least a couple of different times, and was on  
22 phone conversations with them and finally  
23 concluded that that was as good model to  
24 start from.

1 Q Okay. Well, I hate to beat a dead horse,  
2 but I'm just still trying to find out the  
3 field--the universe from which you selected  
4 your model. And is it correct to say that  
5 you really only seriously considered the  
6 Atlanta Gaslight and the Alagasco model? The  
7 other ones were looked at--well, it doesn't  
8 sound like you looked at any other ones very  
9 seriously at all. They were pretty much,  
10 after an initial review, they were kicked  
11 out.

12 A That's correct. I did not specifically in  
13 detail go through anything with any other  
14 state commission or company other than that  
15 big picture look of what is each state doing  
16 and what are some of the companies doing  
17 through SGA, AGA and NARUC. So, you are  
18 correct, we did not focus in on ten other  
19 ones and go through those in detail and then  
20 get down to the one. We cut through all that  
21 by going through the whole thing and saying,  
22 okay, now, which of those can we spend some  
23 time looking at because it was primarily  
24 myself and John Hall that looked at those.

1 And we don't have a huge corporate staff, I  
2 mean, we are pretty much the rate and  
3 regulatory staff as well as the financial  
4 staff and et cetera, and so, we decided to  
5 spend our time on that one and we did.

6 Q Well, let me just go in very briefly to the  
7 concept of the Alternative Regulation Plan.  
8 The Alabama plan, would you characterize that  
9 as a rate stabilization plan or as a  
10 performance based rate making plan?

11 A They call it a rate stabilization and  
12 equalization plan, and from talking with  
13 people down there at the company and the  
14 Commission, and looking at it, and looking at  
15 the development of it over a period of time,  
16 it started, I think, in 1983. So, it has  
17 been ongoing now for 16 years, I guess, they  
18 are getting ready to head into the 17 year.  
19 And it has evolved somewhat, I think, because  
20 it has been--it started out, I think, as  
21 maybe a three year or four year experimental  
22 plan, and then each time it has to be  
23 reviewed in proceedings by the Commission  
24 before it is renewed. And intervenors have

1 the opportunity to be heard and they go  
2 through the whole process. They viewed that  
3 as a way, it is my understanding from talking  
4 with some of the people there, the Commission  
5 and staff, that they viewed this as a way to  
6 avoid annual rate cases, avoid the cost of  
7 annual rate cases and still have a more  
8 streamlined approach to keeping the company  
9 within some target return that the Commission  
10 and staff and company said is reasonable.  
11 And so, it was a way to stabilize rates and  
12 to stabilize the process a bit. Otherwise, I  
13 think they were just dealing with, as I  
14 understand it, continuous annual rate cases  
15 that were very expensive. So, there was  
16 both, I think both sides of that.

17 Q Well, would the--I'm sorry.

18 A And then that just sort of evolved, you know,  
19 over time.

20 Q Would it be your opinion, then, that it is  
21 more or less a rate stabilization plan? It  
22 is not as much performance rate making as it  
23 is to stabilize rates and avoid what we might  
24 call the classic war of parties when a



1 company comes in for a rate adjustment?

2 A Well, I think that, as I recall from it that,  
3 it maybe started out perhaps more the way you  
4 describe, but they have added elements to it  
5 that deal with efficiencies and trying to  
6 make sure costs are controlled. And that is  
7 one thing, you know, when you look at  
8 something like that you don't--you could have  
9 the ability to just pass through all costs no  
10 matter what if you have some controls on  
11 those to provide incentives, and I think  
12 theirs does both. And I think that what we  
13 propose does both, it is not just strictly a  
14 way to stabilize or to streamline but it is  
15 also a way to have some cost controls. Now,  
16 you can argue all day, depending on who you  
17 are talking with, about whether those are the  
18 right controls, or you need different  
19 controls, but we proposed what we thought  
20 were reasonable controls based on what we saw  
21 with them and what we see with Delta Gas.

22 Q Would you agree with the statement that  
23 Delta's experimental plan appears to be  
24 modeled on I guess the first or second

1 generation of the Alagasco plan as opposed to  
2 the more recent versions that have been  
3 approved by the Alabama Public Service  
4 Commission?

5 A I--I tell you, I would have to go back and  
6 look at those and I haven't gone through each  
7 one of those. So, it would be hard for me to  
8 answer that yes or no.

9 Q Okay, well--

10 A I'm sorry I--

11 Q That's okay.

12 A I'd be glad to look at them and compare them  
13 but I just--I had the general understanding  
14 from them and I did, you know, look at where  
15 they were and where they evolved to, but they  
16 did over time make changes and the Commission  
17 and the company people told me that over time  
18 in these three or four year proceedings that  
19 they did continue to refine it because they  
20 started out with it as an experiment. And  
21 each three or four year period they refined  
22 it. If they saw something in it that they  
23 didn't think was working over that three or  
24 four year period, then they tried to change

1           it. And that's, you know, what we--we had  
2           some discussions up here, conferences where  
3           the AG was involved and the staff, and talked  
4           about this. You know, that is our approach  
5           as well. You start with something on an  
6           experimental basis, we propose three years in  
7           this proceeding. In that proceeding, which  
8           was a different proceeding, which is now  
9           folded into this proceeding, I guess is--to  
10          be more accurate, and we are perfectly  
11          content with that review at the end of that  
12          period of time. And adjustments that need to  
13          be made to it, we were perfectly willing to  
14          work with and negotiate with the AG and the  
15          Staff and made that very clear back in, you  
16          know, the early part of this year to try to  
17          work towards something that would need to be--  
18          that would suit everybody and something that  
19          could then be looked at in three years and  
20          further massage it if it needed be, because I  
21          think it is an ongoing process.

22        Q       Well, to the extent that, I guess you relied  
23                upon the experiments that were conducted in  
24                Alabama and the process that went through

1           there, the subsequent changes and evolution  
2           of a plan, would you say that the evolved  
3           plan would probably be a better model than  
4           the first generation?

5    A    Well--

6    Q    When I ask that I ask that as far as Delta  
7           Natural Gas Company using either the evolved  
8           model or the original model for its starting  
9           point?

10   A    One thing, one thing that I really like about  
11           theirs is the rate of return they have in it.  
12           And if that were the model that the  
13           Commission wanted to use, it is the--I talked  
14           with them last night, it is a low side of  
15           13.165, mid point of 13.4 and high side of  
16           13.65, I believe that is correct, and that, I  
17           think, gives them the opportunity to stay  
18           solvent and pay their dividends and we have  
19           not had that luxury. But now, in answer to  
20           your real question, which was--

21   Q    Let me rephrase it, so I haven't forgotten  
22           it.

23   A    No, I--

24   Q    Let me put it this way, if you--which is

1 better, the first version or the current  
2 version of the Alabama plan?

3 A Well, I tell you what I think is best, I  
4 think the Delta filed version is best.

5 Q Well, unfortunately that wasn't in the  
6 selection.

7 A I realize that but we are also not trying  
8 this proceeding in Alabama. So, you know,  
9 what we did was we took what we saw with  
10 them, looked hard at Delta Gas, looked at its  
11 expenses, its operations, its environment and  
12 said, okay, what do we think we are willing  
13 to propose for Delta Gas and its customers?  
14 What do we think will work and that is what  
15 we did. And I can't evaluate whether  
16 Alagasco's in every minute detail of where it  
17 was and where it is is absolutely best. All  
18 I can say we took it, we used the basics of  
19 it and we put controls in that we thought  
20 were reasonable, and we are more than willing  
21 to discuss in trying to negotiate those with  
22 Staff and the AG, anyone else that  
23 intervened. I mean, at that time that was  
24 the only two involved, and we still just want

1 to get something that is workable and  
2 reasonable that everybody feels like is  
3 reasonable like they have in Alabama and go  
4 forward with it. But we would have to work  
5 within the environment we are in here, not  
6 the environment that they are in there.

7 Q Okay. Given that you have the current  
8 Alagasco model and then you adapted it to  
9 meet Delta's needs, what provisions of the  
10 existing Alagasco plan were deemed to be  
11 unsuitable for Kentucky and why?

12 A Well, the one thing that comes to mind, I  
13 don't remember all of them, I guess I'd have  
14 to go through and compare it in detail, but  
15 the one thing that comes to mind is the  
16 settle up part of it. When we looked at  
17 theirs they would adjust rates once a year  
18 based on their budget and then as they would  
19 go on through the year there was no provision  
20 to ever, in effect, make whole, like there is  
21 on the PGA. And we said well that is  
22 something that we think needs to be done from  
23 both sides. You know, if you, in effect,  
24 estimate what your revenues are going to be

1 and your return and then adjust to some  
2 target return at the end that you say is  
3 reasonable from both the Commission and the  
4 company standpoint, then you need some way to  
5 be able to eventually bring that to closure  
6 and be whole with it. And that's the one  
7 thing that really comes to my mind that is a  
8 significant difference, I think, from what  
9 they do. And I just said, you know, if I  
10 were doing it what do I think is reasonable  
11 from both sides. And I am a Delta ratepayer,  
12 I live in Berea and I pay Delta's rates and,  
13 you know, I don't want those to be any more  
14 than I want Berea College's electric rates to  
15 be.

16 Q So, your testimony is that the only provision  
17 that you are aware of right now that you can  
18 recall that has been dropped or that has been  
19 added is instead of using the--there is an  
20 addition of a settle up provision in the  
21 Delta proposal that is not in the Alagasco  
22 plan?

23 A I said that that was the most significant  
24 one, I believe.

1 Q Uh-huh.

2 A So, if you will give me just a minute and let  
3 me think about it. The--the, I guess you  
4 could call it the PBR piece, the expense  
5 comparison on looking at adjusting for O&M, I  
6 believe that our test on that is a little bit  
7 more than the test that they have. It seems  
8 to me that the--we also put a revenue cap on  
9 it like they had done, and I believe our  
10 revenue cap is 5% versus, I think theirs is  
11 4, I'd like--I need to review it to be sure,  
12 but that comes to mind. And the band, the  
13 band on O&M, the dead band during which you  
14 don't adjust is--I think ours is 1.5% and I  
15 believe theirs is a little bit different.  
16 That may be 1.25 sticks in my mind, but I  
17 don't have both of them in front of me, if I  
18 did I could sit there and compare them.  
19 Those are two things that I recall.

20 Q Do you--is there any reason for those  
21 differences?

22 A Well, the only reason that we have was that  
23 we felt like what we proposed, the band that  
24 we proposed, the adjustment with the CPI and



1 the revenue cap were things that would make  
2 it where we could live with it and where when  
3 we got this in place and worked through it  
4 for a three year time frame that we would  
5 have a reasonable opportunity to earn some  
6 target band of return with it. If we were  
7 more efficient or less efficient, we would  
8 eat some of that or we would share that with  
9 the customer, you know, that there would be  
10 sharing and that that was reasonable and fair  
11 for our situation. And then we also--there  
12 was also an equity capitalization percentage  
13 there, ours is 60% and I don't remember  
14 theirs, theirs may be the same, I'm not sure  
15 on that one. Those are things that come to  
16 my mind as I think through.

17 Q Okay. You had mentioned that one of the  
18 benefits of this Alternative Rate Regulation  
19 Plan is you don't have to come in here very  
20 often, or at least as frequently for a rate  
21 adjustment case, that the expense of a rate  
22 adjustment proceeding is avoided. And I take  
23 it that is a major part of the benefit of the  
24 plan, at least in Delta's eyes. Would that--

1 A Well, that was characterized to me by people  
2 at Alabama Commission and the company that  
3 that was one of the benefits that they  
4 experienced is, you know, not having rate  
5 cases every year. And we talked about this  
6 last night, John Hall and I did, you know, as  
7 we look at this case, you know, we are going  
8 to be somewhere upward of \$250,000 in this  
9 case in just outside costs and that doesn't  
10 include enormous amount of inside costs. And  
11 what happens in our company with John and I  
12 and some other people involved with a case  
13 like this is it takes away time to manage.  
14 You know, it takes away time that you deal  
15 with problems and the opportunities that are  
16 there, so that is a hidden cost. And so,  
17 those are, for us, very significant, they  
18 really are.

19 Q Would you agree that when you come in for a  
20 rate case you basically have to submit a  
21 tremendous amount of information both to the  
22 Commission and to interested parties to  
23 justify your existing or your proposed rates?  
24 You basically have to throw open your books?

1 A Well, yes, you don't have to, it depends on  
2 what they ask. But, historically, we have  
3 been asked a lot--we've been asked for a lot.  
4 Q You've been asked for a lot.  
5 A That doesn't have to be the case, but--  
6 Q Now, in the most recent Alabama Public  
7 Service Commission Order allowing for a  
8 continuation and modification of the Alagasco  
9 plan, they talked about some staff of that  
10 commission becoming very familiar with the  
11 operations of the utility. Do you foresee  
12 that you are going to be substituting a  
13 periodic throwing open your books to one of  
14 almost constantly having review by the  
15 Commission or other interested parties?  
16 A No, I hadn't--I guess I hadn't really  
17 reflected on that. I'm assuming you are  
18 probably talking about Bob Reed that works  
19 for the Alabama Commission. I've talked with  
20 Bob and Bob does have familiarity with  
21 Alagasco's operations and systems and costs,  
22 at least the last time I talked with him he  
23 seemed to. But I don't view that as  
24 unhealthy for the Commission or the company.

1 It seems to me that if the end result is that  
2 you are reasonably have the opportunity to  
3 earn that return band and the staff feels  
4 good about where you are and you feel good  
5 about it and you feel like your customers are  
6 being treated fairly, then I don't see  
7 anything wrong with that.

8 Q Well, does it--

9 A So, Staff and the companies and intervenors ought  
10 to all work toward the same goal, it seems to me,  
11 of reasonable profits and good service.

12 Q Are you simply substituting, though, a more  
13 spread out review period for a compressed  
14 period? You throw open your books in a five  
15 month proceeding in a rate adjustment case as  
16 opposed to one where interested parties and  
17 the Commission are reviewing your records on  
18 a periodic basis, reviewing the estimates for  
19 your budget, reviewing your operations?

20 A You see, I don't--I don't--I have to disagree  
21 with you, I don't characterize the process  
22 the way you are. We always have viewed that  
23 our books and records are always open to the  
24 Commission and the staff, I mean, any time

1 they want to come in and look at anything we  
2 don't refuse or decline and we try to work  
3 with them, and we couldn't refuse and decline  
4 if we wanted to, by law. I mean--so, that  
5 process is always there and in place if they  
6 want it to be. For instance, the management  
7 audit that went on for a couple of years,  
8 I've never, to my knowledge, been through a  
9 more intense scrutiny than that, personally  
10 as well as with the company. So, you know,  
11 we are used to that and I'm not sure that we  
12 have really defined how intense that annual  
13 scrutiny needs to be on the Alt Reg proposal.  
14 I guess it can be--our thought was to work  
15 with the Commission and the staff and  
16 determine that, determine that level that  
17 they felt was necessary and important and  
18 they were comfortable with, and we are  
19 willing to do that. We said that a year ago  
20 when we started talking about this. I know  
21 part of the concern is the budget and, you  
22 know, reviewing the budget detail and input,  
23 et cetera. I've discussed that with people  
24 in Alabama to see how it is handled down

1           there and they have a very intensive review  
2           by management and their board just like we  
3           do. And since they are a public company as  
4           well as we are and subject to the SEC and  
5           other rules and requirements and scrutiny,  
6           they feel like their Board and management  
7           really looks hard at their financial plans  
8           and financial commitments and financial  
9           goals. We feel the same way. And we think  
10          that whole process ends up with a much more  
11          detailed and viable budget with good  
12          decisions made as you go through it, than you  
13          do in a non-public company. So, I think that  
14          is worth a lot but, you know, the staff--we  
15          have had some staff discussions early on as  
16          we were having these meetings and just  
17          talking about this whole concept before we  
18          even filed anything. Delta Gas is receptive  
19          to whatever we can work out on the level of  
20          that review. Whether it will take more or  
21          less, I don't know, maybe in the first year  
22          it might, but it seems to me over time that  
23          the comfort level with the whole process  
24          would either be there or it wouldn't. And if

1 it wasn't, after the three year experiment if  
2 the Commission staff just said we are never  
3 going to get comfortable with this, then they  
4 don't renew it. But if they do, then maybe  
5 they fine tune it to where they get more  
6 comfortable with the process. It seems to me  
7 you have to work through that and I don't  
8 have all the answers to it, but I'm committed  
9 to try to do it.

10 Q Well, how frequently does Alagasco, how  
11 frequently is it reviewed by the Alabama  
12 Public Service Commission or its staff?

13 A Well, I know that they file information with  
14 them at the start and I just don't--I don't  
15 recall the frequency of that. I discussed it  
16 one time with them but it seems to me like  
17 maybe it is quarterly, but it may even be  
18 monthly, I don't--

19 Q Okay. I'm told that it is monthly.

20 A Okay, it could be, I honestly just don't  
21 recall. I know that there was some periods  
22 that they would stop and look at it. And I  
23 know Bob Reed is the staff person that does  
24 that, or was doing it the last time I talked

1 with him. You know, they are also a larger  
2 somewhat more complex company than us and  
3 maybe he feels like he has to do that more.  
4 We are a small rural company, we might, you  
5 know, the staff is very knowledgeable and  
6 experienced, they might be able to just--to  
7 handle it maybe different than he does.

8 Q Well, based on your knowledge of the Alagasco  
9 plan, would you say that the Alabama plan  
10 would be as effective without the monitoring  
11 and oversight that they currently have in  
12 place if they didn't have monthly reviews?

13 A You know, from my perspective, I think it  
14 would, because I think that is the reason to  
15 have the performance measures and the cost  
16 controls and the target band that the  
17 Commission and staff are comfortable with.  
18 If you have all those things in place, I  
19 don't see a lot of other things influencing  
20 that, you know, I just don't. If there is a  
21 concern that the company is fraudulent or  
22 mismanaging, then I'd say management audits  
23 are the place to deal with those things. But  
24 without that, and if you have the filings



1 that are made and if the budget information  
2 looks reasonable, I mean, you know, you can  
3 quickly look at it and if things suddenly are  
4 way out of line with where they have been,  
5 then question those things, it seems to me  
6 that that could be done fairly easily.

7 Q Did you have any discussions with the Alabama  
8 Commission on what they thought about  
9 monitoring, what they felt was an appropriate  
10 level of monitoring?

11 A No, I discussed with Bob Reed not long ago if  
12 he--you know, how he felt about the process  
13 with a person from Alagasco at the time. And  
14 I got the feeling that they were comfortable  
15 with it, but I didn't ask him in detail what  
16 he does month to month or day to day with it.

17 Q And Bob Reed is what, the Chairman of the  
18 Alabama--

19 A No, Jim Sullivan is Chairman of the Alabama  
20 Commission. Bob Reed is a staff person that  
21 is on the staff and it is my understanding  
22 that he has been assigned, amongst other  
23 duties, responsibility for overseeing the  
24 Alagasco program from the staff standpoint.

1 Q Do you know how many people the Alabama  
2 Commission--on the Alabama Commission staff  
3 are assigned to do monitoring?  
4 A I do not. It is my understanding from  
5 talking with those people that Bob Reed is  
6 the person. But now whether he has other  
7 people with him or under him that assist him,  
8 I have no knowledge of that.  
9 Q Let me refer back to your testimony while we  
10 are still on the Alternative Regulation Plan.  
11 In your testimony you state that the proposed  
12 plan would--allows or shares the risk and  
13 reward of efficiencies with Delta and its  
14 customers.  
15 A What page are you on?  
16 Q I am referring to page 11 of your testimony.  
17 A All right.  
18 Q At line 20.  
19 A Okay.  
20 Q Okay, do you have that?  
21 A Yes, sir, I do.  
22 Q Okay. Can you tell us what are the rewards  
23 for the customer under this plan? What do  
24 the customers get out of it?

1 A Well, the thing that we saw is--well, for one  
2 thing is the cost of going through rate  
3 proceedings that doesn't--you know, that gets  
4 borne by the customer now either in the  
5 operations year or spread out depending on  
6 the amortization period. And that is one  
7 fairly significant benefit that we see. And  
8 the other benefit that I can see is right now  
9 the way, under our current rate case  
10 approach, if we file a rate case and we did  
11 not have anything like this, and let us say  
12 that we were very efficient or just reduce  
13 cost arbitrarily and service may be worsened  
14 but the bottom line was good, and the return  
15 was much greater than a band of return that  
16 was found to be reasonable, then service  
17 would suffer, customers would suffer on not  
18 having the service and we could probably try  
19 to take steps to enhance our return just for  
20 that purpose and that alone. Under this  
21 approach, when you do that, the rates come  
22 down to reflect getting back to that band of  
23 return and I think that is fairly  
24 significant. And the same way with weather,

1 if you have a year when it is 10 or 15%  
2 colder than normal and your return would be  
3 much higher as a result of that, that now  
4 adjusts back under something like this so  
5 that benefit passes back to the customer  
6 instead of being retained by the company. I  
7 think those are some fairly significant  
8 things that could be benefits to the  
9 customers, in addition to the cost savings.

10 Q Under the existing system of regulation,  
11 though, if your--if Delta's service  
12 deteriorated, would not the Commission have  
13 the authority to come in and require  
14 corrective action? Isn't that always  
15 available under the present system?

16 A That is always available.

17 Q And I take it that if a customer, whether it  
18 be a large customer or small customer, filed  
19 a complaint, they could go ahead and seek  
20 redress from the Commission either informally  
21 or formally?

22 A That's correct.

23 Q So, I'm not quite sure I understand the  
24 benefit, at least as to service standards?

1 A Well, what would be the time frame on  
2 something like that occurring? It would not  
3 be instantaneous. There would be some time  
4 lag involved and that time lag may stretch  
5 over a long period of time. It seems to me  
6 this would be more reactive. I mean, you  
7 would--if that happened at least you could  
8 see the reduction in rates rather quickly  
9 through the process. And I haven't seen a  
10 lot of proceedings where companies were  
11 brought in for overearning or for poor  
12 service, or maybe it is on a specific issue,  
13 but it seems to me that this is a way to  
14 really focus the whole process back to good  
15 service and if things affect rates, to force  
16 them back to rates fairly quickly, at least  
17 in this case on an annual basis. And I just  
18 view that as a positive sort of thing. As  
19 long as you feel like, you know, you feel  
20 like the expenses are not unreasonable and  
21 that the return band makes sense. I mean, I  
22 don't see how the customers are harmed by  
23 that. I really think they have more up side  
24 and no down side.

1 Q Okay. Let me switch gears for a few minutes  
2 and turn to Mt. Olivet Natural Gas Company.  
3 Has Delta concluded its acquisition of Mt.  
4 Olivet?

5 A No, sir.

6 Q When does Delta expect to conclude it?

7 A Real soon. We had the same thought six  
8 months ago, though, that it was going to be  
9 real soon, but we anticipate real soon. We  
10 hope in the next week or two.

11 Q Okay.

12 A We hope. I certainly hope.

13 Q Is the recovery of the Mt. Olivet Natural Gas  
14 Company plan acquisition adjustment included  
15 in this current rate case proceeding?

16 A To my knowledge, there is nothing in this  
17 rate case proceeding dealing with Mt. Olivet,  
18 to my knowledge.

19 Q Okay. And in your opinion, should any  
20 adjustments to Delta's rate to reflect the  
21 acquisition of Mt. Olivet be postponed until  
22 such time as the acquisition is completed?

23 A Quite frankly, you know, whether Mt. Olivet  
24 is in this case or not in this case it is

1 very insignificant to the case. I mean, when  
2 we went through the proceedings with Mt.  
3 Olivet here and went through all the numbers  
4 and the data and it is about a wash. I mean,  
5 there may be a little benefit to including  
6 it, but it is very insignificant in the big  
7 picture of things, as I recall, a few  
8 thousand dollars. And, you know, our  
9 position has always been once Mt. Olivet gets  
10 acquired then, you know, if the Commission  
11 wanted to roll it in, roll it in. I just  
12 hate to roll it in until we actually own it.  
13 I would like to at least own the properties.

14 Q Okay. Well, I guess my question then is, is  
15 your answer to the last question yes or is it  
16 no?

17 A Oh, man, let's see, what was the last  
18 question? Could you repeat the last  
19 question? Was it should it be rolled in or  
20 shouldn't it or when should it be rolled in?

21 Q Should it be rolled in or should it be  
22 postponed until the acquisition is completed?

23 A Well, I would say if we can get it closed  
24 soon so that it can be incorporated into this

1 proceeding I wouldn't--this is not the  
2 question but I would encourage fairly rapid  
3 movement on this whole case here because I  
4 really, you know, feel like Delta really  
5 needs some rate relief in this proceeding.  
6 And I would not want Mt. Olivet to hold that  
7 up, but if it happens soon, I mean, what we  
8 have always tried to do in rate cases if  
9 something is known in time to adjust it into  
10 something, I think we have tried to do that.  
11 And I think Mt. Olivet is probably the same  
12 way. I mean, it--so the answer is yes if it  
13 is timely enough. You know, we are trying to  
14 push ahead with it. I'd really like to push  
15 ahead with it so I could quit messing with  
16 it.

17 Q Do you agree that at some point in time Delta  
18 should transfer the recovery of cost of its  
19 Canada Mountain storage assets from the gas  
20 cost recovery mechanism to general rates?

21 A Your question was do I agree with that?

22 Q Do you agree with that statement?

23 A Yes--no, I don't agree with it, but I don't  
24 necessarily disagree with it. Now, do you want me



1 to elaborate or just stop there?

2 Q Well, you've been elaborating all day, so I

3 won't stop you right now.

4 A Well, you can stop me whenever you want, that is

5 your call. If you don't want me to go into it any

6 further, I won't.

7 Q If you could explain your answer for us why--

8 well, let's move back for a second, is it yes

9 or no, do you agree with that statement or

10 disagree with that statement?

11 A I can express no opinion either way on that

12 statement just as a yes or no.

13 Q Well, no, I'm going to follow up and ask you

14 for an explanation.

15 A Oh, okay.

16 Q So, I'll give you the opportunity to explain,

17 yes or no?

18 A I don't care a whole lot because--now, can I

19 elaborate?

20 Q Sure.

21 A Because--

22 VICE CHAIRMAN HOLMES:

23 Can you give them a yes or no and then

24 elaborate?

1 A No, that's not--but, you know--okay, let me think  
2 about it a minute.

3 CHAIRMAN HELTON:

4 Mr. Jennings, maybe I was a little  
5 negligent this morning when we started  
6 this proceeding because we have been  
7 announcing it every hearing lately, that  
8 we would like a yes or no answer from  
9 the witness and then they can elaborate.

10 A Okay.

11 CHAIRMAN HELTON:

12 And we won't have to go back and ask  
13 these questions over again--

14 A I understand.

15 CHAIRMAN HELTON:

16 --and we won't have to spend a lot of  
17 time rehashing things if you will give  
18 us a yes or a no, not an either or.

19 A Okay.

20 CHAIRMAN HELTON:

21 A yes or no and then explain your  
22 answer.

23 A Thank you. I understand that and I  
24 appreciate it. My counsel admonished me last

1 night to be sure and do that and--because he  
2 gets tired of my long winded answers too, so  
3 I appreciate that.

4 CHAIRMAN HELTON:

5 You can object.

6 A The--okay, the answer is no. But I don't  
7 like to give yes or no answers unless I can  
8 elaborate on them. That's what my concern  
9 was.

10 VICE CHAIRMAN HOLMES:

11 You can elaborate.

12 Q Before you elaborate let me ask you the next  
13 question then. Why should Canada Mountain costs  
14 remain in Delta's gas cost recovery mechanism?

15 A Okay. That brings me to the rest of my  
16 answer then.

17 Q Yes, it does.

18 A When we decided to develop Canada Mountain I  
19 thought that made sense because we had to  
20 have supply in our system. We had to have  
21 system supply. We said as we looked at the  
22 cost of developing Canada Mountain that it  
23 was going to be a three or four year program  
24 and we could either embark on filing rate

1 cases once a year, or maybe even more often  
2 because of the cost involved with that and  
3 the fact that we could not bear that if we  
4 didn't have some means of recovery of that.  
5 And we approached the staff and talked about  
6 this for a long period of time about, you  
7 know, this approach of doing it through the  
8 GCR because Canada Mountain is a gas supply  
9 cost. It is no different than the interstate  
10 pipe line capacity that we have on Columbia  
11 Gas and El Paso or Tennessee, it is no  
12 different. When we went through the 636 and  
13 436 settlements at the FERC on those  
14 pipelines we obtained flowing capacity and  
15 storage capacity on those pipelines, and that  
16 has historically always gone through the GCR  
17 as a gas supply cost and still does. Canada  
18 Mountain is another way for us to supply our  
19 needs on a peak day in a winter time basis.  
20 The only alternative to that was building  
21 significant and more costly pipelines to the  
22 interstate pipelines and then not having the  
23 ability to arbitrage pricing. So, we saw a  
24 lot of benefits to our customers from this to

1 manage supply, and that is the way it is  
2 working. So, we then propose and it was  
3 agreed that we could recover that through the  
4 CGR as we developed that field, otherwise, we  
5 would have filed rate cases once a year.  
6 Now, in retrospect, sometimes you get--I've  
7 been reminded of this, you sometimes get what  
8 you ask for--and maybe we would have been  
9 better off filing those annual rate cases but  
10 in retrospect we didn't, so I can't go back.  
11 But now we find ourselves with a field that  
12 is developed and it seems to me that the  
13 method that is being used is reasonable,  
14 considering the nature of the cost, which is  
15 a gas supply related cost. That is the focus  
16 of Canada Mountain, that is what it is there  
17 for. I also think that you need to think  
18 hard about that because the way we view  
19 Canada Mountain, you know, from this point  
20 forward with not much more development costs  
21 associated with it, you are going to have  
22 annual depreciation and over time the rate  
23 base, if you want to use that term, is going  
24 to, all things being equal, decline as you

1 depreciate it out. Are you with me on that?  
2 So, I'm not sure if I were in your shoes or  
3 the customer's shoes I would say let's roll  
4 it over into rate base, because, you know, if  
5 you don't make sure it is handled right over  
6 there in rate cases in the future, or  
7 whatever proceeding you have, then that  
8 won't--it might not roll back as quickly to  
9 the customers as that investment that is  
10 written off. Now, if you have--I'll go the  
11 rest of the story, if you have an alternative  
12 regulatory approach in place, then that will  
13 be taken care of through that process. So,  
14 if you have an alternative regulatory  
15 approach that works then you could pull it  
16 out of there and still be assured that it is  
17 going to roll back to the customers over  
18 time. Are you with me or do I need to go  
19 further on that?

20 Q I think you've answered--

21 A Okay. And that is why I think you need to  
22 think very hard about that and, you know,  
23 from our perspective if you drop it in base  
24 rates and then don't adjust those again for a

1 long time, you know, we could be overearning  
2 on Canada Mountain. Right now we are not  
3 because we are only earning on Canada  
4 Mountain the return that is given to us in  
5 the rest of our rates. And that's what we  
6 use in the GCR is that same allowed return.  
7 So, you know, I think it is pretty fair, and  
8 it is gas supply related, so.

9 Q In your--in Delta's discussions with both the  
10 Commission staff and in its dealings with the  
11 Commission, was there ever any representation  
12 made that the process of allowing recovery of  
13 the costs through the gas cost recovery  
14 mechanism would be permanent? Or was that  
15 simply to be a temporary expedient which at  
16 some point would switch over to general  
17 rates?

18 A I don't remember very much ever on any  
19 discussion with anybody about anything that  
20 is meant to be permanent. It is just until  
21 the next case or the next proceeding or if  
22 the Commission changes its mind or wants to  
23 reconsider it differently, I mean, just to be  
24 honest. And so, I certainly didn't consider

1 anything about Canada Mountain to be  
2 permanent and forever, except for one thing,  
3 we own the storage in the ground and it is  
4 there and it is not going to go anywhere.  
5 So, that part of it is permanent. But the  
6 recovery process of it is--that is always  
7 subject to be considered. And I think the  
8 concept with the staff was at least that was  
9 a starting point to have a means to recover  
10 on it as it was developed. Again, I'm just--  
11 just caution you that you have a way in place  
12 that insures that only a return is earned on  
13 the investments made and the actual operating  
14 cost and you have a way of being assured that  
15 as that rolls down or reduces that it is  
16 reflected in rates on a current basis, and  
17 that is something I think you ought to think  
18 hard about as a staff and a Commission before  
19 you change it because it works and its fair.  
20 And I just want to point that out.

21 Q The Commission Staff has a few more questions  
22 but if we could have a brief five minute  
23 recess or ten minute recess so we can get  
24 them together, our questions should be fairly



1 quick.

2 CHAIRMAN HELTON:

3 We'll take our break, ten minutes.

4 (OFF THE RECORD)

5 CHAIRMAN HELTON:

6 Mr. Wuetcher.

7 MR. WUETCHER:

8 Thank you, Your Honor.

9 Q Mr. Jennings, I'll try to finish up quickly.  
10 Let me first ask a question concerning the  
11 applicability of the Alternative Regulation  
12 Plan. When Delta first made its filing in  
13 Case 99-046, one of the provisions in its  
14 filing it stated, and I'll read it to you, it  
15 simply says "If modifications are made to the  
16 proposed alternative rate making mechanism,  
17 Delta respectfully reserves the right to  
18 either choose to implement the modified  
19 version or to continue to remain under  
20 traditional regulations." Now, can you  
21 explain that for us? Does that mean if you  
22 don't--if Delta doesn't like what the  
23 Commission does it is not going to implement  
24 the plan at all if the Commission tinkers

1 with it?

2 A That was our--I guess that was the thrust of  
3 our remark, that's why we made it. I don't  
4 know that that is exactly what we meant by it  
5 the way you have characterized it. I guess  
6 our thought was that we have the traditional  
7 regulatory approach and we understand that  
8 and we understand how that works, and we  
9 understand the Alt Reg proposal that we made  
10 and we understand how it works, and we  
11 choose voluntarily to file the Alt Reg  
12 proposal as opposed to or in addition to the  
13 traditional regulatory approach without  
14 understanding the framework that we might end  
15 up with afterwards. And it was our thought  
16 that, you know, what we propose we can live  
17 with--we might be able to live with what we  
18 get but we might not, and we'd like to have  
19 the choice of just staying with traditional  
20 regulations if we can. And that is why we  
21 said that.

22 Q Let's explore that for a second so we all  
23 know what way we are all reading from the  
24 same page. Let's assume for a moment that

1 the Commission modifies the plan, issues a  
2 Final Order, is it Delta's position at that  
3 point that it will either object or withdraw  
4 the Alternative Ratemaking Plan in toto and  
5 just continue to follow under traditional  
6 plans?

7 A Well, that is one way to resolve it. Another  
8 way would be to have a conference and try to  
9 work it out.

10 Q Okay. Well, I'm just--okay, granted--

11 A We'd like--you know, we'd like nothing better  
12 than that. I mean, we wanted that early on.

13 Q I mean, I'm just--I'm looking at just the  
14 final end result. Assuming for a moment  
15 there might be additional conferences and  
16 rehearing and what not, does this--let's take  
17 a second scenario, assume the Commission  
18 modifies the plan but approves it, does that  
19 mean--well, let me step back for a second.  
20 During the three year period in which Delta  
21 proposes to have the experimental plan in  
22 effect, I assume Delta will not be filing any  
23 type of general rate adjustment proceeding?

24 A I don't know about that, I hadn't really

1 thought about that.

2 Q Okay. So, there would possibly be some  
3 circumstances where even though this plan is  
4 in effect Delta would still come in for a  
5 general rate adjustment?

6 A Well, I'm just trying to think, you know,  
7 maybe rate design concerns perhaps, I don't  
8 know how we could modify rate design if we  
9 felt like we needed to, from a market  
10 standpoint or competition or pricing  
11 standpoint. The only way now that we can  
12 address rate design issues is, seems to me,  
13 to be in a rate proceeding. Am I correct on  
14 that, I can't think that that is--

15 Q Well, let's clarify that so we make sure that  
16 we understand. You are talking about Delta  
17 may come back in if there are modifications,  
18 well, if the experimental plan is approved  
19 Delta might still come back in to make  
20 changes to its rate design but those would be  
21 "revenue neutral" as opposed to change--that  
22 the revenue that Delta would be getting from  
23 the new proposed rates would simply  
24 redistribute what they are already authorized

1 to get?

2 A I could not--that is one that I can envision.  
3 Right now, off the top of my head, I can't  
4 envision other things that would require us  
5 to do that, you know, because you have dealt  
6 in return and O&M and, you know, capital and  
7 all those things.

8 Q So, aside from some type of reconfiguration  
9 of the rates for rate design purposes only,  
10 Delta would not be coming back in for rate  
11 adjustment to increase the amount of money  
12 that is coming back in under the experiment--  
13 if the experimental plan is approved?

14 A If it is approved as filed or as it--

15 Q Well, let's take for a moment if it is  
16 approved as filed?

17 A I think that is an accurate statement, what  
18 you said is an accurate statement.

19 Q Just so that we can--we are all on the same  
20 sheet of music still, I assume that that  
21 waiver of any general rate adjustment filing  
22 is in absence of some extraordinary event,  
23 let's say an earthquake occurred in eastern  
24 Kentucky and you had to generate enough

1 revenue to rebuild your system?

2 A Well, I was going to elaborate on that just--  
3 I can see some things happening like that or  
4 fairly catastrophic things that have to be  
5 dealt with.

6 Q Okay.

7 A Where your expenses might be outside the  
8 band, you know, the cap, you know, so that  
9 you--because of things that are just  
10 completely outside of your control.

11 Q Okay, but you are--

12 A We don't usually have a lot of things like  
13 that, earthquakes would be one.

14 Q So, not trying to continue to beat a dead  
15 horse, but if the Commission accepts the plan  
16 as proposed, Delta would not come back in for  
17 a general rate adjustment except for the  
18 limited purpose of reconfiguring its rates  
19 for rate design purposes or it would not come  
20 back in unless there is some extraordinary  
21 event that would require a rate adjustment  
22 for additional revenues outside what is  
23 envisioned by the Alternative Regulation  
24 Plan?

- 1 A I believe that is an accurate statement. I  
2 agree with you.
- 3 Q All right. Okay. Let's take that as as  
4 given, now, and go back to our original  
5 example and I had said assume for the moment  
6 the Commission modifies the plan. Now, one  
7 scenario based on this statement in here is  
8 that Delta could say at the time the  
9 Commission issues its order we are not going  
10 to--we don't expect that we want to be  
11 regulated under the traditional rate making  
12 method, is that how Delta is envisioning  
13 this?
- 14 A Either that or we could say, you know, we  
15 have a real problem with this amendment you  
16 have made to it, can we work this out with  
17 the Commission Staff and intervenors, can we  
18 try to negotiate something that we and you  
19 can live with.
- 20 Q Okay. Assume for the moment--
- 21 A I don't know what the forum would be for  
22 that.
- 23 Q Assume for the moment your efforts to get  
24 modifications to the Commission's Order are

1           unsuccessful.

2    A       Okay.

3    Q       Okay.  So, Delta would step out of the plan,  
4           or step out of the Alternative Plan once it  
5           got a final Commission's Order modifying the  
6           plan, is that what that language represents?

7    A       That is correct, that was our hope.  I mean,  
8           that was our desire that if we got something  
9           that we said, you know, this is worse than  
10          where we were and we are already in bad  
11          shape.  You know, we would just try to move  
12          away from it.

13   Q       Now, so I'm clear and the record is clear,  
14          that Delta would make its withdrawal from a  
15          plan as soon as the Order is final or when  
16          its rights to appeal have been exhausted?  
17          And before you answer, let me give you the  
18          other scenario so that it will make it easier  
19          for you to answer.  We are not talking, are  
20          we, about the possibility that Delta would  
21          accept the modifications to the plan and then  
22          at some point say this is not working out,  
23          you have modified it, the three years have  
24          not passed, there has been no extraordinary



1 event but we want an additional rate  
2 adjustment and we are not bound by any type  
3 of prohibition against a general rate  
4 adjustment in those three years?

5 A Was that a question?

6 Q It was. It was kind of like an answer, it  
7 was pretty long.

8 A Okay. I was with you there up to a point and  
9 then I'm sorry I just--

10 Q Well, let me start back to the beginning.  
11 You have one scenario, the Commission has  
12 issued its order, Delta has exhausted its  
13 rights to get modifications or to go back to  
14 the original plan.

15 A Got it.

16 Q Delta either opts in or opts out.

17 A All right.

18 Q As Delta has said in its reservation. Is it  
19 Delta's position that if the Commission  
20 modifies the Order and it does not  
21 immediately opt out, at some point during the  
22 three year--three years in which the plan is  
23 in effect, if Delta sees fit, it could still  
24 opt out of a plan and file for general rate

1 adjustment?

2 A Oh, I see, I see the question now. No, I  
3 think our position all along had been once an  
4 order is rendered in the Alt Reg if it is  
5 different than what we filed we would have to  
6 evaluate it right then and say is that  
7 something we can live with or not. We'd like  
8 the opportunity to do that and that's why we  
9 asked for it the way we did. But it would be  
10 at the time that an order is issued in it.  
11 And if we had problems to either, I guess,  
12 seek rehearing or to request a staff  
13 conference or whatever venue we decided to  
14 choose at that point to try to resolve it, or  
15 if it was just at a point where we thought  
16 well it is not going to be able to be worked  
17 out, then just say, okay, we request to  
18 withdraw it and stay on traditional  
19 regulation.

20 Q Okay. So, there is no continuing reservation  
21 after the Commission issues an Order?

22 A Not the way I had viewed it. That's my  
23 understanding of it when we did that and my  
24 feeling toward it now is that we would have

1 to call that when the Commission decided on  
2 it.

3 Q Okay. Let me get back for a moment, we had  
4 talked earlier about the lack of any filing  
5 of a rate adjustment proceeding for that six  
6 year period between Delta's preceding rate  
7 case and the one before that, the six year  
8 period between, I guess, '91 and '97. Did  
9 the--can you tell us what has changed in  
10 management philosophy or in Delta's general  
11 condition that would have moved Delta to  
12 begin adjusting rates annually when its prior  
13 philosophy was not to adjust rates?

14 A When you say--let me just clarify this with you,  
15 when you say move to adjust rates annually, we  
16 haven't yet, since 1990 or even '97, we haven't  
17 moved to adjust annually. Are you talking about  
18 prospective with the Alt Reg, is that what you are  
19 talking about?

20 Q Let me--yes, let me restate the question a  
21 little bit.

22 A I just want to make sure I understood.

23 Q So I understand it, too. You would agree, at  
24 least as a general management philosophy from

1 the early '90s up until about 1997 Delta was  
2 trying to avoid a rate proceeding, if it  
3 could, to avoid the expense. It was looking  
4 at other alternatives to improve its  
5 financial condition?

6 A Yes.

7 Q Okay. And you would also agree that the  
8 experimental Regulation Plan in some extent--  
9 to some extent will adjust rates annually,  
10 one way or the other, within the confines of  
11 the alternative regulation proposal?

12 A Yes.

13 Q What change in management--or what brought  
14 about the change in management philosophy  
15 that moved from trying to avoid a rate  
16 adjustment to looking at one of some type of  
17 annual adjustment?

18 A Well, the--from--I think we had a case in '85  
19 and a case in '90, and both of those really  
20 started back in 1985. We had four cases in  
21 five years from '81 to '85. And very  
22 expensive and time consuming and we started  
23 then to say are there, you know, what can we  
24 do and we were in a growing service area and

1 picking up a lot of new customers, and  
2 industrial parks were being developed and  
3 adding industrial load, and we said let's  
4 every year try our best to not file a rate  
5 case instead of the other way around of  
6 always filing. And that's what we did from  
7 '85 to '90, and we did it from '90 to '96.  
8 We also, during that time, had a lot higher  
9 retained earnings than we do now. We had  
10 earned our dividend more years and we had  
11 some years when the weather was much colder  
12 and we had some good years and we were able  
13 to, to some extent, if you want to say that,  
14 operate off the retained earnings. Those are  
15 gone now, we have depleted our retained  
16 earnings, we haven't earned our dividend in  
17 four of the last five years and we serve a  
18 rural growing service area that demands more  
19 and more capital just to keep up with the  
20 growth in eight or ten of those counties.  
21 And we don't see a future way to continue to  
22 do that absent some means of trying to stay  
23 more current. And that's what all those  
24 things have led to, to where we are today,

1 not any one in particular but all of them.

2 Q Okay. Let me follow on that theme. Would  
3 you agree that it is Delta's position anyway  
4 that the cost control measures that are in  
5 the proposed Alternative Regulation Plan will  
6 encourage Delta to control the growth of O&M  
7 expenses?

8 A I'm trying to remember without looking at it,  
9 it is--the band on O&M, well, it encourages  
10 us to control O&M on a per customer basis and  
11 penalizes us if we don't. So, I think the  
12 answer is yes, it would encourage us to and  
13 would penalize us if we cannot, and it would  
14 provide us some incentive if we can.

15 Q We could agree that it is also Delta's  
16 position that as the plan takes effect and  
17 these cost control measures begin to work,  
18 that costs will decrease as a result of the  
19 incentive and that, as a result, Delta's  
20 customers will benefit from the decrease?

21 A They will either decrease or I think be  
22 controlled within the band. I think either  
23 way there will either be a control or  
24 reduction. Control doesn't mean it is always

1 going to go down, but it will be controlled  
2 within a band.  
3 Q Okay. Now, as to the cost control measures.  
4 The Commission asked what written procedures,  
5 internal guidelines were available dealing  
6 with cost control measures and the response  
7 from Delta was that there were no written  
8 procedures or guidelines or internal  
9 standards. And, if you wish, I'm speaking  
10 concerning Delta's response to Item 21 of the  
11 Commission's Order of June 4, 1999.

12 A I probably should look at that, if you will  
13 give me just a moment while I find it.

14 MR. WATT:

15 Item 21 of June 4, is that what you said  
16 Jerry?

17 MR. WUETCHER:

18 Yes, sir.

19 Q And let me clarify, that is from the Alt Reg  
20 case, 99-046.

21 A Okay. I have familiarized myself with that  
22 now.

23 Q So, is it correct to read from that statement  
24 that there are no written procedures

1 concerning cost controls?

2 A That is correct, there are no written  
3 procedures, as such, regarding cost control.

4 Q All right. Now, in light of the fact there  
5 aren't any written procedures, how will Delta  
6 implement cost of service improvements that  
7 it has been talking about that will result  
8 from the implementation of the experimental  
9 plan, if there are no cost control  
10 procedures?

11 A Well, I didn't say there weren't any cost  
12 control procedures, I said there weren't any  
13 written ones.

14 Q All right, let's--

15 A I didn't elaborate because I've been trying  
16 to answer your questions.

17 Q I appreciate that. In the absence of any  
18 written procedures--

19 A Okay.

20 Q --how will Delta be able to implement those  
21 cost controls?

22 A Well, I'll go back to where we started at 9:15  
23 this morning on the budgetary process, because  
24 that is sort of what this question relates to.



1 That is where we control. When we annually--

2 CHAIRMAN HELTON:

3 Mr. Jennings.

4 A I'm sorry.

5 CHAIRMAN HELTON:

6 We are all familiar with that, I think  
7 the question is no written procedures.  
8 Mr. Wuetcher may need to rephrase his  
9 question, how will this Commission or  
10 any of the intervenors know that you are  
11 actually implementing cost control?

12 A I'm sorry, I misinterpreted the question, I  
13 thought he meant how will the company manage  
14 to do it, wasn't that the question?

15 CHAIRMAN HELTON:

16 That's what he asked but I'm asking--

17 A Oh, I'm sorry.

18 CHAIRMAN HELTON:

19 --how would anybody else know if you  
20 don't have any written procedures?

21 A Well, because we don't feel like we need written  
22 procedures. And our company being a very small  
23 company with only four or five officers and we  
24 meet weekly and we meet with all the management

1 people regularly, we communicate verbally. You  
2 know, I communicate to people about controlling  
3 cost and I go through and view every account when  
4 we are budgeting and I feel very comfortable that  
5 we eliminate any unnecessary expenses in that  
6 process, and we do that annually, and we follow up  
7 monthly to see how we are doing. And we have  
8 never felt the need to write that down to say that  
9 is what we are going to do because we communicate  
10 and do it.

11 CHAIRMAN HELTON:

12 But you weren't under an environment  
13 where your--a new mechanism either.

14 A But we would still do it the same way, I  
15 guess. If there is a strong need, if someone  
16 feels that we need to write down what I just  
17 said, we can do that. But, you know, I don't  
18 have a problem with it, I just--I've tried to  
19 avoid written things and deal with people  
20 more directly all the time.

21 Q Well, let me follow up on that, does Delta do  
22 any type of comparison of its O&M costs with  
23 other gas systems to evaluate its cost  
24 containment efforts or budgetary efforts?

1 A We have compared, more compared ourselves  
2 through--we have some performance indicators that  
3 came out of the management audit that compare a  
4 lot of different categories and some of those are  
5 to other companies and some are to ourselves  
6 internally over, say, a five year period. And so,  
7 those do help us to measure how we are performing  
8 over time compared to ourself and, like I say, in  
9 some areas, to other companies. Could I--  
10 Q Let me go ahead and ask a couple of more on  
11 that.  
12 A I just wasn't sure I was finished on that  
13 answer, but--  
14 Q Well, if you are not, I'm sure we will get  
15 back to it in just a second.  
16 A Okay.  
17 Q When you say that you compare to--what  
18 measures are you talking about and to what  
19 other utilities are you comparing?  
20 A Well, you see that's what I was going to  
21 finish elaborating on.  
22 Q Okay.  
23 A There are not a lot of companies, particularly in  
24 this state, that are like Delta Gas, 21 county

1 rural service area, 2100 miles of pipe, you know,  
2 scattered all over the place, a lot of them are  
3 more focused. And it is not easy to compare  
4 apples to apples when you are doing those  
5 comparisons, okay. It's very difficult. And  
6 there is not a lot of companies in the country  
7 that are that similar in terms of operation, you  
8 know, we are fairly unique in many respects. So,  
9 that is something that is a real struggle. But in  
10 the management audit, with the performance  
11 measures that we are requested to develop and put  
12 in place, we have those things that we think can  
13 be compared and some of them are expense things  
14 and some are gas supply items and different ways  
15 that we can try compare ourselves to other people,  
16 and we do that. We do it on an annual basis, we  
17 share it with our management team, we do it before  
18 we develop our budgets, we share it with our Board  
19 of Directors, and I go through that whole process.

20 Q Could you provide us a list or a set of  
21 comparisons that you've made?

22 A Yes, I could.

23 Q Let's say we take the last three years, just  
24 to show what your target group is and how you

1 compare it?

2 A I can do that, because each year that we do  
3 it we do three or four years and we just roll  
4 a year out and a year in. So, even the most  
5 recent one which was in the spring was  
6 looking at, like, a three or four year time  
7 frame.

8 Q And those comparisons will indicate the  
9 utilities that you are using as your  
10 benchmark?

11 A For the ones where we are using other  
12 utilities, or it will indicate it is  
13 comparing Delta to itself. We found it very  
14 useful, as we make changes, to compare  
15 ourself year to year to see how the changes  
16 we make affect the various costs. And it is  
17 capital, construction, operations, gas  
18 supply, a lot of different areas.

19 Q Just a couple more questions. I want to get  
20 back for a moment to the issue of equity  
21 distress that Dr. Blake had mentioned and we  
22 had touched upon earlier. Would it be  
23 correct to say that part of the problems that  
24 Delta--or the stress that Delta is currently

1           experiencing is in part the result of its  
2           efforts to expand customer service in its  
3           service territory?

4    A       Yes.

5    Q       Okay.  And would it be correct to say that,  
6           to characterize some of your policies that  
7           promote growth, that they are much more  
8           advantageous than, perhaps, other utilities  
9           are?

10   A       Advantageous to whom?

11   Q       Well, lest me go ahead and clarify that.  
12           Would you--it is correct that--is it correct  
13           that Delta installs the service line at no  
14           charge for its residential customers?

15   A       Up to a certain amount.

16   Q       Okay.  And is it not correct that Delta had  
17           to obtain a deviation from the Commission's  
18           Regulations in order to do that?

19   A       Yes, I believe maybe 1989 we had a proceeding  
20           here, but I don't think we are the only  
21           utility in the state that does that.  I think  
22           Columbia did it before we did and we sort of  
23           tailored ours after what they had done.

24   Q       Okay, and--

1 A There is a reason for that, by the way.

2 Q Well?

3 A If you don't want to know it, that's fine.

4 Q I'm sure somebody else will be asking about  
5 it.

6 A Okay, all right.

7 Q The other area, Delta also has a main  
8 extension policy that provides 200 feet of  
9 main extension before the customer is  
10 charged?

11 A Up to 200 feet.

12 Q Up to 200 feet?

13 A Yes.

14 Q And that is roughly twice what is required  
15 under the Commission's Regulations?

16 A Regulation, as I understand it, requires up  
17 to 100 feet upon request and we stand to  
18 provide up to 200 feet upon request.

19 Q And that is in part--the reason part of that  
20 is in order to promote growth and make the  
21 extension service more attractive within your  
22 service area?

23 A I would say it is more of a necessity in our  
24 service area because of the nature of our

1 service area. Being very rural and spread  
2 out with bands of, you know, unserved areas  
3 and where the growth is developing, it is  
4 very difficult to get gas supply to people.

5 Q To the extent a customer has to pay for a 100  
6 feet when he can get that extra 100 feet for  
7 free it, is more an incentive for them to  
8 take service, though, isn't it, at least the  
9 disincentive for not taking service is not as  
10 great?

11 A I would agree with you, I just disagree with  
12 the word free, because it is in rates, so, I  
13 mean, okay, I mean it is recovered, it is  
14 just like the service line issue, it is an  
15 immediate recovery or longer term recovery.

16 Q Okay.

17 A The customer either puts in the service line  
18 or we do and it is either long-term in rates  
19 or it is an immediate thing if they put the  
20 service line in immediately, it is the same  
21 way with extensions.

22 Q And just to follow up on that with one more  
23 question on that issue, and that is again a  
24 management policy in order to promote Delta's



1 position in the area and to expand service?

2 A I can't agree with that statement but it is a  
3 management decision, yes, but it is not just  
4 for what you said. It is also to be able to  
5 get gas to people that want it.

6 Q Okay.

7 A And we think in the least costly, most  
8 efficient way to them. That is the way we  
9 view it.

10 Q All right. Are you aware that some utilities  
11 will issue debt and common stock to maintain  
12 its desired equity to debt ratio?

13 A Yes, sir.

14 Q And could you explain why Delta does not do  
15 that or has not done that when it has issued  
16 large debt?

17 A Well, we have. And we issue common stock and  
18 debt both, so we have done that.

19 Q The last time that there was a large issuance  
20 of debt did--was there an accompanying  
21 issuance of common stock?

22 A There was not, but that is the case many  
23 times where we will issue common stock or  
24 debt, sometimes both, sometimes only one, it

1 depends on the market, depends on the  
2 investment bankers, depends on the company  
3 needs. It can be one, it can be both, it can  
4 be just equity or just debt. But that is  
5 very common in the industry, that is not just  
6 Delta.

7 Q When was the last time that Delta had a large  
8 issuance of common stock to correct its or at  
9 least to bring its debt in balance?

10 A We brought along our Annual Report, I'll look it  
11 up in there so I don't give you the wrong date.

12 Q Well, if you can just give me a ball park  
13 year that would be fine.

14 A July, 1996, we issued 15 million of  
15 debentures and 400,000 shares of common  
16 stock. So, that was--that would have been  
17 our last equity and debt offering. And then  
18 in 1998 we issued 25 million of debentures.  
19 Part of that was to refund and repay some  
20 existing debt to get better rates and part of  
21 it was to pay off short term.

22 Q When--I think in some of the responses to the  
23 information request it was indicated that the  
24 imbalance began to occur back in around

1 1990--1988-'89 time frame, were there any  
2 accompanying issuances of stock then or were  
3 they even considered?

4 A Let me explain and--because I can't remember,  
5 okay, specifically that year, so let me just  
6 explain in general how it works.

7 Q Well, in order to--I'm not going to tie you  
8 to a specific year because that would be  
9 unfair, you have already said that year--but  
10 within that time frame of, let's say, 1988  
11 through '92, '93, was there any issuance of  
12 stock or should I just refer--

13 A Well--

14 Q I'll tell you what, we will just refer to the  
15 report in order to save time.

16 A Well, I brought--I brought an old report to  
17 try to cover some years, let's see if I have  
18 enough. In 1993 we issued 15 million  
19 debentures and 170,000 shares of common  
20 stock. In May of 1991 we issued 10 million  
21 of debentures, so that's a couple of  
22 financings we have had. The way Delta's  
23 business operates is we function on a credit  
24 line, that's a 25 million dollar line right

1 now, and periodically we have to refinance  
2 that as it builds up. If we don't, the banks  
3 cut us off. They won't, you know, continue  
4 to extend credit. And so, we have been  
5 financing every two or three years with debt  
6 or equity. And we try to do that--we shoot  
7 to maintain about a 50/50 debt to equity  
8 structure on the long-term, but in the short-  
9 term it can vary from that. It depends on  
10 our needs, it depends on the financial  
11 markets, depends on where the stock pricing  
12 is, whether the investment bankers want to do  
13 an equity offering for us, so it is affected  
14 by a lot of things, some of which are outside  
15 of our control. And over the last ten years  
16 that is what has happened, over the last 20  
17 years that I've been at Delta that is the way  
18 we have operated. We have historically  
19 refinanced that short-term debt from time to  
20 time and sometimes we refinance outstanding  
21 long-term debt with better term debt if the  
22 markets are such, you know, if interest rates  
23 drop, that sort of thing. That's the way we  
24 go about doing it and that is what we have

1           been doing it, and we find ourselves at times  
2           heavier in debt or heavier in equity  
3           depending on the markets and what we run  
4           into.

5           CHAIRMAN HELTON:

6                     Mr. Wuetcher, do you want--is that  
7                     report not in any data request and do  
8                     you want it entered?

9           MR. WUETCHER:

10                    I think that may be in it, if it is not,  
11                    I believe it is on file with the  
12                    Commission.

13           CHAIRMAN HELTON:

14                    Okay, fine.

15           MR. WUETCHER:

16                    I think that is all we have. Thank you  
17                    Mr. Jennings.

18           CHAIRMAN HELTON:

19                    Commissioner Holmes? Commissioner Gillis?

20           MR. GILLIS:

21                    I'll wait until after the Attorney General has  
22                    some questions.

23           MS. BLACKFORD:

24                    I have just a couple I want to follow up on.



1 over the last 10 or 15 years, most LDCs like  
2 Delta or larger, for the most part larger,  
3 have been increasing their dividends in the  
4 2% to 3% range. There is a lot of pressure  
5 on a company that is trying to sell equity  
6 and compete with all the other people who are  
7 selling equity to be providing some return  
8 that is similar or some dividend that is  
9 similar and some dividend growth over time.  
10 So, Delta has always tried to maintain its  
11 dividend where it had it and over time to try  
12 to gradually increase that to be competitive  
13 on raising equity capital. And that is why--  
14 in '96 I show that we had earnings of \$1.41  
15 that year and our dividend is a \$1.12. And  
16 we decided then to increase it very slightly  
17 to two cents on a \$1.12 dividend to give the  
18 market some understanding that we had a  
19 dividend we could maintain and perhaps, you  
20 know, could continue to increase over time if  
21 earnings were there. And that's why we did  
22 that, just to try to react to the  
23 requirements of the market place.

24 Q So, would I correctly characterize this as a

1 management decision to, in the face of  
2 potential lowering, to actually exacerbate  
3 the problem of having earnings insufficient  
4 to meet your dividend?

5 A Yes, you could say that, but we didn't  
6 anticipate that the next three years after  
7 that we weren't going to earn the dividend.  
8 I mean, that is the other side of the coin.  
9 We always anticipated earning our return in  
10 the future and we weren't able to, but, yes,  
11 to answer your question.

12 Q In that period of 1991 to 1995, where there  
13 was no rate case, am I correct in  
14 understanding that the borrowee for '92 was  
15 over 15%?

16 A For fiscal '92 it was 15.1 is what I have.

17 Q Fiscal '92--

18 A That's June 30, that's using the annual.

19 Q And for fiscal '93 was it 15%?

20 A 14.9.

21 Q For fiscal '94 was it around 12%?

22 A Yes, 12.05 I have.

23 Q Was that attributed in any way to Delta's  
24 decision not to file rate cases during that



1 time?

2 A Of course. Each year that we look at where  
3 we are and project where we are going, you  
4 know, if we don't feel like we need to adjust  
5 we don't. We had been allowed during that  
6 time, as I recall, a 15% return on equity.  
7 Or that had been in our last case that came  
8 through the Commission and it had not been  
9 changed since that. So, we--and this is  
10 consolidated results as well, but we were not  
11 earning more than what had been allowed, but  
12 we were earning enough to where we didn't  
13 feel like we needed to come in for a rate.  
14 Now, the weather during some of those time  
15 periods was also a factor, you know. We had,  
16 if I might just flip to that, we had--well,  
17 for instance, it ran '93 was right at normal  
18 weather, '94 was 6% colder than normal, so  
19 there was some times in there when some of  
20 those things occurred where weather was a  
21 factor.

22 Q Well, that brings up something very  
23 important, if the weather normalization  
24 adjustment factor, as you proposed it, goes

1           into place the allowed return and the actual  
2           return will essentially track one another  
3           with reference to the weather conditions; is  
4           that true?

5     A     With respect to adjusting the normal weather  
6           that is correct.

7     Q     And one of your major problems historically,  
8           as you have posed it here, has been that the  
9           company has been brow beaten by bad weather;  
10          is that correct?

11    A     Well, it has been both ways. I mean, we have  
12          had years when we earned well when it was  
13          colder and we have had years when we didn't  
14          earn as much when it was warmer, because our  
15          sales are weather sensitive on residential  
16          and commercial sales.

17    Q     Surely. But do I not understand testimony  
18          from you and from others that bad temperature  
19          years from the natural gas company point of  
20          view have, unfortunately, been the norm for  
21          the last few years? These have contributed  
22          to low actual earnings?

23    A     Well, it has been for--well, let's see the  
24          last--'98 was only 94% of normal, '99 was

1           only 89% of normal, so at least for those  
2           two. '97 was 104% of normal, it was actually  
3           colder than normal, but that was the year of  
4           the last rate case as well, so that  
5           contributed to that as well, that's why I  
6           mentioned that earlier.

7       Q     In the 98% and 89% years would produce lower  
8           than expected revenues and reduce your actual  
9           rate of return?

10      A     That's correct, everything else being equal,  
11           that is very correct.

12      Q     Had the weather normalization adjustment now  
13           proposed been in place then would the actual  
14           rate of returns been closer to, if not equal  
15           to, the allowed rate of return?

16      A     I would say they would have been closer to,  
17           I'm not sure they would have been equal to  
18           because there are other factors that affect  
19           earnings other than just weather, but  
20           everything else being equal it would have  
21           helped. And either way it would have  
22           adjusted up or down.

23      Q     Now, you pointed out that the weather  
24           normalization clause would also operate to

1 lower the company's return in cold years, am  
2 I correct?

3 A Could you repeat that, I'm--

4 Q In below degree--I may be saying this  
5 backwards. In a year that is, from a natural  
6 gas company's point of view, beneficially  
7 cold--

8 A Colder than normal.

9 Q Colder than normal. It would operate to  
10 lower the revenues the company receives  
11 during that time from what they would have  
12 received had there been no weather  
13 normalization adjustment?

14 A Yes, it would always function to bring the  
15 impacts of weather back to 30-year normal  
16 weather. And to the extent that that is  
17 changing, if you are in a warming trend, I  
18 mean, you can have some impacts from that  
19 either way, or colder trend for, say, the  
20 last ten, but everything else being equal it  
21 would tend to bring you back closer to that.  
22 But that is all that a rate case does anyway  
23 is try to normalize your weather for normal  
24 weather. I mean, that is the way they have

1 always been done so that is no different  
2 than--

3 Q They have always been done to normalize it  
4 for purposes of establishing the rate, they  
5 have not been done for the purposes of  
6 insuring that the revenues match the  
7 established rate, isn't that correct?

8 A But the whole underlying tenant is that they  
9 will, otherwise, the whole process is a  
10 fallacy. If they don't try to match up to  
11 normal weather over time, then the whole  
12 thing doesn't work, you know, for the company  
13 or the customers. So, I think underlying it  
14 is the fact that it does work, at least from  
15 the way we view it. You just have the short-  
16 term impacts one way or the other. Any year  
17 can be colder or warmer than that 30-year  
18 average and we can't predict that. So,  
19 sometimes it is one way, sometimes it is  
20 another way.

21 Q Well, perhaps we are having two different  
22 conversations and not intending to do so.

23 A I'm sorry.

24 Q I'm trying to establish what the benefit of

1 the weather normalization adjustment factor  
2 is. And what I'm hearing from you in that  
3 last answer is that there is none.

4 A The benefit to whom?

5 Q To the company?

6 A To the company.

7 Q To the company which has sought it?

8 A Because there is two benefits, there is a  
9 benefit to the customer as well, that's why I  
10 want to point that out. I mean, if you do  
11 not have weather normalization and the  
12 weather is warmer than normal. then you will  
13 adjust up to the 30-year average. If it is  
14 the other way, you will adjust down. But  
15 without it, you know, it cuts both ways.

16 Q Certainly.

17 A So, there is an impact on both the customer  
18 and the company I guess is the point I was  
19 trying to make.

20 Q So I'm looking at it from the utility's point  
21 of view, what is the benefit to the utility  
22 of the weather normalization?

23 A Well, again, to the extent that our rates  
24 were set in a rate case that assumes normal

1 weather, then the underlying rates are set  
2 assuming that that is going to take place.  
3 Now, if, in fact, that does not take place  
4 and it is either warmer or colder, then the  
5 rates will be adjusted and the utility will  
6 have those rates to reflect those volumes  
7 being either warmer or colder than normal.  
8 That's the impact on the utility.

9 Q So, the net result is that you actually more  
10 accurately tracks your allowed rate?

11 A Yes.

12 Q And that is a benefit to a company which has  
13 suffered from years that are warmer than  
14 normal and, therefore, have not had actual  
15 revenues to match the allowed rate?

16 A It is and it is a detriment if it is colder than  
17 normal. So, it is a two edged sword.

18 Q Well, now, let's talk about the arc, it also  
19 acts as a leveling influence, it has an up  
20 side and a down side as I see it, so could  
21 not the same benefits and drawbacks be  
22 assigned to the arc?

23 A The alternative regulatory approach, I'm not  
24 sure I understand what you mean by the

1 benefits in that, but it will function to  
2 maintain within the confines of what it is,  
3 the controls and the target return, to help  
4 provide the opportunity to earn that.

5 Q It will essentially bring the allowed rate  
6 and the actual rate in line regardless of  
7 what happens with weather?

8 A Or at least closer together.

9 Q Just as the weather normalization clause  
10 does, they both adjust for certain factors--

11 A That's true.

12 Q --and by doing so, bring those two items closer  
13 together, meaning that they increase it during  
14 warmer than normal years and decrease it, perhaps,  
15 during colder than normal years or maybe not?

16 A Well, not perhaps, I think they both would  
17 tend to decrease it when it is colder and  
18 increase it when it is warmer.

19 Q Is there a benefit independent of that that is  
20 provided by the weather normalization adjustment  
21 clause attending--that attends the Alternative  
22 Regulation Plan from the utility's point of view?

23 A I'm sorry, could you ask me that again,  
24 somehow I just couldn't grasp the question in



1 that.

2 Q Is there a benefit the utility will receive  
3 from the Alternative Regulation Plan that is  
4 not also received from a weather  
5 normalization adjustment factor?

6 A Well, I guess the weather normalization only  
7 addressed weather and the alternative  
8 regulatory approach the benefit, I guess, is  
9 two fold, one--and this is just not the  
10 utility benefit but it is streamlining the  
11 cost saving aspect of not having to file rate  
12 cases all the time. And, also, within the  
13 target, within the band, you know, if you can  
14 control cost, then the utility will share in  
15 those it controls or it will have to have a  
16 detriment on those that it doesn't, so, I  
17 mean, it is a two edged sword on both. So,  
18 the Alt Reg is a bit different than weather  
19 normalization, I think, because it has some  
20 features in it beyond just weather.

21 Q So, you are saying that there would be no  
22 effort to streamline expenses or to do those  
23 other beneficial things if there were only a  
24 weather normalization adjustment?

1 A No, I'm not saying that. I don't think I  
2 said that at all. You just asked me the  
3 difference between the two and I responded.

4 Q Is there not in conjunction with the weather  
5 normalization an effort to streamline and  
6 would there not be benefits to the utility  
7 from that?

8 A Well, there are--our position is that we  
9 always try to operate as efficiently as we  
10 can.

11 Q I certainly understand that.

12 A So, we will continue in that. The whole idea  
13 behind having, I think, performance measures,  
14 and I think maybe that is what the Commission  
15 and other companies have considered here in  
16 this state and in other states, is to provide  
17 incentive for that and they have found that  
18 the incentives tend to help promote that.  
19 And to the extent they don't, then the  
20 detriment helps the other side of it, the  
21 penalties end up helping that to happen. So,  
22 we decided to put some of those things in  
23 what we filed for to try to encourage that.

24 Q I was a little curious, you were asked at one

1 point about the AAF and the operation of the  
2 performance based controls, if I could  
3 paraphrase your answer, and please tell me if  
4 I'm paraphrasing it as something other than  
5 what it was, you said I'll have to think  
6 about that, I have to remember exactly what  
7 is in there. And you had to pause a moment  
8 and think before you could answer the  
9 question, is that correct? Does that match  
10 your memory of what happened?

11 A Except I don't remember it in the context of  
12 the AFF, it was more a question just about--  
13 what do you mean when you say AAF, what does  
14 that mean to you?

15 Q Well, my understanding is that the  
16 performance based mechanisms of this  
17 alternative proposal fall within the AAF  
18 factor, that they are applied to what  
19 ultimately constitutes AAF?

20 A Could you just clarify for me what you mean  
21 by AAF, just so I can focus myself?

22 Q The historic factor that is applied in the  
23 year after the first year has been in place  
24 in order to adjust a budgeted--in the

1 original proposal, budgeted to actual?

2 A That's the first year after the--okay, all  
3 right, I'm with you now. All right, what was  
4 your question?

5 Q All right. The question was that you had--  
6 the question was you had to pause and think  
7 about it; is that correct?

8 A Well, he didn't--as I recall, it was Mr.  
9 Wuetcher and he didn't ask me about the AAF  
10 particularly, just the whole concept. And I  
11 paused to think about those things that are  
12 in the whole alternative regulatory approach  
13 that we have. And some of those might be in  
14 the AAF, some might be in the--what's the  
15 other term--

16 CHAIRMAN HELTON:

17 AAC.

18 A --AAC because there is the equity test, there  
19 is the O&M test and then there is the 5%  
20 test, so I'm not sure which piece those fall  
21 in but that is why I stopped to just think  
22 through the pieces of it.

23 Q Now, am I correct that you have been  
24 instrumental in choosing the method to be

1 developed and in helping develop this method  
2 for the last year?

3 A Yes, particularly the overall idea of it, the  
4 overall concept of it.

5 Q But you still find it very confusing to  
6 figure out what goes where and when?

7 A No. I told him I could get them out and  
8 compare them. I've been through 12 volumes  
9 of data in the last two days and to say that  
10 I would remember every detail of that without  
11 looking--I said I'd be glad to get them out  
12 and compare them if he wanted me to, that I  
13 could do that, and I could do it for you if  
14 you would like for me to.

15 Q Well, actually, all I'm talking about is what  
16 are the simple components of the three  
17 factors?

18 A Okay.

19 Q It appears that you are having some  
20 difficulty remembering which components go  
21 with what factors?

22 A No, I don't think I am. If you'd like for me  
23 to get them out and compare them right now  
24 I'd be glad to go through them with you, I

1 have no problem with that.

2 MR. WATT:

3 Your Honor, let me object to this line  
4 of questions. I believe that the  
5 components of the three factors are  
6 explicitly set forth in the plan as  
7 submitted. And it really doesn't seem  
8 to me to serve a lot of purpose to  
9 subject Mr. Jennings to a memory test as  
10 to what he remembers being where.

11 CHAIRMAN HELTON:

12 I think, Ms. Blackford, that was your  
13 concluding question on that anyway,  
14 wasn't it?

15 MS. BLACKFORD:

16 It certainly was.

17 Q Let me ask you also about the fact that you  
18 indicated that you thought rate case expenses  
19 which have been burdensome to both Delta and  
20 its customers would--general rate case  
21 expenses--be abated were the alternative rate  
22 plan placed into an experimental three-year  
23 life? Have I correctly said what you were  
24 claiming as a benefit?

- 1 A Yes, ma'am.
- 2 Q Let me ask you, is the O&M expense that  
3 becomes the basis to which the Alternative  
4 Rate Plan factors are ultimately applied,  
5 that O&M expense which will be established  
6 either as a part of this rate case or if none  
7 is established as a part of this rate case,  
8 that which was established as a part of the  
9 last rate case, 97-066?
- 10 A I think it would really be established in  
11 this rate case.
- 12 Q In all likelihood?
- 13 A Yes, it should be.
- 14 Q And that is then the O&M expenses to which  
15 all the multiples are applied?
- 16 A Yes, because you have to have a starting  
17 point.
- 18 Q And that starting point would include in it,  
19 would it not, the full rate case expense from  
20 this rate case being amortized, or the  
21 amortized rate case expense from this rate  
22 case; am I correct?
- 23 A Yes, it would include some portion of it, I'm  
24 not sure exactly how much.

1 Q And I believe that you have also included in  
2 your miscellaneous expenses, which are part  
3 of your O&M, what remains from the last rate  
4 case that has not yet been recovered through  
5 amortization?

6 A No, because it is being spread over a  
7 multiple period of years, that's correct, and  
8 its an annual amount.

9 Q And so, those would be a part of that 100%  
10 O&M to which factors have been applied,  
11 right?

12 A Yes.

13 Q So, they carry forward and are continued to  
14 be a part of the rate structure and the  
15 expense borne by the customer regardless of  
16 whether rate cases continue as general rate  
17 cases or not; is that right?

18 A Well, until they are amortized out, I mean,  
19 it is like any amortization, it has--you  
20 know, if you have a rate case and you have a  
21 number that is spread over three years if you  
22 don't continue to spread it over three years  
23 you don't recover it. If you have an order  
24 that allows, you know, a three year recovery,



1 then you have to continue to do that until it  
2 is amortized out, otherwise there is a  
3 fallacy in the whole discussion on  
4 amortization.

5 Q But they still remain a part of that base  
6 rate, regardless of whether they are  
7 amortized out, to which the multiplier is  
8 applied?

9 A Yes, over the--I guess over the--probably  
10 over the three year term of the Alt Reg it  
11 would. Another--that's another reason to  
12 make it a three year program because then  
13 you, you know, by that time you have worked  
14 your way through those things and then you  
15 would reestablish or move forward.

16 Q Now, you are saying we reestablish them,  
17 where in the proceeding do I find any  
18 suggestion that there will actually be a  
19 reestablishment of O&M rates?

20 A Well, because at the end of the three year  
21 experimental period the Commission has to,  
22 and staff and intervenors, have to reconsider  
23 Alt Reg and either continue it, modify it or  
24 discontinue it. It doesn't continue on its

1 own merits, it is a three year program. Like  
2 in Alabama is the way we consider it, you  
3 have to either reup it, modify it, or stop it  
4 and go back to traditional regulations at  
5 that point.

6 Q But if you simply reup it, the base rates  
7 continue as they were in the original; is  
8 that correct?

9 A That depends. I mean, I can't dictate the terms  
10 on which it would be reuped. If it were reuped  
11 exactly as is you are correct but, you know, I  
12 can't forecast that. I don't know what that will  
13 be.

14 Q But there is nothing in this proceeding that  
15 says, in fact, this is what we propose, that  
16 it be examined on this basis and that these  
17 adjustments be made at that time?

18 A That time being now or three years out?

19 Q At the expiration of the three year period?

20 A Oh. Correct, but there is nothing that says  
21 they can't. Those things just weren't really  
22 addressed.

23 Q Certainly, during the initial life of this  
24 particular alternative regulation mechanism

1           it is a part of the expense to which the  
2           multiplier will be applied?

3       A     Yes, that's correct, because it is an  
4           expense, it is an O&M expense.

5       Q     You also pointed out the fact that as a  
6           benefit that there could be possible  
7           decreases in rates that attend the  
8           Alternative Regulation Plan and I want to  
9           explore a little more with you the  
10          circumstances on which you think those  
11          decreases of rates might occur during this  
12          initial three year period. Can you tell me  
13          the circumstances under which you foresee  
14          that happening?

15      A     That rates might decrease during the period  
16          of time? If expenses went down.

17      Q     If expenses went down after they had been  
18          subjected to an inflationary rise, if they then  
19          went down?

20      A     Or, yes, if we controlled expenses, below some  
21          point then there would be a sharing, or if  
22          we, you know, if the weather was very cold,  
23          you know, different than the 30-year average  
24          base sort of thing you are basing it on. I

1 mean, there are things that could lead to  
2 rates going down.

3 Q Now, that rate could go down if it were  
4 simply a weather normalization adjustment  
5 factor, it would be applied to that very cold  
6 year and you were under traditional rate  
7 making; is that correct?

8 A If it was only the weather that was affecting  
9 it, yes, because that would just adjust for  
10 weather, that's correct.

11 Q So, a downward trend in the O&M expenses is the  
12 only realistic mechanism for any rate reduction  
13 during this time period?

14 A And I believe that is generally correct and I  
15 believe that's O&M per customer, I think, not  
16 just O&M--

17 Q What are the circumstances under which you  
18 perceive the company earning a rate of return  
19 that is higher than the top band proposed by  
20 the ARP during this initial three year  
21 period?

22 A Earning a return greater than the top of it,  
23 the circumstances I--under which I see them  
24 doing that?

1 Q Which you foresee might lead to such a  
2 result?

3 A I'm not sure I can foresee any.

4 Q And yet you listed the top of that band as a  
5 valuable benefit of this plan during this  
6 period of implementation?

7 A Okay. I guess I--I guess the one thing I'm  
8 thinking about is weather. To the extent  
9 that it was--I guess I'm also thinking about  
10 weather normalization and Alt Reg since we  
11 filed for both of them. But if you didn't,  
12 if you just had the one and you had an  
13 extremely cold time then you could be above  
14 it and come back to it.

15 Q But, again, weather normalization clause or  
16 factor might do exactly the same thing?

17 A Yes, that would adjust for bringing weather  
18 back to the 30-year average, that's correct.

19 Q And in the meantime would stabilize the rates  
20 in an upward format were there to be a warmer  
21 than normal year?

22 A Yes.

23 MS. BLACKFORD:

24 Thank you. That's all my questions.

1 CHAIRMAN HELTON:

2 Mr. Gillis?

3 COMMISSION GILLIS:

4 No questions.

5 CHAIRMAN HELTON:

6 Mr. Jennings, I have a couple of questions.

7 Recognizing you have a lot of years of experience  
8 in this industry, you know a lot of people in the  
9 industry, I guess I still was a little confused by  
10 why you didn't seem to look at any PBR or other  
11 types of PBR plans in other states within this  
12 state. And recognizing that Delta is a--serves a  
13 different kind of territory and that there are few  
14 companies to compare yourself with, give me a  
15 succinct answer as to why you did not look at  
16 PBRs?

17 A I think we wanted to look beyond just the PBR  
18 concept is pretty much it. We wanted to look  
19 to--beyond that to something that would allow  
20 us to avoid what we considered to be a very  
21 costly effort to have more frequent rate  
22 cases and we saw the target return approach,  
23 the Alagasco approach, being one that would  
24 do that.

1 CHAIRMAN HELTON:

2 And why have you not proposed anything to control  
3 your gas costs?

4 A Our position has been that gas costs have  
5 traditionally been recovered as incurred,  
6 including pipeline capacity and the flowing gas  
7 cost. With deregulation of supply, gas is priced  
8 pretty much at the market on a national basis, and  
9 we have always recovered those costs, especially,  
10 in times when they were rising. And our position  
11 has been that as prices have leveled or have  
12 fallen, we wanted that benefit to pass back to the  
13 customer. And we believe that we do control our  
14 gas cost as best we possibly can to get the lowest  
15 gas price. We have no incentive to have higher  
16 gas prices than what we have and, so, we feel like  
17 it is the best way to go to let that pass back to  
18 the customers, as well. So, we have looked at it  
19 and just said we don't think that that is  
20 something that is going to benefit and we prefer  
21 to stay traditionally the way we have been doing  
22 it.

23 CHAIRMAN HELTON:

24 Is the plan that you have filed here discussed

1 with your Board?

2 A The alternative reg or the weather norm or  
3 the whole--we have discussed the alternative  
4 regulatory approach with our Board, the  
5 weather normalization approach with our Board  
6 and the--some of the concerns, you know,  
7 about filing a rate case. And we always do  
8 that before we file a rate case, we always  
9 discuss that with our Board in the context of  
10 working on our budgets and to keep them  
11 informed and to get their input and to, you  
12 know, how they view things.

13 CHAIRMAN HELTON:

14 And Mr. Wuetcher asked you about the consultant  
15 that you employed and what you asked them to look  
16 at. When you selected the CPI-U as an index, was  
17 that the--your suggestion or the consultant's  
18 suggestion?

19 A I think it was--I think that was sort of  
20 jointly arrived at as we thought about, well,  
21 what would be a reasonable thing to use that  
22 is obtainable, measurable and you can get at  
23 pretty easily and that people really are very  
24 familiar with, and we thought that was



1           probably the best one to use. And I think we  
2           probably made that decision jointly, or maybe  
3           they concurred with our thought that that was  
4           one that would make sense after thinking  
5           about other things to use.

6           CHAIRMAN HELTON:

7           I guess I'm curious as to why you didn't select  
8           the GDPPI versus the CPI-U?

9           A     Well, we thought the CPI was, you know, for  
10          us readily obtainable, somewhat  
11          understandable and the whole concept within  
12          our company, we compare a lot of things to  
13          CPI when we look at inflation and that sort  
14          of stuff, and it was just a much more  
15          meaningful thing for us to use than any  
16          other. We don't use the other for anything,  
17          not to say that we couldn't look at that but  
18          that is the way we arrived at what we did.

19          CHAIRMAN HELTON:

20          In the last management audit you said you had  
21          implemented all of the efficiency--the  
22          efficiencies that were suggested in the management  
23          audit.

24          A     Yes.

1 CHAIRMAN HELTON:

2 Do I understand that you still have the same  
3 number of field offices and service centers and so  
4 forth, that you have not, as other companies have  
5 done, that you have not consolidated those into  
6 smaller numbers?

7 A Was your question that--you are stating that we do  
8 have or are you asking if we do have?

9 CHAIRMAN HELTON:

10 I'm asking you.

11 A We do not, we have consolidated several of  
12 those in the management audit, and we down  
13 scaled our work force through attrition,  
14 primarily, and our employee per customer  
15 count is sort of how we measure the field,  
16 went down fairly significantly. I think over  
17 a two or three year period it was like a 11%  
18 or 12% reduction in the early to mid 90s.  
19 So, we made a strong effort in implementing  
20 those things to operate as efficient as we  
21 could.

22 CHAIRMAN HELTON:

23 Do you have any redirect?  
24

1 MR. WATT:

2 Your Honor, I have just a few redirect.

3

4

REDIRECT EXAMINATION

5 BY MR. WATT:

6 Q Glenn, when you were asking questions that were  
7 posed by Mr. Wuetcher, at one point you responded  
8 to a question about the amount of information that  
9 is delivered to the Board in connection with its  
10 consideration of Delta's budget, and I believe you  
11 said you don't like to give them that much  
12 information and spread your arms apart. Could you  
13 please describe in words what you meant by that as  
14 opposed to simply the hand movement?

15 A Yes. I meant all of the underlying analysis  
16 and details that the various people in the  
17 company work up, the budget agents and the  
18 officers to support the request for budgets.  
19 We normally don't provide all of that detail  
20 to the Board, it is available and I always  
21 tell them it is available if they choose to  
22 review it, send them the budget--

23 CHAIRMAN HELTON:

24 Mr. Jennings, I think what he asked

1                   required a quantitative answer. Could  
2                   you say four foot or--

3     A     Okay, it is--

4     Q     It looked like it was about a three or four foot  
5           stack of material; is that fair?

6     A     It's a large stack of paper that is somewhere  
7           between a foot and a foot plus.

8     Q     All right. Is it important to Delta that it,  
9           as a philosophical matter, that it provide  
10          persons in its service area a choice of  
11          energy sources?

12    A     It is very important to us. We serve this  
13          rural area that in many cases would not have  
14          gas service offered to it if we weren't there  
15          and its a challenge to do that. And they  
16          have only electric service to choose from  
17          either the co-ops or KU, LG&E, or other fuel  
18          such as propane or oil or coal, and they  
19          really want natural gas service. And so, it  
20          is very important to us to do that and we  
21          view that as one of our strong missions as a  
22          company to provide that natural gas service  
23          in that rural service area to help with  
24          development, particularly economic

1 development as well.

2 Q Glenn, when Mr. Wuetcher was asking you some  
3 questions about the annual review process in  
4 connection with the proposed Alternative  
5 Regulation Plan, you described to some degree  
6 why you felt that that review would be better  
7 than conducting a rate case. Is it true that  
8 the anticipated review process would be less  
9 formal and more constructive than is normally  
10 experienced during rate cases?

11 A Yes, we believe it would.

12 Q Mr. Wuetcher also asked you about the  
13 inclusion of the Canada Mountain operations  
14 in this rate case as opposed to--as part of  
15 the gas cost recovery mechanism. When the  
16 rate design and cost of service studies were  
17 done in this case, what part did the Canada  
18 Mountain operation play in those two  
19 functions?

20 A Those were excluded. In other words, there  
21 were no cost of service done or those weren't  
22 considered in it, so if we were to try to  
23 roll those into base rates or out of the GCR  
24 that would have to be restudied and addressed

1 and it was not.

2 Q When Ms. Blackford was questioning you about  
3 the three year review under the proposed  
4 Alternative Regulation Plan, there was some  
5 discussion about the scope of that review.  
6 Would you please refer to Item 8 of Delta's  
7 response to the June 4 Commission request in  
8 the Alt Reg case, which I believe is in the  
9 white notebook there next to you. Does the  
10 response to Item 8(a) set forth the scope of  
11 the anticipated review at the end of the  
12 three year period?

13 A Yes, it does.

14 MR. WATT:

15 That's all the questions I have Your  
16 Honor. Thank you.

17 CHAIRMAN HELTON:

18 Mr. Wuetcher, do you have much on recross?

19 MR. WUETCHER:

20 I don't believe I have any, I think I'm going to  
21 pass.

22 MS. BLACKFORD:

23 Just one question with reference to Item 8(a).  
24

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RE CROSS EXAMINATION

BY MS. BLACKFORD:

Q Am I correct in saying that what it says is we do not envision an extensive review?

MR. WATT:

Let me object, Your Honor, it says what it says.

CHAIRMAN HELTON:

Ms. Blackford, rephrase your question or restate your question?

Q What detail can I determine from "we do not envision an extensive review," how can I figure out what that review might be?

A Well, are you referring to 8(a)?

Q Uh-huh, that very last phrase in the first paragraph?

A Okay, which phrase being?

Q We are not envisioning an extensive review.

MR. WATT:

Your Honor, let me object, that mischaracterizes what the document says.

A I don't see that in it, that's why I'm curious, I'm trying to understand your question.

1 Q Well, perhaps I'm misquoting it. Let's look  
2 at 8(a), or 6(a), I'm sorry, are we on 6(a)  
3 or 8(a)?

4 A I'm on 8.

5 Q I'm sorry.

6 A Because 8 was what he asked me the question  
7 about, not 6, earlier, that's why I am having  
8 a hard time.

9 Q I misread the number, I have another  
10 interrogatory in front of me, we will address  
11 that later.

12 CHAIRMAN HELTON:

13 That appears to be all the questions for this  
14 witness. We will take a--if we could be back by  
15 one o'clock, I have a lunch meeting, but we would  
16 like to get through as many witnesses today as  
17 possible, so if we could reconvene at one.

18 (OFF THE RECORD)

19 CHAIRMAN HELTON:

20 Mr. Watt, call your next witness.

21 MR. WATT:

22 John Hall.

23 (WITNESS DULY SWORN)

24





1 additions to that testimony?

2 A The only change I would mention is the one of  
3 short-term debt, it has gone up twice since we  
4 filed. As of today it is 5.89 instead of 5.41.

5 Q That's 5.89% interest rate on short-term  
6 debt?

7 A Yes.

8 Q Any other changes?

9 A No.

10 Q If I asked you the questions contained in your  
11 direct testimony today, would you give the same  
12 answers?

13 A Yes.

14 Q Have you filed any rebuttal testimony in this  
15 case?

16 A No.

17 MR. WATT:

18 We have no further questions Your Honor.

19 We would move the admission of John's  
20 direct testimony as supplemented.

21 CHAIRMAN HELTON:

22 So ordered. Ms. Blackford?

23 MS. BLACKFORD:

24 Yes, I do have a few questions, if I may, to begin

1 with I'll pass out what I want to mark as Cross  
2 Examination, mark for the record as Cross  
3 Examination Exhibit Number 1.

4

5

CROSS EXAMINATION

6

BY MS. BLACKFORD:

7

Q I handed that to you just so I wouldn't get  
8 up and trip in the middle of our questions.  
9 I'll be addressing it in just a few moments.  
10 If we can start, please, by having you turn  
11 to page five of your prefiled testimony being  
12 Case Number 176. Are you there?

13

A Yes, ma'am.

14

Q At line 12 you state that Schedule 9 shows  
15 the calculation of Delta's overall cost rate  
16 for capital, which is 9.41%, is that correct?

17

A Yes, ma'am.

18

Q And you have subsequently adjusted that to  
19 indicate that the true figure should be  
20 9.24%, am I correct in that understanding?

21

A No, that is 9.24 if you--the cost rate is  
22 times the capital base.

23

Q I'm sorry, I did not hear you.

24

A I barely hear you too, so we are having

1           trouble.

2       Q     Do we not have a mike on or something.

3       A     The 9.31 is the cost of capital at the--times  
4           the capital structure, the rates applicable  
5           to the capital structure. The 9.24, whatever  
6           the percent was, 9.24, that is the one if you  
7           get a return times the--that is applicable to  
8           the rate base. I'm not sure if I'm making  
9           myself clear.

10      Q     Just a moment.

11      A     I'm sorry, 9.31 is--I've got that backwards.  
12           9.31 is the imputed capital structure divided  
13           by your rate base. The 9.24 is the imputed  
14           capital structure at the cost rates.

15      Q     Would you save that spot and turn now with me  
16           to FR Number 6(h), that is in Volume One of  
17           three of the filing requirements.

18                   MR. WATT:

19                   What tab is that? Do you have that?

20                   MS. BLACKFORD:

21                   I want to say it is tab 25 if I'm not  
22                   mistaken.

23                   MR. WATT:

24                   It is, thank you.

1 A That's correct.

2 Q Are you there?

3 A Yes.

4 Q Can you point to where on the Schedule 9 the  
5 calculation of Delta's overall cost rate for  
6 is capital is shown?

7 A It is not computed, but on Schedule 9--

8 Q Yes?

9 A --that is the rates that I have used, if you  
10 put in the rates of the 13.9, the cost of  
11 long-term debt and the cost of short-term  
12 debt, that's where you will come up with the  
13 rates.

14 Q Let's look now at the exhibit I just handed  
15 you.

16 A Okay.

17 Q On that exhibit--I'm sorry, I've turned you  
18 to the exhibit too early. All right. On  
19 Schedule 9 the ratio of columns, the  
20 structure entitled Imputed Capitalization  
21 corresponds with the right hand column of  
22 Section 9, that is common equity is 43.5%,  
23 long-term debt is 48.43%, and short-term debt  
24 is 8.07%, is that correct?

1 A That is correct.

2 Q And the capitalization is adjusted, if  
3 checked against the fourth column, are these  
4 figures also correct?

5 A Could you repeat that please?

6 Q Checking the cap--on the lower part of this  
7 exhibit if you were to compare the  
8 capitalization, as adjusted, against the  
9 fourth column from the right of Schedule 9,  
10 do these also accurately reflect what is  
11 there?

12 A Are you talking about before being imputed?

13 Q The ratios?

14 A Those ratios are correct, also.

15 Q All right. Looking back at page five of your  
16 prefiled testimony please check the cost  
17 rates shown on this exhibit against the ones  
18 that you show on lines 14 through 20 of your  
19 testimony. Are these correct on the cross-  
20 examination exhibit?

21 A The top one is, yes, and I assume the bottom  
22 one is, I don't know, I'd have to get my  
23 calculator out.

24 Q Please notice that the imputed capital

1 structure with a 9.24% is the same as  
2 receiving 14.08% on the actual capital  
3 structure. Is that a correct analysis?

4 MR. WATT:

5 Your Honor, may I have that question  
6 repeated, I did not hear it.

7 CHAIRMAN HELTON:

8 Pardon?

9 MR. WATT:

10 May I have that question repeated, I  
11 didn't hear it?

12 MS. BLACKFORD:

13 Is the microphone not on or am I not  
14 leaning forward. Bob, I'm not meaning  
15 to be obstreperous, I just can't figure  
16 out what is going on.

17 COMMISSIONER GILLIS:

18 I'm having a little hard time hearing,  
19 too.

20 CHAIRMAN HELTON:

21 I think also the A/C is on right now  
22 when it kicks off we probably won't have  
23 as much trouble. So, just be a little  
24 bit louder while it that is going on

1                   please. Is everybody comfortable? We  
2                   will turn the A/C down. Okay.

3       Q     Please notice that the imputed capital  
4             structure with a 9.24% return is the same as  
5             receiving a 14.08% return on the actual  
6             capital structure; isn't that correct?

7       A     That is what it says, like I said, I haven't  
8             calculated this.

9       Q     Isn't the use of an imputed capital structure  
10            the same as a back door approach to trying to  
11            get an authorized higher rate of return on  
12            equity?

13      A     Yes, it is.

14                   MS. BLACKFORD:

15                   Thank you, that's all of my questions.

16      CHAIRMAN HELTON:

17                   Mr. Wuetcher?

18      MR. WUETCHER:

19                   Thank you, your Honor.

20

21

CROSS EXAMINATION

22      BY MR. WUETCHER:

23      Q     Let me start out by saying good afternoon. Why is  
24             Delta's capitalization greater than Delta's



1 proposed rate base?

2 A Why is Delta's capitalization greater than  
3 its proposed?

4 Q That's right, proposed rate base?

5 A Oh, proposed rate base. We had a few  
6 questions on that and I've put a lot of  
7 thought into that and there is a lot of  
8 reasons. A lot of companies that come in  
9 here they have different capital structures  
10 than us. Basically, they have equity and  
11 long-term debt and/or preferred stock only.  
12 We have short-term in ours, and the way we  
13 use our short-term is we use it like most  
14 people use their cash or short-term  
15 investments, we bring it up and down daily.  
16 And, so, it is called part of our long-term  
17 capital structure. But if you, at any one  
18 point in time, if we was to reduce our--some  
19 of our payables or something, we would  
20 increase our short-term debt. And so, any  
21 point in time it could be higher or lower  
22 than--so it is--as to why, that is one  
23 reason. I'm sure the cash working capital  
24 could be another reason.

1 Q Could you explain that a little bit more why  
2 the cash working capital would be another  
3 reason?

4 A Well, it is part of the rate base and it is  
5 imputed at 1/8% of the O&M. And if our O&M  
6 was higher, our rate base would be higher.

7 Q Okay.

8 A Or vice versa, if it was lower, it would be  
9 lower.

10 Q Okay. Does Delta's proposed capital  
11 structure include the capital that financed  
12 Delta's investment in cash surrender value of  
13 life insurance in the amount of \$347,789?

14 A At one time it did, yes.

15 Q Does it now?

16 A Not to my understanding.

17 Q Can you tell me when it ceased to include  
18 that amount?

19 A No, I can't.

20 Q Could you provide that for us subsequently  
21 to--subsequent to this hearing?

22 A Sure.

23 MR. WATT:

24 What you want is the date that the cash

1 surrender value of life insurance no  
2 longer was part of the capital  
3 structure?

4 MR. WUETCHER:

5 Yes, sir.

6 MR. WATT:

7 Thank you.

8 Q Is the in-cash surrender value of the life  
9 insurance included or excluded from Delta's  
10 rate base?

11 A It is excluded from the rate base.

12 Q Is the capital supporting Delta's December  
13 31, 1998, investment of deferred gas costs of  
14 \$1,354,892 included in Delta's proposed  
15 capital structure?

16 A It could be in short-term debt.

17 Q Could you verify that for us?

18 A No, I cannot verify it, I don't know--

19 Q Well, I guess you are saying it could be, I  
20 guess the question is are you uncertain about  
21 that or--

22 A I'm uncertain, yes.

23 Q Could you check your answer for us then so  
24 that you are certain?

- 1 A Okay, sure.
- 2 Q Would you agree, subject to check, that in  
3 Case Number 97-066 Delta's capitalization  
4 exceeded its rate base by \$504,003?
- 5 A Subject to check, yes.
- 6 Q And would you agree, subject to check, that in  
7 that proceeding the Commission applied the  
8 weighted cost of capital to net investment rate  
9 base to arrive at Delta's revenue requirement?
- 10 A They did and I disagreed with it.
- 11 Q Okay. Well, that was my next question. Why  
12 did Delta not use the same methodology that  
13 the Commission used in Case Number 97-066 to  
14 develop its proposed revenue requirement?
- 15 A Because I disagreed.
- 16 Q Okay.
- 17 A And the reason--
- 18 Q Yes, sir, go ahead.
- 19 A The reason was is if you take the numbers  
20 that Mr. Henkes has produced saying we needed  
21 a reduction of 132,000 at 10.75%, if you  
22 bring the numbers down and show the return on  
23 equity at that, it is not 10.75, it is 10.5.  
24 And so, if you, also, if you pay the debt,

1 pay the interest on the debt that is  
2 applicable to the capital structure, then it  
3 reduces the return on equity to 10.1. So, we  
4 are short changing ourself, that's why I did  
5 it. And we were short changed in the last  
6 order, also.

7 Q Can you provide us the calculations to  
8 demonstrate that. I won't ask for it today.

9 A Sure.

10 Q I won't ask you to provide it today but if  
11 you could provide that so we could have  
12 something in the record that shows how Delta  
13 was short changed?

14 A I'd be glad to.

15 Q I think you had addressed some information  
16 requests in which you explained or were asked  
17 to provide some analysis as to why Delta had  
18 failed to earn its authorized return over the  
19 last ten years. Can you tell us what those  
20 factors are?

21 A This is in one of my data requests?

22 Q Yes, sir. Well, let me be a little bit more  
23 specific, I think you had identified in your  
24 data request the only factor that you did

1 identify was weather. Would that be correct?

2 A Could you tell me what data request so I can  
3 refresh my mind?

4 Q I was afraid you were going to ask that. Let  
5 me rephrase it, can you--in your opinion, why  
6 has Delta been unable to achieve its allowed  
7 rate of return over the last ten years?

8 A I'd say--other than the reasons Mr. Jennings  
9 stated, I would say weather has been one  
10 impact, incremental growth has led to one.

11 Q Can we just say weather has been the  
12 predominant factor?

13 A I don't know that it is predominant, the last  
14 four out of five years maybe.

15 Q Has there been an increase in capital cost  
16 over the ten year period and what impact, if  
17 there has been, has that played on Delta's  
18 inability to earn its allowed rate of return?

19 A The--it has gone up and down, I don't know  
20 that it is steadily going up, because I know  
21 in this case I think it is down from the  
22 previous year, two years ago.

23 Q Well, would an increase in capital cost have  
24 been one of the reasons for the inability to

1 meet the authorized rate of return?

2 A Yes, it hurts.

3 Q I'd like to go ahead and refer you to Delta's  
4 response to the Commission's Order of July 2,  
5 1999, in Case Number 99-046.

6 A What's the number again please?

7 Q It is the July--I'm sorry, it's the first  
8 item to the information request.

9 MR. WATT:

10 Item 1 of the July 2 data request?

11 MR. WUETCHER:

12 Yes, sir.

13 Q Okay. Do you have that in front of you sir?

14 A Yes, I do.

15 Q Okay, in the second paragraph you state that in  
16 developing budgets for the fiscal year 2000 you  
17 evaluated why Delta has not been able to earn its  
18 authorized rate of return. I think you indicate  
19 that part of the reason was weather and,  
20 additionally, increased costs in investment. What  
21 are the cost increases that you were referring to  
22 from this analysis?

23 A This is the increase--I think it is increased  
24 cost and investments, the increased cost in

1 investments.

2 CHAIRMAN HELTON:

3 So, it should state "and" instead of  
4 "in," Mr. Hall?

5 A Well, it says increased cost "and"  
6 investments. Basically, there was not a lot  
7 of increase in costs, such as O&M.

8 Q Okay. Well, when you make the reference to  
9 increased cost, what particular cost are we  
10 speaking of, operation and maintenance costs?

11 A No, capital costs.

12 Q When you prepared your analysis, did you review  
13 the increased cost to determine whether the  
14 increases were controllable?

15 A Yes, always, none of them were controllable.

16 Q Can you explain to me how you identified that  
17 they are controllable?

18 A All costs are controllable to us.

19 Q And when you conducted--I'm sorry, you said  
20 when you conducted your review you determined  
21 that they were controllable or were not  
22 controllable?

23 A I'm saying all costs that we have are  
24 controllable.



1 Q Okay.

2 A We can cut out any part of the company.

3 Q After you conducted your analysis, did you  
4 consider any alternative to a rate increase,  
5 such as reductions to the year 2000 budgeted  
6 expenses?

7 A We always look at the--and compare our  
8 expenses from year to year and if you are  
9 speaking in particular of Y2K, there was none  
10 to--

11 Q No, I'm not talking about Y2K, I'm just  
12 saying you looked at the budget and when in  
13 making the decision--

14 A If there is any cost controllable that we  
15 should reduce, is that what you are saying?

16 Q Well, I'm saying when you were reviewing the  
17 cost, did you consider any alternatives to a  
18 rate increase, such as a reduction in any  
19 particular expense item?

20 A There was none that we felt that could be  
21 reduced. I'm saying that we can cut out  
22 services, anything, it is all controllable,  
23 in that sense that cost--we can reduce ten  
24 people but we are going to reduce services,

1           that's what I mean when I say it is  
2           controllable. I'm not saying that we have  
3           excess people or we have other things that we  
4           can control that way.

5    Q    Well, just so I understand, then, what you  
6           are saying is that when you conducted your  
7           review you looked at the cost, they were all  
8           cut, at least in your alls opinion, to the  
9           bone.

10   A    Absolutely.

11   Q    And there was no other alternative available to a  
12           rate adjustment?

13   A    That's true.

14   Q    If you turn to the next page, I'm going to be  
15           referring to Response 2 to the Commission's  
16           Order of July 2. You are identified as the  
17           witness for that one.

18                 MR. WATT:

19                         You are on Item 2?

20                 MR. WUETCHER:

21                                 I'm sorry, Item 2 of the response to the  
22                                 July 2 Order.

23   Q    You state there that--did you not refer to your  
24           monthly and annual analysis of the budget

1           versus actual financial information as  
2           analysis. You do, however, state that you do  
3           continuous analyses. What are some of the  
4           actions that might typically be taken by  
5           Delta when you have costs that are above  
6           budget?

7        A    If it is already spent, there is nothing we  
8           can do. But if--oh, we live by our budget.  
9           By that I mean once we set the budget in  
10          place, hopefully, all costs from that point  
11          on will come in at budget. If anything that  
12          we know of is going to be outside of the  
13          budget that we, like I say, I'm going to pay  
14          more for insurance, et cetera, I have to get  
15          approval through Mr. Jennings and so, we know  
16          when those costs will be above the variance.  
17          So, also all costs are reviewed monthly by  
18          our analysis--it's not analysis, it's budget  
19          variances.

20       Q    Well, let me see if I understand it. You  
21           have your annual budget?

22       A    Yes.

23       Q    And I assume that based on that you have at  
24           least an estimate of what you are--or budget

1 as what you plan to spend each month. And  
2 based on your monthly reviews you can  
3 determine if a particular expense item is  
4 being incurred at too rapid a pace, that it  
5 would exhaust what you budgeted for that  
6 particular item before the end of the fiscal  
7 year, is that correct?

8 A Yes.

9 Q When you see that trend occurring through your  
10 monthly analysis, what is the next step that is  
11 taken?

12 A The next step is, if it is controllable, gas  
13 purchases, what can we do? We have got to  
14 purchase the gas, but labor, it is generally  
15 a one time thing, you know, it has been  
16 approved before hand. Magazine  
17 subscriptions, whatever, it has got to be  
18 explained. And we can't reduce it from that  
19 point on, but we can control it from that  
20 point on.

21 Q Okay. I'm still not following you and I  
22 apologize. When you see a troubled expense  
23 item, something that at least to you appears  
24 to be something you are spending too much on

1 at too great a rate and it is going to be out  
2 of budget, you then at that point determine  
3 whether it is controllable or not, is that  
4 right?

5 A Yes. It is not as though we have got  
6 additional labor. That it's--one time we had  
7 overhead--or over time one month, and when it  
8 was explained that month, we can control it  
9 the next month by saying there is no more  
10 over time. But sometimes when there is an  
11 emergency or something, somebody has got to  
12 have some over time spent, so in that sense  
13 it is not controllable, but we can control it  
14 by saying you are not going to do it.

15 Q Tell me what is Delta's track record with  
16 regard to operating within the budget based  
17 on the analysis that it performed in response  
18 to the Attorney General's Data Request, Item  
19 Number 39 of the June 4 data request? And I  
20 believe that is, again, in Case Number  
21 99-046, book three of three.

22 A This is O&M expense, right?

23 Q Yes, sir.

24 A The numbers speak for themselves.

1 Q Well, would you say you have been successful  
2 in operating within your budget?

3 A I would have to go back and look to see why  
4 the variances or what they are. Some are  
5 over and some are under, and if it was--I  
6 can't explain by just looking at the number.  
7 We get estimates for insurance, or such as  
8 that, and we put it in the budget, but if  
9 during the year the insurance is \$200,000  
10 more than what we had in the budget, does  
11 that mean that we don't buy the insurance.

12 Q Well, would you agree that the analysis that  
13 is set forth in response to Attorney General  
14 Data Request 39 reflects that only three out  
15 of ten years where Delta's actual O&M costs  
16 were within the budgeted amounts?

17 A That's according to what percent you are  
18 talking about.

19 Q No, I'm talking about actual results.

20 A The total O&M was within the budget amount?

21 Q Yes, sir.

22 A Oh, you are saying under budget, right? That's  
23 what the numbers say, yes.

24

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MR. WUETCHER:

Thank you Mr. Hall. That's all we have.

CHAIRMAN HELTON:

Chairman Holmes, Mr. Gillis?

VICE CHAIRMAN HOLMES:

No questions.

COMMISSIONER GILLIS:

No questions.

CHAIRMAN HELTON:

Redirect?

MR. WATT:

I have just very brief, Your Honor.

REDIRECT EXAMINATION

BY MR. WATT:

Q John, is it Delta's recommendation in this case that a 13.9% return on equity is appropriate if you use Delta's actual capital structure?

A Yes, it is.

Q Would you please direct your attention to Attorney General Cross Exhibit Number 1. The table that is shown under the heading "Capitalization as Adjusted," is it your understanding that that is Delta's--close to Delta's actual capital

1 structure, as of the date indicated?

2 A Yes.

3 Q So, that the 14.08% that results from the  
4 9.24% weighted cost of capital is pretty  
5 close to the 13.9% that Delta recommends?

6 A Yes.

7 MR. WATT:

8 That's all I have Your Honor.

9 CHAIRMAN HELTON:

10 Ms. Blackford?

11 MS. BLACKFORD:

12 No further, thank you.

13 CHAIRMAN HELTON:

14 Ms. Blackford, I don't believe that we moved this  
15 into the record, you marked it Cross-Examination?

16 MS. BLACKFORD:

17 I'd like to move it into the record, please?

18 CHAIRMAN HELTON:

19 So ordered.

20 (EXHIBIT SO MARKED: Attorney General Cross  
21 Examination Exhibit No. 1)

22 CHAIRMAN HELTON:

23 Mr. Wuetcher?

24



1 MR. WUETCHER:

2 We have no further questions.

3 CHAIRMAN HELTON:

4 You're excused. Mr. Watt.

5 MR. WATT:

6 John Brown.

7 (WITNESS DULY SWORN)

8

9 The witness, JOHN B. BROWN, having first been  
10 duly sworn, testified as follows:

11 DIRECT EXAMINATION

12 BY MR. WATT:

13 Q John, would you please state your name for the  
14 record please?

15 A John B. Brown.

16 Q Where do you live John?

17 A 1137 Lafayette Boulevard, Winchester,  
18 Kentucky.

19 Q By whom are you employed?

20 A Delta Natural Gas Company.

21 Q What is your position?

22 A Controller.

23 Q Would you very briefly describe your duties?

24 A I direct the accounting and financial

1 reporting and management information system  
2 activities at Delta.

3 Q Have you filed direct testimony on behalf of  
4 Delta in this proceeding?

5 A Yes, I have.

6 Q Are there any changes, corrections or  
7 additions to the testimony?

8 A No.

9 Q If I asked you the questions contained in your  
10 direct testimony today, would you give the same  
11 answers?

12 A Yes, I would.

13 Q Have you filed rebuttal testimony on behalf  
14 of Delta in this proceeding?

15 A Yes.

16 Q Are there any changes, corrections or  
17 additions to your rebuttal testimony?

18 A No.

19 Q If I asked you the questions contained in  
20 your rebuttal testimony today, would you give  
21 the same answers?

22 A Yes, I would.

23 MR. WATT:

24 We have no further questions Your Honor.

1 We would move the admission of John's  
2 direct and rebuttal testimony.

3 CHAIRMAN HELTON:

4 So ordered. Ms. Blackford?

5 MS. BLACKFORD:

6 Thank you.  
7

8 CROSS EXAMINATION

9 BY MS. BLACKFORD:

10 Q I have a series of documents which I have compiled  
11 into what I will ask to have marked as Cross-  
12 Examination Exhibit Number 2. Cross-Examination  
13 Number 2 consists of three sheets, if you will  
14 turn with me to the first of them it simply lists  
15 the historic 401K expense numbers for the company,  
16 which were taken from the company's trial balances  
17 for the representative years. Would you accept,  
18 subject to check, that those numbers are correct?

19 A Yes, subject to check.

20 Q The expenses as shown on that sheet gradually  
21 increase from \$114,000 in 1994 to \$140,000 in  
22 1997, but then jump to \$180,000 in 1998; is that  
23 correct?

24 A Yes, subject to check.

1 Q And they rose approximately \$40,000 in that  
2 last single year. The second page is the  
3 response to Attorney General's Data Request  
4 Number 53. There the company confirms that  
5 one of the reasons for this large increase is  
6 that the 1998 expense includes a  
7 reclassification of the pension expense due  
8 to an account distribution correction made  
9 for a trustee for the year of 1997; is that  
10 correct?

11 A Yes.

12 Q And the third page of this collective exhibit  
13 is the response to the Attorney General's  
14 Supplemental Data Request Number 22. That  
15 response confirms that without this  
16 reclassification for the 1997 account  
17 distribution correction, the 1998 401K  
18 expenses would have been \$161,634; is that  
19 correct?

20 A Yes.

21 MS. BLACKFORD:

22 I move that this be moved--I move this  
23 into the record as Exhibit Number 2.  
24

1 CHAIRMAN HELTON:

2 So ordered.

3 (EXHIBIT SO MARKED: Attorney General Cross  
4 Examination Exhibit No. 2)

5 Q Just to keep Mr. Henkes occupied and off the  
6 street, I have a collection which I will refer to  
7 for the purposes of identification as Cross-  
8 Examination Exhibit Number 3. This exhibit is, in  
9 fact, the response to Data Request Number 55 with  
10 its attachment, a schedule pertaining to Delta  
11 Natural Gas Company's uncollectibles, is that  
12 correct?

13 A Yes.

14 Q On the second page, line four, under the test  
15 year column that the--we see that the  
16 uncollectible expenses booked during the 1998  
17 test year amount to \$345,870 representing  
18 .99% of total revenues for the year; is that  
19 correct?

20 A Yes.

21 Q For 1997 the uncollectible expenses were  
22 \$310,000 or .79% of revenues; is that also  
23 correct?

24 A Yes.

1 Q And for 1996 the uncollectible expenses were  
2 \$150,000 or .45% of revenues; is that also  
3 correct?

4 A Yes.

5 Q Finally, for 1995 the uncollectible expenses  
6 were \$100,800 or .45% of revenues; is that  
7 correct?

8 A No, that was '94.

9 Q I'm sorry. For 1995, am I reading--okay.

10 MR. WATT:

11 You're on the wrong column there.

12 Q Okay. I was on the wrong column, okay,  
13 128,400 or .33%, correct?

14 CHAIRMAN HELTON:

15 No, ma'am, it is 128,400 and the  
16 percentage is .45.

17 Q Let me back up and try again. For 1995 the  
18 uncollectible expenses were 124,800 or .45% of  
19 revenues?

20 A No, the amount is 128,400.

21 Q And for 1993 and 1994 the uncollectible  
22 expenses were \$100,800?

23 A Yes.

24 Q Or .33 to .36% of revenues; is that correct?

1 A Yes.

2 Q The uncollectible reserve ending balance at  
3 the end of the 1998 test year has grown to  
4 \$155,773; is that correct?

5 A Subject to check, I don't have that in front  
6 of me.

7 Q I believe it is on that sheet in the final  
8 column.

9 A At the end of the test year you are saying?

10 Q Yes.

11 A Yes.

12 MS. BLACKFORD:

13 I'd move this into the record as Cross  
14 Exhibit Number 3.

15 CHAIRMAN HELTON:

16 So ordered.

17 (EXHIBIT SO MARKED: Attorney General Cross  
18 Examination Exhibit No. 3)

19 Q We'll refer to this for identification purposes as  
20 Attorney General Cross Exhibit Number 4. This  
21 exhibit consists of four documents, the first two  
22 of which are pages 325 of the company's 1998 and  
23 1997 FERC Forms 2, do you recognize those as such?

24 A Yes.

1 Q And the third document is the response to  
2 Attorney General Data Request Number 49, and  
3 the fourth document is the response to the  
4 Public Service Commission Request Number 47,  
5 do you recognize those?

6 A Yes.

7 Q Look on the first document, it is page 325 of  
8 the 1998 FERC Form 2, there the company's  
9 1998 test year expenses include \$104,940 of  
10 regulatory Commission expenses; is that  
11 correct?

12 A Yes.

13 Q The second document shows that for 1997 these  
14 Account 928 regulatory commission expenses  
15 were about \$63,000; is that also correct?

16 A Yes.

17 Q And in 1996 that sheet shows that these  
18 expenses were also about \$63,000; is that  
19 correct?

20 A Yes.

21 Q In response to Attorney General's Data  
22 Request Number 49, which is the third sheet  
23 of this collection, the second page shows a  
24 breakout for the 1998 test year expense



1 amount and also shows that the major reason  
2 why the 1998 expense level of \$104,940 is so  
3 much higher than the expense levels of  
4 \$63,000 for the prior two years. And that  
5 reason is that the 1998 expenses include two  
6 expense bookings for the DOT Pipeline Safety  
7 Programs; is that correct?

8 A Yes.

9 Q Specifically, there is a \$20,870 booking for  
10 the 1998 payment and then another booking of  
11 \$23,960 for the same program which represents  
12 a prepayment for 1999; is that right?

13 A I am not sure about that, I believe there was  
14 another response.

15 Q All right. Let's--I'm sorry, I've jumped  
16 ahead of myself. On the final document, the  
17 final page of the final document, I believe  
18 that the answer was given that, in fact, that  
19 is a prepayment for 1999 and that would be  
20 the second for 1.928.00 regulatory commission  
21 expense, and the answer is, "Increase in PSC  
22 assessment and increase in revenues of Delta.  
23 DOT assessment of \$23,960 applicable to 1999  
24 was paid in the calendar year 1998."

1 A That is true. One point to note, though,  
2 that the actual PSC payment was in the  
3 \$72,000 range in the test year. So, it was  
4 significant. It was significantly more than  
5 it had been in the past, so then you would  
6 have the \$20,000 some dollars DOT on top of  
7 that.

8 Q There were two factors there?

9 A There were two factors, the overbooking was  
10 made relatively minor by the increases.

11 MS. BLACKFORD:

12 I would move this into the record as  
13 Exhibit Number 4.

14 CHAIRMAN HELTON:

15 So ordered.

16 (EXHIBIT SO MARKED: Attorney General Cross  
17 Examination Exhibit No. 4)

18 Q We are now passing out what I'd like to refer to  
19 as Cross Exhibit Number 5 for the record. Three  
20 items are included in this group. The second  
21 item, which is the third sheet of this group, has  
22 been prepared by Mr. Henkes to facilitate cross-  
23 examination. It shows the actual pension expenses  
24 booked by Delta from 1993 through 1998 in Account

1 926.02 as directly taken from the company's trial  
2 balances. Would you accept these numbers as  
3 accurate, subject to check?

4 A Yes, subject to check.

5 Q This sheet shows that the company's pension  
6 expenses have gradually decreased from  
7 \$413,000 in 1993 to \$293,000 in the 1998 test  
8 year; is that correct?

9 A Yes.

10 Q The third item in this group, the last two  
11 pages, is the response to PSC Data Request  
12 Number 44. In 44(b) the Commission requested  
13 the most recent actuarial report concerning  
14 the company's pension plan; am I right?

15 A Yes.

16 Q And in response to that the company submitted  
17 an actuarial report dated April 1, 1999,  
18 which was rather bulky. All I've included  
19 here is the cover sheet, do you recall having  
20 done that?

21 A Yes.

22 Q In fact, this report did not provide the most  
23 recent annual--actual annual pension expense  
24 level, so the information was again requested

- 1 in supplement AG 23, do you recall that?
- 2 A I don't recall the specific question.
- 3 Q Well, are you aware that it was not actually  
4 included in that report?
- 5 A Are you referring to the actuarial report in  
6 the--
- 7 Q Report, yes.
- 8 A I recognize this exhibit, if that is what you  
9 are asking.
- 10 Q All right. The Supplemental AG 23 is  
11 actually the first page of this report, first  
12 two pages of this report, or of this exhibit,  
13 I'm sorry. In response to this request you  
14 stated that the most recent annual pension  
15 expense as per the most recent official  
16 actuarial report is \$181,167; is that  
17 correct?
- 18 A That was as of the most recent financial  
19 statements, June 30, '99, for financial  
20 statement purposes.
- 21 Q On page seven of your rebuttal testimony you  
22 explained this actuarial determined pension  
23 expense amount does not include actuary  
24 expenses, trustee expenses, and pension

1 benefit guarantee corporation expenses; am I  
2 right?

3 A That's true.

4 Q And the total of those expenses would be  
5 \$40,354 in 1998; is that accurate?

6 A Yes, during the test year.

7 Q If we are to add that \$40,354 to the  
8 \$181,167, the math works out to a total  
9 pension amount of \$221,521; is that correct?

10 A That's true.

11 Q And this would be comparable to the actual  
12 1998 pension expenses of \$292,818 as was  
13 requested in that data request; is that  
14 right?

15 A Well, other than the fact that we are mixing  
16 two plan years. The test year covered two  
17 different plan years, one where the actual--  
18 actuarial evaluation was higher and one that  
19 was lower. So, by computing it that way you  
20 are taking the lower of the two.

21 Q Okay.

22 A So, that would be the difference.

23 Q And that is the most recent one of the two?

24 A That's right, through 1999.

1 Q On the first page of the supplemental of the  
2 response to AG Supplemental 23, it shows that  
3 the company's pension plan has been in an  
4 over-funded status since 1995; am I right?

5 A Yes.

6 Q And the over-funding was recently--has  
7 recently increased from about \$500,000 in  
8 1997 to about 1.9 million in 1998?

9 A That's true.

10 Q When the pension plan is over-funded, the  
11 earnings from the over-funding go towards  
12 reducing the future pension expense accruals;  
13 is that generally true?

14 A Well, that's one factor, but there are  
15 several other factors that come into play  
16 when determining pension expense for  
17 actuarial. I'm not an actuary so I don't  
18 pretend to understand those, but I do know  
19 that in light of this we have since received  
20 the year 2000 actuarial evaluation and it is  
21 significantly higher than the '99 was, which  
22 counters the argument that you are making.  
23 Other things that go into that are the  
24 earnings of the assets and it just happens to

1 be that on the last--over the last period the  
2 assets earned lower than expected. So, that  
3 would cut the other way. And that is a fact  
4 what has happened and why the year 2000  
5 expenses are so much higher.

6 Q In your rebuttal testimony on page eight you  
7 state that Delta received the net pension  
8 expense at April 1, 2000, from the actuary  
9 and that the annual amount is \$267,238; is  
10 that what you were saying?

11 A That's right.

12 Q Does this amount come from an official  
13 actuary report such as the one that was  
14 provided in response to PSC 44 or is this  
15 just a preliminary estimate from an actuary  
16 that you have received by phone call, letter,  
17 whatever?

18 A No, it is the precise exhibit that you have  
19 given me, just a year later.

20 Q So, you are saying that it is actually in the  
21 report, but a year later?

22 A It is, as you pointed out earlier, the  
23 actuarial valuation is not in the official  
24 reports.

1 Q Right.

2 A So--but it is as official as this document  
3 that you have for '99. We--it is prepared by  
4 Hand and Associates under the same.

5 Q Could we have a copy of that?

6 A Yes.

7 Q Okay. Thank you, that's all my questions on  
8 that one. I move that Cross Examination  
9 Number 5 be placed in the record.

10 CHAIRMAN HELTON:

11 So ordered.

12 (EXHIBIT SO MARKED: Attorney General Cross  
13 Examination Exhibit No. 5)

14 Q Mr. Brown, the actual 1998 test year medical  
15 cost in Account 926.04 amounts to \$729,269;  
16 is that right?

17 A Yes, subject to check.

18 Q The cost of \$729,269 represents a gross cost  
19 amount. It has not been reduced by amounts  
20 allocated to construction and subsidiaries;  
21 is that right?

22 A Yes.

23 Q The medical coverage amounts allocated to  
24 construction and subsidiaries associated with the



1 gross test year cost amount of \$729,269 are  
2 included in the expense credit Account 922.00  
3 entitled Expenses Transferred; is that right?

4 A Yes.

5 Q In this case Mr. Henkes has assumed that the  
6 appropriate O&M expense factor, i.e., the  
7 percentage remaining after the allocation to  
8 construction and subsidiaries is 73.98% and  
9 the company has agreed with that assumption;  
10 am I right?

11 A Yes.

12 Q In fact, you have used this same factor for  
13 the pension expense adjustment calculated on  
14 page six of your rebuttal testimony; is that  
15 so?

16 A Yes.

17 Q Prior to your rebuttal testimony, the company  
18 proposed to increase its 1998 test year  
19 medical coverage expenses by \$77,561; is that  
20 right?

21 A Yes, subject to check.

22 Q And the AG took no exception to this proposed  
23 adjustment. The AG has now discovered that  
24 the \$77,561 cost adjustment proposed by the

1 company and left unadjusted by us represents  
2 a gross cost adjustment that was not reduced  
3 to reflect the amounts allocated to  
4 construction and subsidiaries; is that an  
5 accurate statement? Is it accurate that  
6 there was no reduction, that that is a gross  
7 cost?

8 A Yes.

9 Q So, the appropriate adjustment should have  
10 been 77,561 times the O&M ratio of 73.98% or  
11 \$57,380, if the math--assuming the math is  
12 correct?

13 A Yes.

14 Q And would you accept this as a proper  
15 functioning of math, subject to check?

16 A Subject to check.

17 Q I'd like to move to your rebuttal testimony  
18 at page five, line eight. Are you there?

19 A Yes.

20 Q There you have calculated that the revised  
21 total pro forma medical expenses should be  
22 \$900,970; is that right?

23 A Well, I think that the--that amount is not  
24 necessarily our pro forma amount. It is--it

1 is more an illustration of a few of the  
2 accounts that, if similarly treated as a  
3 whole, as some of the accounts that the  
4 Attorney General has pulled out, that it  
5 would be such. We are not really proposing  
6 that this is the way that we would have  
7 calculated it because we would have  
8 calculated it that way to begin with.

9 Q All right. Well, if we take that assumption  
10 a little further, this is a gross number; is  
11 that right? It's unadjusted?

12 A Yes.

13 Q And it would result in an expense adjustment  
14 of \$171,701?

15 A Yes.

16 Q After you apply the expense factor of 73.98%  
17 to the total proposed adjustment that  
18 adjustment would be \$171,701 times 73.98% or  
19 \$127,024, if that made any sense. 127,024, I  
20 wasn't going to spit those out in words to  
21 save myself.

22 A Subject to check.

23 Q Subject to check on the math. And since you  
24 used 77,561 as the original cost adjustment,

1 the difference between the two amounts would  
2 be \$49,463; is that correct?

3 A Subject to check?

4 Q As opposed to the \$94,100 that was claimed in  
5 the testimony on line 11?

6 A Again, subject to check.

7 Q In your rebuttal testimony you state that in  
8 calculating the medical expense adjustment  
9 you used the same methodology as was used by  
10 Mr. Henkes in his Schedule RJH-14 for  
11 uncollectible expenses; am I accurate in that  
12 statement?

13 A Yes.

14 Q First, can you tell me in what way your  
15 methodology is similar to that of Mr. Henkes'  
16 in RJH-14?

17 A Well, just basically taking an average of  
18 history and projecting it, calculating it  
19 based on another factor that is relevant.  
20 The other exhibit that you referred to was  
21 about uncollectible expense, so there is a  
22 relationship between uncollectible expense  
23 and revenue, I believe, was the other factor.  
24 So, this was just saying that there is a

1 relationship between medical plan expense and  
2 payroll. And then looking at that  
3 relationship over a few years and applying an  
4 average percentage to an amount which is in  
5 the test year.

6 Q All right. Theoretically what you are doing  
7 is similar, but methodologically is it  
8 similar? Did you look only at historic  
9 costs?

10 A Just at historic costs.

11 Q But you included 1999 cost beyond the test  
12 year; is that right?

13 A Yes. Let me back up. Did use the most  
14 recent information and the reason for that  
15 was the experience of rising health care  
16 costs. We felt that the most recent  
17 information was the most relevant.

18 Q So, this is post test year information, as  
19 Mr. Seely would deem it?

20 A Some of it could be characterized as that. I  
21 believe, though, that the point is not  
22 necessarily the--like I said earlier, the  
23 amount derived here, the overall point is the  
24 fact that, you know, we are taking accounts

1 that we are alleging are higher in the test  
2 year and we are just trying to illustrate a  
3 few of the accounts that are possibly lower  
4 in the test year, to make that point. And,  
5 again, I back up, this calculation  
6 methodology is not the company's original.  
7 We would have--we stand by what we originally  
8 have in our case. This is illustration  
9 purposes to--for the testimony of the  
10 Attorney General.

11 MS. BLACKFORD:

12 Okay, just a second. Thank you. There  
13 is no need to move this into the record,  
14 we will just pull it out.

15 Q Let me discuss the training schools with you for a  
16 second. On pages five and six of your rebuttal  
17 testimony you discuss the fees training school  
18 expense in account 1.880.01 and state that the  
19 1998 expense level for this expense type is  
20 abnormally low; right?

21 A Yes.

22 Q The 1998 expense for this item was \$14,173 and the  
23 1997 expense for this item was \$51,436; is that  
24 accurate?

1 A Yes.

2 Q What is the expense level for this item in  
3 1999 through October for the first ten months  
4 of this year; do you know?

5 A I don't know that.

6 Q Can you provide that?

7 A That can be provided, yes.

8 Q In your testimony you claim that when you  
9 average the 1997 expense level of \$51,436 and  
10 the annualized 1999 expense level of \$40,304  
11 you arrived at a proper normalized expense  
12 level of \$45,870; is that accurate?

13 A Yes.

14 Q In this averaging methodology have you  
15 totally ignored the actual expenses of 1998?

16 A Yes.

17 MR. WATT:

18 Your Honor.

19 Q Now, let me address small tools for a moment.

20 MR. WATT:

21 Your Honor, before we go to small tools,  
22 I was looking for something over there  
23 when the last request for the provision  
24 of an item occurred, could I have that

1 repeated please?

2 MS. BLACKFORD:

3 Surely. That was for the expense level  
4 for fees training schools in 1999  
5 through October, or to date, since we  
6 are nigh onto November.

7 MR. WATT:

8 Thank you, I apologize.

9 Q Taking up small tools. On page six of your  
10 rebuttal testimony you discuss small tools  
11 expense in Account 1.900.03 and you state  
12 that the 1998 expense level for this expense  
13 type again is abnormally low. The 1998  
14 expense for this item was \$53,056 and the  
15 1997 expense for this item was \$82,435; is  
16 that right?

17 A Yes.

18 Q What is the expense level for this item in  
19 1999, again, through date; do you know?

20 A I do not.

21 Q Would you be willing to provide that?

22 A Yes.

23 Q You say there that you have averaged the 1997  
24 expense level of \$82,435 and the annualized



1 1999 expense level of \$64,995 and arrived at  
2 a proper normalized expense level of \$73,715;  
3 am I right?

4 A Yes.

5 Q In this averaging methodology have you  
6 totally ignored the actual expenses in 1998?

7 A Yes.

8 MS. BLACKFORD:

9 Thank you, that's all my questions.

10 CHAIRMAN HELTON:

11 Mr. Wuetcher?

12 MR. WUETCHER:

13 Thank you.

14

15 CROSS EXAMINATION

16 BY MR. WUETCHER:

17 Q Good afternoon Mr. Brown.

18 A Hi.

19 Q Let me start out, I think the AG had  
20 previously requested that you provide a copy  
21 of the April 1, 2000, net pension expense or  
22 a copy of the actuarial report for--

23 A Yes.

24 Q Could you also provide to the Commission the

1 1999 and, if you haven't, the estimated or  
2 the year 2000 expenses for--that are to be  
3 paid to Hand and Associates, American  
4 Industry Trust Company and the Pension  
5 Benefit Guarantee Corporation?

6 A Yes.

7 Q Delta's annual pension expense decreased--

8 MR. WATT:

9 Just as moment, could I have those again  
10 so I can get the notes taken? Hand and  
11 Associates--

12 MR. WUETCHER:

13 Hand and Associates, American Industry  
14 Trust Company and the Pension Benefit  
15 Guarantee Corporation.

16 MR. WATT:

17 Thank you.

18 Q Just to clarify for the record, would there  
19 be any other parties that would also be paid  
20 expenses other than these parties related to  
21 the pension expense?

22 A No.

23 Q Delta's annual pension expense decreased between  
24 June 30, 1998, and June 30, 1999, by 33%, and

1 increased by 48% between June 30, 1999, and June  
2 30, 2000, by 48%. Why would Delta's annual  
3 pension expense fluctuate so drastically?

4 A Well, our annual pension expenses, the  
5 fluctuation is driven mostly by the actuarial  
6 valuation which, like I said earlier, the  
7 foundation which the actuary uses to  
8 establish that every year, there are several  
9 factors that come into that, the degree of  
10 funding, the return on the assets, the number  
11 of retirees you have and the aging. There is  
12 several--several items that factor into that  
13 and we--and for that very reason is why we  
14 have to hire an actuary to come up with that  
15 amount. So, basically, we rely on Hand and  
16 Associates in calculating the expense that we  
17 should book each year and we book the amount  
18 that they give us.

19 Q Then would it be correct to say you don't  
20 know but if the answer is in the actuarial--  
21 if your actuary has provided it to you, it  
22 would be in the report that you are going to  
23 be providing the Commission?

24 A Actually, the one page report does not have

1 any narrative on it.

2 COMMISSIONER GILLIS:

3 That much of a change from one year to  
4 the next there should be a few isolated  
5 things that cause that much change. Do  
6 you know what those were?

7 A I do know that our earnings on our plan have  
8 fluctuated greatly over the last two or three  
9 years. The year ended April of '98 had  
10 excellent performance. It out performed  
11 expectations. The year ended '99 was  
12 virtually break even, which was seriously  
13 under expectations. You know, Delta has not  
14 had a significant change in its employees,  
15 its compensation levels, retirees, so the big  
16 changes--we have not changed the plans  
17 significantly, you know, anything that you  
18 would look at. So, it is driven by those  
19 market conditions.

20 Q Do you agree that overtime and part-time  
21 labor should be reflected in Delta's pro  
22 forma operations?

23 A I think that depends on what the number is  
24 being used for, you know, there are some

1 places that it is appropriate to consider  
2 those numbers and some places they may not  
3 be.

4 Q Okay. Well, let me clarify it a little more.  
5 When we are speaking in terms of payroll,  
6 would you agree that overtime and part-time  
7 labor should be reflected in Delta's pro  
8 forma operations?

9 A If you are trying to get a full picture of  
10 what your direct payroll costs are, you would  
11 want to know those. But, you know, there  
12 are, I'm sure, instances where you would want  
13 to do calculations with those excluded since  
14 it is a different character.

15 Q Does Delta--Delta's proposed payroll  
16 adjustment of \$116,199 represent a gross  
17 adjustment that includes labor costs either  
18 capitalized or charged to clearing accounts?

19 A Let me pull that adjustment.

20 Q Okay.

21 A So, you are referring to the 116,200  
22 adjustment to payroll and you are asking  
23 whether that includes--

24 Q Whether that represents a gross adjustment

1 that includes labor costs either capitalized  
2 or charged to clearing accounts?

3 A Yes.

4 Q Would you agree, subject to check, that Delta  
5 charged \$4,531,719 to its operation and  
6 maintenance expenses during the test period?

7 A Yes, subject to check.

8 Q Okay. Have you reviewed the Attorney  
9 General's proposed reduction to Delta's  
10 payroll adjustment to reflect only the  
11 portion of payroll increase that will be  
12 charged to the operation and maintenance  
13 expense?

14 A Yes, I have.

15 Q Do you agree with it?

16 A Yes, in theory.

17 Q If you will refer to Delta's response to Item  
18 23 of the Commission's September 14, 1999,  
19 Order. Based upon this response would you  
20 agree that the pro forma payroll that would  
21 be charged to operations--

22 A Excuse me, could you let me find that?

23 Q I'm sorry, go ahead, it is Item 23 of the--of  
24 Delta's response to the Commission's Order of

1 September 14, 1999.

2 MR. WATT:

3 Do you have it John?

4 A Yes, I have that.

5 Q Okay. Based upon this response, would you  
6 agree that the pro forma payroll that would  
7 be charged to operations and maintenance  
8 expense would be 4,612,184?

9 A Can you direct me to where that number  
10 appears?

11 Q Okay. Which, the four million number?

12 A Yes.

13 Q The number I just--okay, well, I don't  
14 believe it appears on there. I can--why  
15 don't I take you through it and see if you  
16 agree with it?

17 A Okay.

18 Q If you take payroll of 6,213,582, which, if you  
19 will look at page five of the response,--

20 A Right, I see it.

21 Q Okay. And then subtract from that \$1,595,398  
22 for capitalized labor, which--okay, do you  
23 agree with that?

24 A Uh-huh.

1 Q And then also subtract \$6,000 related for--to  
2 subsidiaries, that would produce the  
3 \$4,612,184?

4 A Yes, subject to check.

5 Q So, it is yes, subject to check, for the  
6 entire answer?

7 A Right.

8 Q Okay. Would you agree, subject to check,  
9 that if the \$4,612,184 pro forma payroll is  
10 used, then the payroll adjustment would be  
11 \$80,465 rather than Delta's proposed  
12 adjustment of \$116,199?

13 A Yes, subject to check.

14 Q If you will refer to Delta's response to Item 25  
15 of the Commission's September 14, 1999, Order, do  
16 you have that?

17 A Yes.

18 Q Okay. Is Delta proposing to increase Account  
19 1.920.01 styled Administrative Payroll by  
20 \$24,000 to reflect compensation paid to Glenn  
21 Jennings in the form of a loan payment  
22 forgiveness?

23 A Yes.

24 Q Does Delta's pro forma salaries and wages



1           calculated in response to Item 23 of the  
2           Commission's September 14, 1999, Order  
3           include the \$24,000 loan payment forgiveness  
4           to Mr. Jennings?

5    A       I don't believe so, but I'd have to find the  
6           schedule to verify that.

7    Q       Do you want to take a moment and take a look  
8           at that schedule?

9    A       The Attorney General's request, their first  
10           request, August 11, '99, question 37, asks if the  
11           PSC Report also includes 1998 test year above the  
12           line expenses including the \$24,000 loan  
13           forgiveness that were disallowed for rate making  
14           purposes, please confirm this. And in this  
15           response we confirmed that the \$24,000 is included  
16           in the test year.

17   Q       So, would the answer to my question be yes?

18   A       My concern here is that these numbers, I  
19           don't have, you know, the 435.

20   Q       Well, why don't we do this, then, do you  
21           believe right now that it possibly could be  
22           but you want to go ahead and check it to  
23           insure, to verify that?

24   A       The way I understood it was that that was

1           erroneously left out of the test year initially.  
2           And then the request, the answer to the question  
3           that you first directed me to was our way of  
4           suggesting that it should not have been left out.  
5           But there have been so many requests about  
6           payroll, I'm not clear on which schedule it is and  
7           which schedule it is out. So, I'd really need  
8           to--but I'm sure there is information in the data  
9           request that gives that answer.

10    Q    If you could go ahead and subsequently verify  
11           that for us and the--what we are referring  
12           to, again, is the schedule that was submitted  
13           in response to the Commission's Order, Item  
14           23 of the Commission's Order of September 14,  
15           1999?

16    A    The--I think you will find that Mr. Hall and  
17           Mr. Jennings sponsored a lot of the data  
18           requests that had to do with the \$24,000, so  
19           you might be able to get a direct answer  
20           today from them.

21    Q    Okay. Well, I think you were responsible for  
22           that particular schedule, you are listed for  
23           the sponsoring witness for that item. Moving  
24           on to, very briefly, the 401K expense. Why

1 is it appropriate to include a prior period  
2 trustee fee in Delta's test period 401K  
3 expense?

4 A We are not saying that it is proper, we are  
5 saying that that specific item being in that  
6 expense account does not render the O&M test  
7 year non-representative, because we feel  
8 there are other accounts that have items  
9 which go the other way in equal or greater  
10 amounts.

11 Q Since the 401K expense is a cost that is  
12 directly related to labor, should a portion  
13 of this expense be allocated to Delta's  
14 construction and subsidiaries?

15 A Well, that is an employee benefit which does  
16 get allocated through our overhead process.

17 Q Okay. I think here we are trying to address  
18 the proposed adjustment.

19 A Well, then, it would fall under the same  
20 category as medical and such, yes.

21 Q Does allowing Delta to recover the cost  
22 associated with two rate cases represent an  
23 abnormal annual expense level?

24 A It is not abnormal if that is the situation.

1 If the costs have been incurred, we have had  
2 rate cases close together and those rate  
3 cases accumulate costs which need to be  
4 amortized. To that extent it is not  
5 abnormal.

6 Q Are you familiar with the normalization  
7 method that the Attorney General has proposed  
8 for Delta's rate case expense?

9 A Yes.

10 Q Would eliminating the amortization expense of  
11 Delta's prior rate case, as the Attorney  
12 General proposes, be disallowing the recovery  
13 of a legitimate operating expense?

14 A Yes.

15 Q What changes did Delta make in 1999 to more  
16 aggressively enforce its collection policies?

17 A We, basically, developed better reporting,  
18 internal reporting, on activities related to  
19 collections and raised awareness throughout the  
20 company.

21 Q Can you be a little bit more specific on  
22 that? When you say you developed more  
23 reporting policies, does that mean somebody  
24 internally who wasn't aware of what was going

1 on before now became aware of it?

2 A Well, I think it raised awareness.

3 Q Would you explain why Delta, then, changed  
4 its bad debt collection policies in 1999?

5 A Well, the--like you said, we didn't change  
6 our policies, we have just developed, we  
7 feel, at least we are hoping, some reports  
8 and some procedures to help us enforce our  
9 policies, our existing policies.

10 Q Would it be correct, then, to say that the  
11 changes were to heighten awareness of the  
12 existing situation?

13 A Yes.

14 CHAIRMAN HELTON:

15 Mr. Brown, would you explain how that is  
16 going to help collections? I mean, you  
17 didn't change your policy, so you don't  
18 call a customer earlier than you did  
19 before or send them a notice earlier  
20 than you did before, so how is raising  
21 awareness within the company going to  
22 change the level of your uncollectibles?

23 A Well, you know, the aggressiveness to which you  
24 collect, your efforts of going to the house,

1 making that call to get the collection, the--those  
2 things are left--are rather--are more subjective  
3 than objective, I guess, and, you know, we began  
4 keeping some statistics on the amount of,  
5 basically, service orders that get generated and  
6 then are followed up with the collection folks  
7 going to the house and collecting. And just,  
8 basically, raising awareness of the importance of  
9 being very strict with those policies we hope will  
10 help with the collection efforts.

11 CHAIRMAN HELTON:

12 So, more adherence to the policies you  
13 already had in place, is that what you  
14 are saying?

15 A Yes.

16 Q Have you reviewed the Attorney General's  
17 proposed property tax adjustment?

18 A Yes.

19 Q Do you agree with that proposed adjustment?

20 A Let me tell you what I remember and make  
21 sure. Is this concerning Canada Mountain,  
22 the amount of property tax?

23 Q Yes, it is.

24 A Yes.

1 Q Does Delta pay property taxes based on net  
2 utility plant and construction work in  
3 progress and cushion gas?

4 A Yes.

5 Q Do you agree with the Attorney General in  
6 that Delta's proposed income tax adjustment  
7 should include the annual investment tax  
8 credit amortization of \$71,000?

9 A Yes.

10 Q And, in your opinion, should the amortization of  
11 the excess deferred income taxes as of December  
12 31, 1998, that resulted from the change in the  
13 federal income tax rate from 46% to 35% be  
14 included in Delta's proposed adjustment?

15 A Yes.

16 MR. WUETCHER:

17 That's all I have. Thank you very much.

18 CHAIRMAN HELTON:

19 Redirect? Should I ask if there is going to be  
20 much redirect or recross, would you like to take a  
21 break or maybe try to finish this witness?

22 MR. WATT:

23 Mine is really very brief.

24

1 REDIRECT EXAMINATION

2 BY MR. WATT:

3 Q John, you were asked some questions a moment ago  
4 about the pension expense where you were going to  
5 provide 99 and 2000 expenses from Hand and  
6 Associates and those others, do you remember that?

7 A Yes.

8 Q Is life insurance also a part of pension  
9 expense?

10 A Yes.

11 Q So, that was omitted when you were discussing  
12 kinds of expense?

13 A Well, yes and no. Those pay--life insurance  
14 payments are typically made to American  
15 Industries which is one of the institutions  
16 which was mentioned.

17 Q Okay. So it would be included in the  
18 information you will be providing?

19 A Yes.

20 Q Has the funded status of the employee benefit  
21 plans decreased from fiscal year end '98 to  
22 fiscal year end '99?

23 A I don't know the answer to that.

24



1 MR. WATT:

2 That's all I have Your Honor.

3 CHAIRMAN HELTON:

4 Recross?

5 MS. BLACKFORD:

6 Thank you, nothing.

7 MR. WUETCHER:

8 We have just a couple of items.

9

10 RE CROSS EXAMINATION

11 BY MR. WUETCHER:

12 Q When you provide the expense levels related  
13 to the companies we mentioned at the  
14 beginning of the cross-examination, would you  
15 break that down as far as what relates to  
16 pension expense and life insurance expense?

17 A Okay.

18 Q And, also, can Delta provide an update on its rate  
19 case expense itemizing the types of service  
20 received for those expenses and in what case the  
21 expense was incurred? By that I'm referring to,  
22 if an expense was incurred in the preparation of  
23 99-046, that that expense be indicated as being  
24 prepared in that case as opposed to the current

1 rate case? And, also, can Delta provide the  
2 invoices for its legal and consulting services  
3 that it has used for this rate case?

4 A Sure.

5 MR. WUETCHER:

6 That's all we have. Thank you.

7 CHAIRMAN HELTON:

8 Thank you, you may be excused. Let's take a  
9 break, 15 minute break.

10 (OFF THE RECORD)

11 CHAIRMAN HELTON:

12 Mr. Watt, your next witness.

13 MR. WATT:

14 Robert Hazelrigg.

15 (WITNESS DULY SWORN)

16  
17 The witness, ROBERT C. HAZELRIGG, having first  
18 been duly sworn, testified as follows:

19 DIRECT EXAMINATION

20 BY MR. WATT:

21 Q Bob, would you please state your name for the  
22 record?

23 A Robert C. Hazelrigg.

24 Q Where do you live?

1 A 71 Mockingbird Valley Road, Winchester,  
2 Kentucky.

3 Q By whom are you employed?

4 A Delta Natural Gas Company.

5 Q What is your position?

6 A Vice President of Public and Consumer  
7 Affairs.

8 Q Would you please briefly describe your  
9 duties?

10 A I'm primarily responsible for governmental,  
11 public and media relations, as well as  
12 economic development and our large volume  
13 customer accounts.

14 Q Bob, have you caused Delta to publish legal  
15 notice of this hearing and this proceeding?

16 A Yes, I have.

17 MR. WATT:

18 Your Honor, we would like to mark this  
19 packet of affidavits of publication as  
20 Delta Hearing Exhibit Number 1  
21 collectively.

22 CHAIRMAN HELTON:

23 So ordered.

24 Q Bob, I'm handing you Delta Exhibit Number 1

1 and I'll ask you if those are the affidavits  
2 of publication which the newspapers have sent  
3 you?

4 A Yes, they are.

5 MR. WATT:

6 I move their admission as Delta Exhibit  
7 1.

8 CHAIRMAN HELTON:

9 So ordered.

10 (EXHIBIT SO MARKED: Delta Exhibit No. 1)

11 Q Have you filed direct testimony on behalf of  
12 Delta Gas in this proceeding?

13 A Yes.

14 Q Are there any changes, corrections or  
15 additions to that testimony?

16 A I do have two corrections to make. As stated  
17 in my response to question four of the Public  
18 Service Commission's August 11 data request,  
19 the reference to the 25 cent difference  
20 between GS and interruptible service on page  
21 four, line 13 of my direct testimony, should  
22 state prior to rate case "90-342" rather than  
23 "97-066." Additionally, on page five, line  
24 14 in my direction testimony, it should read

1 "interstate or intrastate" rather than  
2 "interstate in intrastate" pipelines.

3 Q Subject to those corrections, if I asked you  
4 the questions contained in your direct  
5 testimony today, would you give the same  
6 answers?

7 A Yes, I would.

8 Q Have you filed rebuttal testimony on behalf  
9 of Delta in this proceeding?

10 A No.

11 MR. WATT:

12 We have no further questions Your Honor.

13 We would move the admission of Mr.

14 Hazelrigg's testimony as part of the

15 record.

16 CHAIRMAN HELTON:

17 So ordered. Ms. Blackford?

18

19 CROSS EXAMINATION

20 BY MS. BLACKFORD:

21 Q Mr. Hazelrigg, I only want to ask you about your  
22 advertisements. Did you issue new advertising in  
23 conjunction with the two new tariffs that were  
24 filed or the tariff sheets that were filed on

1           October 25 in connection with the testimony in  
2           this proceeding?

3       A     No.

4                       MS. BLACKFORD:

5                       Thank you.

6       CHAIRMAN HELTON:

7           Mr. Wuetcher?

8       MR. WUETCHER:

9           No questions.

10      MR. WATT:

11           I have no questions, Your Honor.

12      CHAIRMAN HELTON:

13           Okay, I believe you are dismissed. Mr. Watt.

14      MR. WATT:

15           Martin Blake.

16                               (WITNESS DULY SWORN)

17  
18           The witness, MARTIN J. BLAKE, having first been  
19           duly sworn, testified as follows:

20                               DIRECT EXAMINATION

21      BY MR. WATT:

22      Q     Dr. Blake, would you please state your name for  
23           the record?

24      A     Martin J. Blake.

1 Q Where do you live?

2 A 6711 Fallen Leaf, Louisville, Kentucky 40241.

3 Q By whom are you employed?

4 A The Prime Group, LLC.

5 Q What is the purpose of your testimony in this  
6 proceeding?

7 A The purpose of my testimony in this  
8 proceeding is to address the appropriate  
9 return on equity for use in this proceeding.

10 Q Are there any changes, corrections or--excuse  
11 me. Have you filed direct testimony on  
12 behalf of Delta in this proceeding?

13 A Yes, I have.

14 Q Are there any changes, corrections or additions to  
15 that testimony?

16 A Yes, there are.

17 Q Let me show you a document that we have  
18 marked Delta Hearing Exhibit Number 2 and  
19 would you please explain what that exhibit is  
20 in the context of any changes, corrections or  
21 additions to your testimony?

22 A Yes, I will. I will address this one first.  
23 This is an exhibit that I did, as you can  
24 tell, by hand while listening to the other

1 witnesses in response to Attorney General  
2 Cross Exhibit Number 1. The other changes  
3 that I have are in my testimony in Exhibit  
4 MJ-4, page two. The calculation using the  
5 Edward Jones analyst growth rate, the ROEs  
6 should not be ".03," they should be ".02."  
7 The calculation is correct, it is just a typo  
8 on the .03. It says ".03" and it should be  
9 ".02." The other is a change on MJB-5,  
10 Exhibit MJB-5, and in the first column of  
11 interest coverage about 2/3 of the way down  
12 for South Jersey Industries, Inc., that  
13 should be "2.26" instead of "2.36." And  
14 those are the only changes that I have to my  
15 testimony.

16 Q Dr. Blake, if I asked you the questions  
17 contained in your direct testimony today,  
18 subject to the changes that you have just  
19 described, would you give the same answers?

20 A Yes, I would.

21 Q Have you filed rebuttal testimony on behalf  
22 of Delta in this proceeding?

23 A Yes, I did.

24 Q Are there any changes, corrections or



1 additions to the rebuttal testimony?

2 A No, there are none.

3 Q If I asked you the questions contained in  
4 your rebuttal testimony today, would you give  
5 the same answers?

6 A Yes, I would.

7 Q Dr. Blake, I'd like to direct your attention to  
8 Attorney General Cross Exhibit Number 1, do you  
9 have a copy of that before you?

10 A Yes, I do.

11 Q And Delta Exhibit Number 2?

12 A I also have that, yes, I have them both.

13 Q What I'm talking about is the handwritten  
14 one?

15 A Right.

16 Q Would you please explain to the Commission what  
17 you have done on Delta Exhibit Number 2 as it  
18 relates to Attorney General Exhibit 1?

19 A You bet. As I understand it, the Attorney  
20 General Cross Examination Exhibit Number 1  
21 illustrates a pretty well-known principle  
22 that capital structure changes have little  
23 impact on a utility's revenue requirements or  
24 its customer bills. However, the capital

1 structure does affect the cost of both debt  
2 and equity but changes in those variables are  
3 offset by changes in the weights of each  
4 capital structure component. And if you take  
5 a look at that, the Attorney General showed  
6 that one way where the Attorney General made  
7 the point that the use of an 11.9 in an  
8 imputed cap structure was similar to the use  
9 of a 14.08 with no imputed cap structure.  
10 What Delta Exhibit Number 2 does is show it  
11 the other way around, the use of the capital  
12 structure or the cost of equity that I  
13 recommend in this proceeding using the  
14 existing capital structure for Delta would be  
15 the same as a 10.4% rate of return for a  
16 company with a 43 1/2% equity. And that  
17 10.4%, just personal opinion, I don't think  
18 the Commission would grant anything quite  
19 that low. And so, I think it is important to  
20 know that that principle cuts both ways.  
21 That's all I have on that.

22 MR. WATT:

23 I have no further questions, Your Honor.  
24 We would move the admission of Dr.

1 Blake's direct and rebuttal testimony  
2 and the admission of Delta Exhibit 2.

3 CHAIRMAN HELTON:

4 So ordered.

5 (EXHIBIT SO MARKED: Delta Exhibit No. 2)

6 CHAIRMAN HELTON:

7 Ms. Blackford?

8 MS. BLACKFORD:

9 Yes.

10

11

CROSS EXAMINATION

12 BY MS. BLACKFORD:

13 Q Just to be sure your exhibit is merely showing  
14 that the sword can cut both ways, it is not what  
15 you are recommending in any way?

16 A I am not recommending that, just showing how  
17 it does cut both ways.

18 Q Dr. Blake, please refer to page 17 of your  
19 prefiled testimony.

20 A Okay.

21 MR. WATT:

22 Case 99-176?

23 MS. BLACKFORD:

24 Yes.

1 COMMISSIONER GILLIS:

2 What page is it on?

3 MS. BLACKFORD:

4 Page 17 beginning at line one.

5 A Yes.

6 Q The first part of the sentence of the quote which  
7 begins at line one states "the data did no permit  
8 analysis outside of the 42.5 to 54% debt range so  
9 we cannot state exactly what would happen," is  
10 that accurate?

11 A That's correct.

12 Q Dr. Blake, please turn to your Exhibit MJB-1.

13 A Yes.

14 Q Am I correct in interpreting the column  
15 labeled "Original Equity Percent" as  
16 excluding short-term debt and the column  
17 labeled New Equity Percent includes short-  
18 term debt?

19 A Yes.

20 Q Do you know if the study you site on page 17  
21 included or excluded short-term debt?

22 A I don't know.

23 Q If a company had more debt than 54%, it would  
24 have had less equity than 46%; correct?

1 A Yes.

2 Q And, as you said, you do not know how many  
3 companies shown have more debt than 54% or  
4 equity less than 46% when short-term debt is  
5 excluded?

6 A The data in MJB Exhibit 1 was not the data  
7 used to do the article by Brigham, it is  
8 different data sets. Are you trying to  
9 compare--

10 Q I'm just trying to find out--I'm merely  
11 trying to find out whether the statement that  
12 was reflected in that first line is  
13 accurately reflected in your exhibit. It  
14 appears that there are a series of companies  
15 shown there, some seven of them, which, in  
16 fact, do have more debt than 54% or equity  
17 less than 46% when short-term debt is  
18 excluded.

19 A Like I say, the data set was not the data set used  
20 to conduct the study by Brigham.

21 Q Uh-huh.

22 A That is a quote from an article, published  
23 article, by Brigham from 1987.

24 Q In your MJB-1--

1 A Yes.

2 Q --is it correct that there are some 20  
3 companies that have more than 54% or equity  
4 less than 46% when the short-term debt is  
5 included?

6 A I didn't count them but, subject to check,  
7 yes.

8 Q Please turn to page 20 of your testimony.

9 A Yes.

10 Q On line 16 you state that the cost of equity  
11 is based on the equation which defines the  
12 appropriate return on equity as the discount  
13 rate that equates the stock price of the  
14 stream of expected future dividends; is that  
15 right?

16 A Yes.

17 Q In financial jargon when something is an  
18 expected value, isn't it a future value and  
19 isn't the term expected future a redundancy?

20 A Sure.

21 Q The Equation 1 shown on line 19 shows that P,  
22 the price of stock, is equal to discounted  
23 dividends. Is  $D_1$ ,  $D_2$  and  $D_3$  in the equation  
24 the expected future dividend stream you are

1 referring to?

2 A Yes, it would be one year out, two year out,  
3 three year out and so forth.

4 Q Please turn to page 21.

5 A Yes.

6 Q Equation 2 on line six shows  $D_1$  is the same--  
7 is that the same  $D_1$  that was shown in  
8 Equation 1 on the preceding page.

9 A Yes. What that shows is that the dividend in the  
10 year sub 2, or two years out, is equal a dividend  
11 one year out times the growth rate.

12 Q At the top of page 21 you shows that  $D_2$   
13 equals, as you just said,  $D_1$   
14 times  $G$ ; is this correct?

15 A Correct.

16 Q Please turn to Exhibit MJB-4, page one.

17 A Yes.

18 Q The bottom three equations shown on MJB-4  
19 show that you used \$1.14 as the dividend; is  
20 that right?

21 A Yes.

22 Q Is the \$1.14 the same  $D_1$  required by the DCF  
23 model or is it analogous to a  $D_0$ ?

24 A It is my understanding that that would be the  $D_1$ .

- 1 Q And not the  $D_0$ . To convert the  $D_0$  to a  $D_1$   
2 shouldn't we multiply it by  $G$  as you have  
3 shown at the top of page 21?
- 4 A Yes.
- 5 Q So, in Exhibit MJB-4, page one, the \$1.14  
6 which represents  $D_0$  should be multiplied by  $G$   
7 or 5.7% so that we get .065; is that right?  
8 Would  $D_1$  actually be 6 1/2 cents?
- 9 A Would  $D_1$  be what?
- 10 Q I'm sorry?
- 11 A Would  $D_1$  be--
- 12 Q Six and one-half cents.
- 13 A No.
- 14 Q It's actually 1 plus  $G$  so we should get \$1.02  
15 or \$1.20.5; is that right?
- 16 A No, I don't think. I don't have a  
17 calculator, I don't know what you are doing.
- 18 Q Well, are we agreed that  $D_0$  should be \$1.14?
- 19 A Since Delta hasn't changed their dividend in  
20 the last several years, I don't know that it  
21 would make much of a difference, but \$1.14.
- 22 Q And if you were to multiple that by 1 plus  $G$ ,  
23  $G$  being .057.
- 24 A All right.



1 Q You would get 1.205; is that right?

2 A Oh, I see what you are doing, yes.

3 Q Dr. Blake, on MJB-4, page three, you show  
4 your use of a two stage DCF model; is that  
5 correct?

6 A Yes.

7 Q Turn with me please to page 24 of your  
8 testimony.

9 A Yes.

10 Q Lines one through four on that page indicate  
11 that in the two stage model dividends are  
12 assumed to grow at the analyst forecast for  
13 the first five years, and then at the  
14 industry growth rate after that; is that a  
15 proper summation?

16 A Yes.

17 Q Turn back please to MJD-4, page 3. In your use of  
18 the two stage model, did you use \$1.14 as  $D_1$  or  
19 did you increase the \$1.14 by one plus G to get  
20  $D_1$ ?

21 A To be honest, I'm not sure.

22 Q Irrespective of what you use for  $D_1$ , did you  
23 grow the dividend at the estimated rate for  
24 Delta for five years and then switch to the

1 5.7 growth rate in year six when you  
2 implemented the model?

3 A No. I explained that in one of the responses  
4 to a data request that I grew it at the  
5 analyst rate for the first five years and  
6 then after, in the 20th year, started growing  
7 it at the industry average and used a linear  
8 trend to give a smooth transition between the  
9 two instead of just going from 2% to 5% which  
10 appeared a bit unrealistic. This smooths the  
11 trend out over a longer period of time. It  
12 would also lead to a more conservative  
13 result, a lower result than jumping  
14 immediately to the 5%.

15 Q Is this the method that you describe on page  
16 24 of your testimony?

17 A No, it is not.

18 Q Have you utilized the method described in  
19 your testimony to determine what the results  
20 would be?

21 A That--the results do reflect what I just  
22 described. It is a transition to a growth  
23 rate after 20 years. Staff, in response to a  
24 data request, staff asked for the work papers

1 to generate that and that's when I found that  
2 there was a difference in the description in  
3 the--it's response to Item Number 54 in the  
4 August 23 PSC Data Request.

5 Q In 176?

6 A Yes.

7 Q Case Number 176?

8 A Yes. And it describes the methodology that I  
9 just described and what is contained in MJB-4  
10 on page three corresponds to the methodology  
11 described in the response to Number 54.

12 Q All right. And that then rather than what  
13 was your testimony at lines one through four  
14 is what you intend to utilize as the DCF  
15 multistage model?

16 A Correct.

17 Q Turn to page 26 of your testimony, please,  
18 sir.

19 A Yes.

20 Q There you show use of the CAPM model; is that  
21 right?

22 A Yes.

23 Q On page 27, at line five, you show the  
24 implementation of the model; is that right?

1 A Yes.

2 Q You used an 8% market risk premium and this  
3 was obtained from SBBI 1999 Yearbook, a page  
4 from which is shown in Exhibit MJB-6; is that  
5 also right?

6 A Yes.

7 Q Would you turn, please, to MJB-6?

8 A Yes.

9 Q The fourth number down the right hand column shows  
10 the 8% market risk premium; is that right?

11 A Correct.

12 Q You used a long-term bond yield in the DCF  
13 model. to be consistent with the 8% market  
14 risk premium why didn't you use the 5.4%  
15 long-term bond yield shown at the top of the  
16 exhibit?

17 A I plated to the most recent treasury bond  
18 data available from the Federal Reserve  
19 Board.

20 Q Then why didn't you use a current market risk  
21 premium rather than the historical 1926-1998  
22 risk premium?

23 A The 1990--or 1926 to 1998 risk premium is  
24 calculated over a very long period of time

1 and is unlikely to show much fluctuation from  
2 one additional year. In fact, when you  
3 calculate risk premiums over a fairly short  
4 period of time they are subject to quite a  
5 bit more fluctuation. I believe Dr. Weaver  
6 used ten years, which not only would not pick  
7 up an entire business cycle but could be very  
8 subject to the use of one additional year of  
9 data. When you are using 75 years of data  
10 that is a more stable data setup and is  
11 unlikely to change from the addition of one  
12 additional year.

13 Q Would that 75 years data set include some  
14 major events such as wars?

15 A Definitely, and a depression.

16 Q And depression.

17 A And several business cycles which is why they  
18 call it long-run, and, probably more  
19 reflective, investor's expectations are based  
20 on long-run. And I felt that this was a  
21 better way to capture long-run expectations.

22 Q Dr. Blake, would you accept, subject to  
23 check, that had you used the 5.5% long-term  
24 bond yield the CAPM results would have been

1 9.8%?

2 A Subject to check.

3 Q I want to discuss for a moment the size  
4 premium shown in Exhibit MJB-6?

5 A Yes.

6 Q Is the size premium for regulated natural gas  
7 distribution companies or is it for all  
8 companies?

9 A I believe it is for all companies.

10 Q Does the fact that a company is regulated  
11 have any effect on its risk?

12 A Probably it does, yes.

13 Q And what would that effect be?

14 A It would probably reduce that risk.

15 Q Does the stage in a company--of a company's  
16 life cycle have any effect on its risk?

17 A Yes.

18 Q What would that effect be?

19 A Very new company, say, one year old, would  
20 probably be regarded as riskier than one that  
21 was more mature.

22 Q Would you agree that regulated companies tend  
23 to be mature companies while some non-  
24 regulated small companies might be mature but

1           some might be relatively new and, therefore,  
2           more risky?

3       A     This would be an average of all small caps  
4           out there and you are going to find some new  
5           and some mature.

6       Q     So, there might be some higher risk and some  
7           lesser risk?

8       A     That's included in that average, yes.

9       Q     Would some non-regulated small companies be  
10          small because management has not successfully  
11          grown them?

12      A     State that again please?

13      Q     Would some non-regulated small companies be  
14          small because management has not been  
15          successful in growing them?

16      A     Hard to tell why they are small. There may  
17          be a number of reasons why they are small,  
18          the niche that they are serving in the market  
19          place may not be a big one, there is many  
20          reasons why a company might be small.

21      Q     Let me change gears. Dr. Blake, do you think  
22          that the risk of Delta and its cost of equity  
23          would be affected if the Commission adopted  
24          the Alternative Regulation Plan that Delta is

1 proposing?

2 A No, I don't.

3 Q Why then should it be adopted?

4 A The reason that I say that it doesn't--that I  
5 don't think it would is that right now what  
6 Delta is proposing is a three year  
7 experimental plan. Investors determine the  
8 worth of an investment based on long-run  
9 expectations. As the DCF model illustrated,  
10 long-run expectations go out to infinity in  
11 the DCF model. Three years is a good deal  
12 short of infinity and I think that what you  
13 are capturing there is--and I believe Dr.  
14 Weaver mentioned this in his testimony, as  
15 well, that there is uncertainty among  
16 investors about will that cause them to over  
17 earn will it cause it to under earn, will  
18 there need to be changes in the ARP, will it  
19 be adopted permanently. So, until those  
20 questions are answered, I honestly don't  
21 think it will have much affect on Delta's  
22 equity. Ultimately, if it is adopted and if  
23 it is very successful it may, but investors  
24 will have three years to find out if the ARP



1 is adopted.

2 Q But then the Commission would not be  
3 enhancing the risk profile of the company by  
4 implementing the ARP?

5 A No, I think it could help, but we don't know  
6 that. That's why we--

7 Q It's way down the road is basically what you  
8 are saying?

9 A That's why we call it an experiment is  
10 because it may do some good, we think it will  
11 do some good and we think it is going to be a  
12 very good thing. The only way that we are  
13 going to find out for certain is to actually  
14 adopt it.

15 Q On page 26 of your testimony--

16 A Yes.

17 Q --you used a .55 for beta?

18 A Yes, I did.

19 Q Value Line expanded coverage shows a beta of .45,  
20 are you aware of that?

21 A I did not find Delta in the Value Line  
22 expanded coverage. I looked pretty hard for  
23 them and didn't find them.

24 Q Sometimes those things escape us.

1 A Well, it escaped me, I was working on the  
2 paper version.

3 MS. BLACKFORD:

4 May I approach?

5 CHAIRMAN HELTON:

6 Uh-huh.

7 A Thanks. Looks like 45--

8 Q I'm sorry, I didn't hear you, you said it  
9 looked liked 45?

10 A It's hard to tell, it is pretty blurred, but  
11 yes, I believe it is.

12 Q Do we need a clearer copy for you?

13 MR. WATT:

14 It doesn't matter because I can't find  
15 it.

16 A Yes.

17 Q All right, thank you. What effect would that have  
18 on your CAPM model?

19 A That would reduce the rate of return.

20 Q Dr. Blake, in looking through your multitude  
21 of accomplishments I saw there were many,  
22 many areas of qualification but I was unable  
23 to determine whether you had presented  
24 testimony determining the cost of equity

1           previously; have you done so?

2    A       No, I have not.

3           MS. BLACKFORD:

4                   Thank you. That's all of my questions.

5   CHAIRMAN HELTON:

6           Mr. Blake, could you recalculate, since there is a  
7           different beta, could you recalculate and tell us  
8           what your recommended ROE would be using the CAPM  
9           model?

10   A       Sure.

11   CHAIRMAN HELTON:

12           Not right now.

13   A       Not right now?

14   CHAIRMAN HELTON:

15           No.

16   A       Okay. I can do that, not a problem. It  
17           won't take long I promise. What I come up  
18           with is, after the size adjustment is made,  
19           it would be 12.28% and before the size  
20           adjustment is made it would be 9.68%.

21   CHAIRMAN HELTON:

22           Thank you. Mr. Goff.

23

24

CROSS EXAMINATION

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BY MR. GOFF:

Q Dr. Blake, my name is J. R. Goff and I'm going to ask you a few questions sir. In your analysis of Delta's required rate of equity, I mean, return on equity, you used information for the gas industry as a whole as reported by--for companies followed by Value Line and Edward D. Jones; is that correct?

A Yes, it was natural gas distribution companies, it wasn't--it didn't include combined companies or pipelines, it was just for natural gas distribution companies reported by Edward Jones.

Q Could you tell me why you did not narrow your analysis to include only companies that were comparable to Delta?

A As I pointed out in my rebuttal testimony, I think one of the problems in this case is there really aren't any companies comparable to Delta. When I was evaluating Dr. Weaver's panel I found substantial differences between the ones he used as being comparable to Delta and Delta Natural Gas. And I feel, as I pointed out in my rebuttal testimony, that

1 the only way to make--to kind of salvage the  
2 results is to do an after the fact adjustment  
3 for those differences. So, I really don't  
4 think there are too many companies comparable  
5 to Delta. We're talking about a fairly  
6 rural, mountainous, service territory, one of  
7 the lowest equity ratios of any of the gas  
8 distribution companies reported, very--  
9 smaller than almost any of the companies  
10 reported. One of the smallest companies out  
11 there that was reported in that panel. So, I  
12 didn't find any really comparable companies.  
13 So, what I was comparing it to is industry  
14 averages.

15 Q You, I believe, are familiar with Dr.  
16 Weaver's testimony?

17 A Very, yes.

18 Q Dr. Weaver has posed a 50 basis point adjustment  
19 for added risk due to size, leverage, and the  
20 predominantly rural high space heating load  
21 customer base. I think you, however, have  
22 proposed an entire two percentage point adjustment  
23 to compensate for Delta's relatively high amount  
24 of leverage in its capital structure. Why do you

1 believe that an adjustment of a full two  
2 percentage points is reasonable?  
3 A The reason that I think two percentage points  
4 is reasonable is, again, to account for the  
5 significant difference in equity between  
6 Delta and the industry as a whole, and Delta  
7 and Dr. Weaver's panel. If you look at the  
8 exhibits that I included, the difference  
9 between Delta and, say, an average, an  
10 industry average, the industry average was  
11 about 43 1/2% based on that panel of gas  
12 distribution companies. Delta is in the  
13 neighborhood of 30% for 13 1/2% difference, a  
14 pretty sizeable difference in return on  
15 equity. Between Dr. Weaver's panel and Delta  
16 there are several different ways of measuring  
17 that. He has got several exhibits in his  
18 testimony and I looked them up in my  
19 testimony dealing with equity ratios, and  
20 pretty consistently came out in the  
21 neighborhood of a 10% difference in equity  
22 ratio, whether you include short-term debt,  
23 don't include short-term debt, it came out to  
24 about 10 percentage points. So, that gave us

1 the quantity difference. Now, in attaching  
2 a--how many basis points does that--should be  
3 associated with each percentage point  
4 difference, I relied on published research by  
5 Brigham, Capenski and Aberwald. It was the  
6 only one that I found out there that hit that  
7 topic dead on target. And what they found is  
8 that for, kind of on the average, for each  
9 point of--each additional point of debt that  
10 was equated to about a 12 basis point  
11 difference, but they made--they pointed out  
12 in their article that that was not exactly a  
13 linear, you know, that there was quite a bit  
14 covered in that average. Near the top end  
15 the difference between 48 and 49% was about  
16 seven basis points. They said the difference  
17 between like 40 and 41% was about 15 basis  
18 points. Well, Delta is way below 40%, they  
19 are in the neighborhood of 30%. So, I felt  
20 that my use of 15 basis points, given where  
21 Delta's equity level was, was a very  
22 conservative estimate of that difference,  
23 multiplied the 15% by the 10% for Dr. Weaver  
24 and came up with about 150 basis point

1 difference just on that one factor alone, the  
2 leverage premium. If you apply it to the 13  
3 1/2% difference that I'm talking about  
4 between the industry average and Delta, it  
5 comes up more in the neighborhood of 200  
6 basis points, about 2%. So, where mine is  
7 founded, I believe, and I think the  
8 difference between the two is--I feel that  
9 that is founded and published research and  
10 that the 50 basis point recommendation, or  
11 difference that Dr. Weaver is recommending,  
12 is unsupported, at least I didn't find any  
13 support for it.

14 Q If the Commission were to approve Delta's  
15 proposed ARP, would Delta also need the  
16 winter normalization adjustment to stabilize  
17 earnings?

18 A I believe that the ARP and the weather  
19 normalization would work well together  
20 because you had weather normalization taking  
21 account of some of that variability, the  
22 variability in the ARP would not be as great.  
23 The ARP alone would probably lead to, you  
24 know, bigger ARP adjustments because you



1 would be picking up weather as well. So, I  
2 think the use of both of those together would  
3 probably reduce the amount of variation  
4 picked up by each of those, as was mentioned  
5 earlier in testimony today. The weather  
6 normalization really focuses on variability  
7 due to weather, where the ARP is a bit  
8 broader than that.

9 Q You are saying that you think both of them  
10 would be necessary to stabilize the earnings?

11 A I think that the one that would do the best  
12 job of stabilizing earnings would be the ARP.  
13 The weather variability would reduce the  
14 variability to some extent, the ARP would  
15 reduce it further, but neither would totally  
16 eliminate the variations that you see. I  
17 think that if you put both of them in you are  
18 going to get a sense for how well each works  
19 and because the weather normalization would  
20 be picking up the weather differences, the  
21 amount that would be picked up through the  
22 ARP would be smaller.

23 Q Dr. Blake, some testimony earlier about  
24 Delta's financial condition had deteriorated,

1 I think the word used was "showed financial  
2 distress." That seems rather a serious  
3 condition, could you tell us why Delta, maybe  
4 in your opinion, has not hired any  
5 consultants or implemented any internal  
6 review to determine what steps it might need  
7 to take to rectify that problem?

8 A Personally, I think one way of remedying that  
9 is they need a higher level of earnings. The  
10 earnings right now are insufficient to pay  
11 their dividend in four out of the last five  
12 years. To me, that indicates a fairly low  
13 level of earnings. One thing that came out  
14 earlier today was the question, you know, why  
15 don't they just float some more equity. You  
16 know, say, hey, want to get your equity  
17 percent up, just float some more equity. Who  
18 is going to buy equity on a company that  
19 can't cover its current dividends. In  
20 addition, I mean, just think about that. If  
21 your earnings aren't sufficient right now to  
22 pay your current level of dividends, who is  
23 going to run out and buy all this equity when  
24 you put it on the street. And the second is

1           who is going to put it on the street. This  
2           gets to the part of the problem with small  
3           cap stocks from discussions with Mr.  
4           Jennings. They can't--they are having a very  
5           difficult time finding anybody to place  
6           equity for them. One entity that they used  
7           to place--that used to place equity for them  
8           went bankrupt, another won't handle them any  
9           more because they are too small. Okay. This  
10          is why I think that size adjustment is  
11          appropriate, that the small companies do have  
12          a very real problem in raising equity. And  
13          these returns, the earnings that they are  
14          generating off the returns they are allowed  
15          at the present time are not getting the job  
16          done. In my opinion, they are causing real  
17          financial distress for this company.

18        Q    I'm not sure that answered the question.

19        A    Let me try again.

20        Q    Well, I'll not--I do not wish to follow that  
21            one up at this time. Dr. Blake, there was a  
22            lot of testimony about the use of a  
23            hypothetical capital structure. Are you  
24            aware of any instance where this Commission,

1 the Public Service Commission of Kentucky,  
2 has allowed a utility to use a hypothetical  
3 capital structure?

4 A I'm not sure, I think there is a water  
5 company case that we worked with that  
6 utilized a hypothetical capital structure,  
7 I'm not positive of that. As far as being  
8 aware of any, can I cite any, no, I cannot.

9 Q None that you are aware of that--the position  
10 that Delta is in that was allowed?

11 A No. And just speculating, part of the reason  
12 for that might be, again, that there aren't  
13 too many companies that are in the position  
14 that Delta is in. I think your other gas  
15 distribution companies are doing quite a bit  
16 better than that.

17 Q Let me refer you to your rebuttal testimony.  
18 In that testimony you stated that in response  
19 to--not response, but you allude to LG&E.

20 A That's a bad habit, isn't it?

21 Q Yes, LG&E's prior rate cases revenue  
22 requirement was based on applying overall  
23 weighted return to total capitalization. In  
24 those LG&E's prior rate cases, did

1 capitalization exceed rate base?  
2 A I don't know the answer to that. And I guess  
3 when you are taking a look at whether you  
4 should apply it to rate base or  
5 capitalization, in the grand scheme of  
6 things, it probably doesn't matter much as  
7 long as you are consistent with it. At times  
8 capitalization will be higher than rate base  
9 and other times rate base will be higher than  
10 capitalization. I guess what I've got a  
11 problem with is switching to whichever one is  
12 the lowest. As long as you are consistent,  
13 and my understanding is this Commission prior  
14 to Delta's last rate case, I understand that  
15 that was done in Delta's last rate case, but  
16 prior to that it had been applied to  
17 capitalization. When I was in New Mexico we  
18 applied it to rate base, but we consistently  
19 applied it to rate base, whichever, you know,  
20 what I find a bit problematic is switching  
21 back and forth to whichever one--at times  
22 capitalization will be higher, at times rate  
23 base will be higher. And I don't know in  
24 LG&E's past cases which was higher.

1 Q Were you involved in more than--how many of  
2 those LG&E rate cases were you involve in?

3 A I got in on the tail end of the last one, I  
4 caught the last month.

5 Q Would you agree, then, subject to check, that  
6 in Delta's prior rate case, 97-066, that the  
7 rate base exceeded capitalization?

8 A Subject to check. I don't know.

9 MR. GOFF:

10 You don't know. No further questions of  
11 this witness.

12 CHAIRMAN HELTON:

13 Redirect?

14 MR. WATT:

15 No questions Your Honor.

16 CHAIRMAN HELTON:

17 Additional?

18 MS. BLACKFORD:

19 Just a couple.

20

21 RE CROSS EXAMINATION

22 BY MS. BLACKFORD:

23 Q You mentioned that the weather normalization  
24 adjustment factor and the ARP work side by side to

1 make for a smaller impact of each, if you will,  
2 that the rates, the net result of the rates, I  
3 presume, would be the combination of the two, but  
4 each would be smaller than it would otherwise be;  
5 is that right?

6 A Yes, and there is a possibility one may move  
7 one direction and one may move another.

8 Q Doesn't the ARP as proposed automatically  
9 account for weather entirely?

10 A If you take a look at the way it works, it  
11 would pick up weather as well. It would pick  
12 up all the variations.

13 Q So, if the ARP were adopted it would serve as  
14 an effective weather normalization  
15 adjustment, whether or not there was an  
16 explicit separate weather normalization  
17 adjustment?

18 A It would have that effect.

19 Q If the effects of weather on sales were  
20 eliminated in calculating the ARP, would the  
21 weather normalization adjustment or would the  
22 ARP have the greater effect on stabilizing  
23 earnings?

24 A Would you repeat that?

1 Q If the effects of weather on sales were  
2 eliminated in calculating the ARP, would the  
3 weather normalization adjustment or the ARP  
4 have the greater effect on stabilizing  
5 earnings?

6 A I believe the ARP would have a greater effect  
7 in stabilizing earnings.

8 Q Assuming the effects of weather on sales were  
9 eliminated?

10 A There are other factors picked up in the ARP.

11 MS. BLACKFORD:

12 Thank you. That's all my questions.

13 MR. WATT:

14 May I have one follow up Your Honor?

15 CHAIRMAN HELTON:

16 Yes.

17

18 REDIRECT EXAMINATION

19 BY MR. WATT:

20 Q Dr. Blake, under Delta's proposed Alternative  
21 Regulation Plan, the adjustments, if you will,  
22 because of changed conditions, occur annually; is  
23 that correct?

24 A That's my understanding.



1 Q How frequently do the adjustments occur for  
2 weather under the weather normalization  
3 adjustment?

4 A I believe those are monthly.

5 Q That being the case, isn't it true that the extent  
6 of an adjustment would be smaller using the  
7 weather normalization adjustment in conjunction  
8 with the Alternative Regulation Plan?

9 A Yes.

10 MR. WATT:

11 That's all I have, Your Honor.

12 CHAIRMAN HELTON:

13 You may be excused.

14 A Thank you.

15 MR. WATT:

16 Steve Seelye, Your Honor.

17 (WITNESS DULY SWORN)

18 MS. BLACKFORD:

19 May I inquire, I have somehow lost track of what  
20 was your Exhibit Number 1?

21 MR. WATT:

22 It was the Affidavits of Publication.  
23  
24

1           The witness, WILLIAM STEVEN SEELYE, having first  
2       been duly sworn, testified as follows:

3                                       DIRECT EXAMINATION

4       BY MR. WATT:

5       Q     Steve, would you please state your name for the  
6           record?

7       A     William Steven Seelye.

8       Q     Where do you live?

9       A     My business address is 6711 Fallen Leaf,  
10          Louisville, Kentucky 40--I'm sorry--S-e-e-l-  
11          y-e, and my business address is 6711 Fallen  
12          Leaf, Louisville, Kentucky 40241.

13      Q     And by whom are you employed?

14      A     The Prime Group.

15      Q     What is the purpose of your testimony in this  
16          proceeding?

17      A     I address--in my direct testimony I address  
18          the Alt Reg plan and cost of service study,  
19          as well, in the rebuttal testimony I also  
20          address certain pro forma adjustments.

21      Q     Have you filed direct testimony on behalf of  
22          Delta in this proceeding?

23      A     Yes, I have.

24      Q     Are there any changes, corrections, or

1 additions to that testimony?

2 A No.

3 Q If I asked you the questions contained in  
4 your direct testimony today, would you give  
5 the same answers?

6 A Yes, I would.

7 Q Have you filed rebuttal testimony on behalf of  
8 Delta?

9 A Yes, I have.

10 Q Are there any changes corrections or  
11 additions to your rebuttal testimony?

12 A Yes, one.

13 Q What is it?

14 A It's on page 16, line four, there is a--it  
15 says "n of i," it should be "one over n of  
16 i."

17 Q If I asked you the same questions contained  
18 in your rebuttal testimony today, subject to  
19 the correction that you just gave us, would  
20 you give the same answers?

21 A Yes, I would.

22 MR. WATT:

23 I have no further questions Your Honor.

24 We would move the admission of his

1 direct and rebuttal testimony.

2 CHAIRMAN HELTON:

3 So ordered. Ms. Blackford?

4

5

CROSS EXAMINATION

6 BY MS. BLACKFORD:

7 Q Mr. Seelye, at page one of your original  
8 testimony.

9 A Yes, yes, ma'am.

10 Q You state that your background is in  
11 engineering and mathematics; is that right?

12 A Yes, and physics.

13 Q At page three, line two, you state that you  
14 testified before this Commission with regard  
15 to marginal costs of providing service; am I  
16 right?

17 A Yes.

18 Q Would that have been for an electric company?

19 A Yes.

20 Q Have you ever performed a marginal cost study of a  
21 gas distribution company?

22 A I've worked with marginal costs of gas--for  
23 gas utilities but not a full blown marginal  
24 cost study, no.

1 Q Would you agree that a gas distribution  
2 company is a prime example of the decreasing  
3 cost firm, that it is a company whose average  
4 cost of providing service decreased as the  
5 amount of service provided increases?

6 A No.

7 Q On what basis, then, do you think it is  
8 appropriate to have a single company as a  
9 provider of gas in an area?

10 A Typically, there are economics of scale.  
11 That doesn't mean that the marginal cost  
12 isn't higher than the embedded cost, which is  
13 implied by your question.

14 Q What do economies of scale indicate about the  
15 average cost of service?

16 A It is probably cheaper to have a single company  
17 than it is to have multiple companies. And if you  
18 had a very large utility, their cost would  
19 probably be lower.

20 Q Your study in this case and your exhibit--

21 A Could I elaborate on that last response? The  
22 distribution service would be, the gas  
23 service itself may or may not be because that  
24 is a different issue all together. I just

1 wanted to clarify what I was talking about  
2 was the distribution cost itself. There  
3 could be some economies of scale because you  
4 would--there would be fewer administrative  
5 services that you would provide per customer,  
6 therefore, cost could be lower for very large  
7 distribution companies.

8 Q Your study in this case, as shown in your  
9 exhibits, is an average embedded class cost  
10 of service study; is that right?

11 A Yes, you could use that term to characterize  
12 this study.

13 Q When you finished you had placed everyone of  
14 those total costs, actual cost of service,  
15 into several customer classes that you have  
16 identified?

17 A Yes, it is also referred to as a fully  
18 allocated embedded cost of service study,  
19 that is another way to characterize it.

20 Q And no portion of total cost is left  
21 unassociated with some customer class in such  
22 a study; is that right?

23 A It certainly wasn't our intention to do that,  
24 that's correct.

1 Q That is different from a marginal cost of  
2 service study where the sum of the marginal  
3 cost may add to more or less than whatever  
4 the total cost of service at a given point in  
5 time may be for a given company; right?

6 A That's correct.

7 Q On the Delta system, with the great  
8 preponderance of fixed cost, return, taxes on  
9 return, depreciations, is the short run  
10 marginal cost less than the average imbedded  
11 cost of providing service?

12 A No, not necessarily. Because the cost of  
13 hooking up--Delta's marginal cost would be  
14 driven by the cost of hooking up new service  
15 lines, new mains going to the customer, and  
16 those costs are on--are higher, typically,  
17 than the embedded cost. That is a part of  
18 the situation we have with Delta. Whenever  
19 they add cost, the capital cost, the  
20 investment cost goes up, therefore, their  
21 cost goes up. There was an exhibit that I  
22 submitted, or a schedule that I submitted, that  
23 showed that.

24 Q Right, but this question was actually directed to

1 the short-run cost of providing--  
2 A Well, their short-term cost is probably  
3 analogous to their long-term cost. For--  
4 typically short-term cost--it depends on how  
5 you define short-term cost. A lot of times  
6 it is defined as assuming a fixed stock of  
7 energy using appliances. But in Delta's case  
8 what you have is a cost that is driven by  
9 hooking up a new customer. Now, that has a  
10 short-term effect unlike in an electric  
11 utility you have long-term cost that are--  
12 cost of generation capacity. You have a long  
13 planning cycle, therefore, it is a long-term  
14 cost. Two different concepts between the  
15 electric side, which you can take a long-term  
16 view, a different--you look at it a little  
17 differently.

18 Q Let me refer you to page three, line 18 of  
19 your testimony.

20 A Which testimony, there are three?

21 Q Your--oh, that would be your testimony in 176  
22 in the general rate case.

23 A Now, which page again please?

24 Q Page three, line 18.



1 A Yes, ma'am.

2 Q There you state that the "Cost of service  
3 study can also be used to determine unit  
4 cost."

5 A I'm sorry, I probably have the wrong--I have  
6 the wrong one. Yes, ma'am.

7 Q All right, are you with me now?

8 A Yes, I believe so.

9 Q There you state that the "Cost of the service  
10 study can also be used to determine unit  
11 cost." Is that correct?

12 A Yes, ma'am.

13 Q Would you agree that if you take the total cost of  
14 some kind of service and relate it to, divide it  
15 by the number of units of service, the results you  
16 get is the average cost per unit of service?

17 A Yes.

18 Q Referring to page three of your testimony,  
19 what is the unit whose cost can be determined  
20 from your cost of service study?

21 A Okay, in--this actually refers to the  
22 approach that we took later in the testimony  
23 and it is two different units. One unit is--  
24 the billing determinants which are used for

1 each rate class. And the billing  
2 determinants are--the units are applied when  
3 you calculate the rates. There are two, one  
4 of them is customers, number of customers,  
5 the other one is MCF.

6 Q On Exhibit 5-1--I'll wait for you to get  
7 there rather than just jumping ahead.

8 A Yes, ma'am.

9 Q For residential customers your cost of service  
10 study shows the total customer related cost,  
11 including a portion of the cost related to  
12 distribution mains, net of miscellaneous revenues,  
13 is \$8,488,823 on line 13, that is where that is  
14 shown; is that correct?

15 A Yes, ma'am.

16 Q And this is related to 32,940 residential  
17 customers, resulting unit cost is \$21.48 per  
18 customer per month?

19 A Yes, ma'am.

20 Q Now, that would be the average cost per  
21 customer; is that right?

22 A Yes.

23 Q That's not the marginal cost per customer?

24 A No, definitely not.

1 Q Looking at this schedule am I correct that  
2 you believe that most, some \$4,885,000, of  
3 customer costs is related to distribution  
4 mains and not to things like services,  
5 meters, house regulators, the reading of  
6 meters, rendering of bills and keeping of  
7 customers accounts?

8 A Yes, ma'am.

9 Q Referring to the unit customer cost that your  
10 study shows, is the calculated customer cost of  
11 \$21.48 the cost of a unit of service?

12 A Could you repeat the question? I'm sorry, I  
13 didn't hear a question in there?

14 Q Referring to the unit customer cost that your  
15 study shows, is the calculated customer cost  
16 of \$21.48 the cost of a unit of service?

17 A It's the cost per customer, yes, per month.

18 Q But is it the cost of service, the cost of  
19 being on the system or the cost of the  
20 service?

21 A No, it's a cost of customer related cost per  
22 customer, not the total cost of service  
23 because there are demand and commodity  
24 related costs that aren't reflected in that

1 number. We are not taking the total revenue  
2 requirements, if you will, or the total cost  
3 of service and dividing it by the customers.  
4 What we are doing is taking the customer  
5 related cost only and dividing it by the  
6 number of customers. Therefore, I can't  
7 characterize it as the total cost of service.

8 Q This may somewhat beg the obvious, but you  
9 don't claim that the Delta system is typified  
10 by customers who have connected to the system  
11 but who do not demand any other service, do  
12 not demand the provision of gas, demand only  
13 to be connected; is that right?

14 A That's true, but it is based on various usage  
15 patterns of customers. Not all customers  
16 have the same usage pattern. You may have a  
17 small customer that is being served or a  
18 large customer that is being served, but  
19 presumably all of the customers that are  
20 connected with the system desire some sort of  
21 gas service whether it is ongoing service,  
22 backup service, or some sort of service, yes.

23 Q So, when you say at page three of your  
24 testimony that you can determine from your

1 study unit cost, in the case of customer cost  
2 that is not the service that a customer is  
3 demanding, rather because you don't have any  
4 customers who simply want to be there but  
5 don't at least want some sort of service at  
6 some point; is that right?

7 A I'm sorry I didn't understand the question.

8 Q When you say at page three of your testimony  
9 that you can determine from your study unit  
10 cost in the case of customer cost that is not  
11 simply existing on the system but rather  
12 includes the fact that they will receive  
13 service at some point, a gas service of some  
14 sort at some point?

15 A That is probably correct. It may--there may  
16 be a situation where a customer wants to be  
17 connected to the system that doesn't use any  
18 gas. That is unlikely, but the possibility  
19 exists. We--I have encountered that  
20 situation in a lot of different services and  
21 a lot of different rates were provided,  
22 sometimes customers do want backup service.  
23 Okay. Where they don't necessarily utilize  
24 the service on an ongoing basis, in a given

1 year they may not utilize that service but  
2 they still want the backup service. So, that  
3 situation could exist. On Delta's system I  
4 think that situation is probably unlikely.

5 Q Well, let me refer you to page five of the  
6 same testimony, lines 21 through 22.

7 A Page five did you say?

8 Q Yes.

9 A And that was lines 21 and 22?

10 Q Yes.

11 A Okay, I am there.

12 Q Here you state that "Costs classified as  
13 demand related are costs related to  
14 facilities installed to meet peak usage  
15 requirements." Please define costs as that  
16 is used as a term in this testimony?

17 A Okay. In this testimony what costs will  
18 refer to are the costs of providing service,  
19 that is synonymous to revenue requirement,  
20 and what revenue requirement represents is  
21 depreciation, operation and maintenance  
22 expenses, income taxes, other taxes, I think  
23 that is basically it. There could be like ad  
24 valorem taxes, insurance, but it is basically

1 revenue requirement for the customer. And  
2 what we are referring to here are those  
3 demand related costs or revenue requirements.  
4 Therefore, it is a synonymous term.

5 Q So, in your cost of service study all the  
6 distribution mains costs that you believe  
7 were demand related, 42%, you allocate on the  
8 basis of peak demand; is that correct?

9 A Yes, ma'am.

10 Q If you allocate all of the total demand related  
11 main cost on the basis of peak demands, is that  
12 consistent with your statement on page five of  
13 your testimony that the demand related costs are  
14 cost related to facilities that are installed to  
15 meet peak demands?

16 A No, because a certain portion of the cost is  
17 customer related, and those costs using the  
18 zero intercept analysis are customer related  
19 and that is a standard methodology for  
20 determining customer related costs. So, the  
21 only portion that we are talking about here  
22 are the demand related portion of those mains  
23 and--

24 Q We are on the same track now, I may not have

1 used the word main related costs, but, yes,  
2 the question would be if I limited it to  
3 demand related, your answer would be yes; is  
4 that right?

5 A If--yes, yes.

6 MS. BLACKFORD:

7 Can Mr. Galligan approach with the book?

8 He needs to show it to Mr. Watt first.

9 A This is a very old book isn't it? Looks like a  
10 song book. 1961. I had the honor of meeting or  
11 hearing him speak, the late Dr. Bonbright speak,  
12 he was quite a dynamic individual. Anyway, go  
13 ahead.

14 Q That is Dr. Bonbright's 1961 version of  
15 Principles of Utility Ratemaking, do you  
16 recognize this?

17 A Yes, I do, indeed.

18 Q Would you open that please to page 360 to 361, are  
19 you there?

20 A Yes.

21 Q At the top of those--at the pages the words fully  
22 distributed costs appear. This is the Bonbright  
23 chapter that deals with fully distributed costs;  
24 is that right?



1 A Okay, yes, I do see it.

2 Q In fact, the fully distributed cost chapter  
3 begins on page 337 and includes the materials  
4 on that page?

5 A Uh-huh.

6 Q Would you agree that your cost of service study is  
7 a fully distributed cost study?

8 A Yes.

9 Q Would you agree that the term fully  
10 distributed cost, when referring to a cost of  
11 service study, refers to the fact that all  
12 costs, total costs, will be fully distributed  
13 in the performance of the study; that is,  
14 that no cost will be left unallocated to some  
15 customer class. Is that right?

16 A Yes.

17 Q Please read the first paragraph of the Bonbright  
18 text, the fully distributed costs chapter on page  
19 360?

20 A Okay. "So far, then,"--is that the one that  
21 begins there?

22 Q Yes.

23 A Make sure--"the argument supports the system-  
24 peak responsibility formula of capacity-cost

1 allocation. But the argument applies only to  
2 the allocation of incremental capacity cost--  
3 to the cost per kilowatt of enhancing the  
4 capacity rather than to the averages cost per  
5 kilowatt of total capacity." Okay, do you  
6 want me to read on?

7 Q No, that's fine.

8 A Okay.

9 Q Do you agree that unlike the Bonbright  
10 prescription, the peak responsibility method  
11 of cost application applies only to the  
12 incremental capacity cost. You have, in  
13 fact, in your proposed cost, allocated the  
14 total cost of which you believe to be  
15 capacity related cost of mains on the basis  
16 of class peak demands?

17 A Well, no, because the--of the costs that I've  
18 allocated as demand related costs, yes, but  
19 what--I'm not sure he makes the distinction  
20 between demand related costs here. I don't  
21 see that word in here.

22 Q Actually we were looking at incremental  
23 capacity costs.

24 A Yes, I'm not sure what that refers to without

1 going back and reading all of this, but I  
2 suspect, since it is talking about kilowatts,  
3 he is probably talking about production plant  
4 and that is what this refers to more so than  
5 distribution costs. But without reading a  
6 lot more, I can't tell you.

7 Q Thank you.

8 A Would you like to have your book back? I'd  
9 like to have this.

10 Q I've been trying to catch that book for  
11 years, though. Don't go far it will be  
12 grabbed, huh? The holy writ of utility rate  
13 making. All right. Exhibit 2-35 and 36  
14 associated with your testimony, would you  
15 turn to those please?

16 A Yes, ma'am, which pages I'm sorry, two?

17 Q Two-35 and 36.

18 A Yes, ma'am.

19 Q There you show the allocation factors used to  
20 allocate demand related costs; is that right?

21 A Yes.

22 Q And there we see the DEM-01 and DEM-03 are  
23 identical; is that right?

24 A That's correct.

1 Q And DEM-04 and DEM-05 are equal except for  
2 the lower demands associated with off-system  
3 transportation customers having no DEM-04 or  
4 DEM-05 demand; is that right?

5 A Yes, ma'am.

6 Q Now, is it on Exhibit 3 where you show the  
7 derivation of the demands used to allocate various  
8 demand related costs?

9 A Yes, ma'am, I believe so, just a second, let  
10 me turn there and verify it.

11 Q All right.

12 A I trust that that is the case, yes.

13 Q And you used DEM-05 to allocate all which I  
14 believe are demand related mains cost; is  
15 that right?

16 A Yes, ma'am.

17 Q Please explain what design demand days are?

18 A The design--first of all, what we do is  
19 calculate the base load, plus the temperature  
20 sensitive load at the design day temperature  
21 of zero degrees. This methodology is  
22 consistent with the methodology that is laid  
23 out in the gas--I probably won't get this  
24 title correct, but the NARUC Gas Rate Design

1 Manual--one of those two manuals that they  
2 have essentially lays out this methodology  
3 for calculating.

4 Q Are you aware that FERC routinely, as a  
5 matter of policy, uses peak demand concept, a  
6 three day peak demand to allocate peak demand  
7 related costs?

8 A FERC, I'm not aware of any distribution  
9 utilities that FERC regulates. That may be  
10 the case, but, as far as I know, FERC or the  
11 Federal Energy Regulatory Commission out of--  
12 they regulate transmission systems and I'm  
13 unaware--there may be some distribution  
14 facilities but, primarily, what we are  
15 talking--what FERC issues cost of service  
16 policy on is transmission companies. I'm  
17 unaware of any distribution companies.

18 Q Okay. But as a matter of policy, they do use  
19 a peak demand concept of three day peak  
20 demand, are you aware of that?

21 A I'm not sure what they use today. I know  
22 that there has been a lot of different  
23 methodologies that they use and I'm not sure  
24 what their current policy is, if they have a

1 standard policy for all companies.

2 Q How would a three day peak demand compare to  
3 a design day demand methodology?

4 A I don't know, I haven't calculated that.

5 Q Would it be smaller, since design day occurs  
6 only once?

7 A It depends on the peak day; it depends on the  
8 peak day. If they had a zero degree--if they  
9 had, say, a minus five degree, a minus four  
10 degree and a minus three degree on a peak  
11 day, it would be the total sales and  
12 transportation peak day requirements would be  
13 higher. So, I can't say it would be lower,  
14 it depends on the peak days.

15 Q But your second and third day would  
16 necessarily be lower than your peak day or it  
17 would by definition not be a peak; is that  
18 right?

19 A Oh, okay, I see what you are saying. But  
20 would it be less than the design day peak  
21 day, I thought was your question, and I don't  
22 know the answer to that question. But you  
23 are saying would an average of the three top  
24 be lower than the average of the highest.

1 Unless they are the same, the mean value  
2 theorem in math would suggest that they would  
3 be lower.

4 Q Delta doesn't experience design day demands every  
5 year, does it?

6 A No, they do not.

7 Q So, your use of design day concept of peak  
8 demands produces higher demands for the  
9 weather sensitive customer classes than would  
10 the use of actual peak day or a three day  
11 concept of peak demand?

12 A Well, two comments about that. It is hard to  
13 say, depending on the year, okay, which gets  
14 back to the other one to answer your  
15 question. But the second comment is that  
16 Delta designs their system around the design  
17 day, they don't design it around the peak,  
18 therefore, that is the appropriate figure to  
19 use for allocation purposes. In addition to  
20 that, this is consistent with the NARUC Cost  
21 Allocation Manual--or not the Cost  
22 Allocation, Rate Design Manual.

23 Q I appreciate that thorough answer but is the  
24 answer yes or no?

1 A I believe it was yes, but would you repeat  
2 the question to make sure that we are clear?

3 Q If you use design day concept of peak demand,  
4 that produces higher demands for the weather  
5 sensitive customer classes than would the use  
6 of an actual peak day or the three day  
7 concept of peak demand?

8 A The answer is no. It depends--depends on the  
9 year you are in.

10 Q Assume that the actual peak day does not  
11 exceed the design day and answer the same  
12 question?

13 A Okay. And the question is is the total  
14 allocator lower, the total MCF lower? The  
15 answer is yes, presumably. Okay, I've got to  
16 even qualify that one because the design day  
17 is based upon the estimate of the temperature  
18 sensitive load and the base load, and the  
19 reality of it is that it may be higher or  
20 lower. So, again, I can't even answer  
21 affirmatively in that situation.

22 Q So, the design day is not all that accurate?

23 A The design day is what they base the system  
24 on. It may not reflect in a given year



1 exactly what the peak demand is. Okay? It  
2 is indeed an estimate, but it is what they  
3 design their system around.

4 Q Would you agree, factually, that if one were  
5 to use actual class peak demands instead of  
6 theoretical or calculated demand design days,  
7 that demand related costs would be allocated  
8 in accord with how the system was actually  
9 utilized on the peak day, rather than how the  
10 system might be used on a design day?

11 A If we are defining utilization as the demand  
12 that is placed on it, I would agree with that  
13 answer.

14 Q I'm sorry.

15 A If you are defining utilization as the demand  
16 that is placed on it on that day, I would  
17 agree that--I would answer that yes.

18 Q Would you look at Exhibit 2-36?

19 A Yes, ma'am.

20 Q There special contract customers are shown.  
21 If we take the annual volume shown on line  
22 one of 1,817,276 MCF and divide it by the 365  
23 days in a year, we get 4,979. That appears  
24 on the DEM-01 and DEM-03 lines; correct?

1 A Yes, ma'am.

2 Q The same for off-system transportation  
3 customers--

4 A Yes, ma'am.

5 Q --appears, 1,404,111 MCF divided by 365  
6 equals the 3,847 that is shown?

7 A Yes, ma'am.

8 Q And on Exhibit 3 for commercial/industrial  
9 transportation customers, if we take that  
10 1,391,510 MCF annual volume, divide it by 365  
11 days, we get what you would call that peak  
12 design day demand of 3,812; is that correct?

13 A I'm lost there, would you take me through  
14 that again.

15 Q On Exhibit 3.

16 A On Exhibit 3, okay.

17 Q Reference to commercial/industrial  
18 transportation customers--

19 A Yes.

20 Q --whose annual volume is 1,391,510 MCF and if it  
21 is divided by 365 days, their peak design day  
22 demand becomes 3,812; is that correct?

23 A Yes.

24 Q Am I factually correct that for each of the three

1 classes just examined your peak design day demand  
2 has been calculated to equal what that demand  
3 would be were these customers to take their annual  
4 demands for gas equally on each and every day of  
5 the year?

6 A That's the methodology that is used here,  
7 correct.

8 Q Am I correct that this calculation technique  
9 is known as the 100% load factor method?

10 A I've never heard this particular calculation  
11 being referred to as that. It does result--  
12 the methodology that is used does result, I  
13 do believe, in 100% load factor for these  
14 particular customers. And the reason for  
15 that is in each case, for each class, we are  
16 treating it consistently. We are taking base  
17 load and we are treating them all the same,  
18 therefore, for each class there is a 100%  
19 load factor assumption with respect to the  
20 base load. Okay. The variation that is  
21 produced or the increment that is added is  
22 temperature sensitive load. Okay. That  
23 creates the differences. And the base load  
24 for these particular classes, since they are

1 not temperature sensitive, produces a 100%  
2 load factor. But it does as well for the  
3 other classes if you look at it a little  
4 harder.

5 Q So, you are assuming that these are 100% base  
6 load?

7 A This methodology produces that result.

8 Q Then no smaller demand could be ascribed to these  
9 customers that would be consistent with being able  
10 to take their annual demand?

11 A Pardon me?

12 Q Then no smaller demand could be ascribed to  
13 these customers that would be consistent with  
14 their being able to take their annual demand?

15 A Smaller than what?

16 Q In other words, they must take at 100%?

17 A Yeah, I've done cost of service studies worth  
18 less than 100%, or more than 100% load  
19 factor. So I can't agree with that. Take,  
20 for example, if you--this is--I'm getting  
21 into the electric cost of service study but  
22 the principle could apply. A lot of times  
23 you can have a coincidence factor that is  
24 such that they peak off-peak, for example.

1 Or if they are not right on the peak,  
2 therefore, they could have a higher than 100%  
3 load factor. That happens in the real world  
4 all the time.

5 Q Well, if they take at 100% load factor basis,  
6 their peak demands would be greater than you  
7 have calculated, is that correct, if they  
8 don't actually take at 100% peak factor?

9 A The question again?

10 Q If they don't actually take a 100% load  
11 factor, their peak demands would be greater  
12 than you have calculated, is that right?

13 A Yes, or if they had a higher than 100% load  
14 factor, it would be lower.

15 Q Would you look at Mr. Walker's testimony,  
16 page 11, lines one through three?

17 A Mr. Walker's testimony?

18 Q Yes.

19 A This is in the prefiled testimony in this  
20 case?

21 Q His prefiled testimony in Case--in the  
22 general rate case.

23 A Give me a second. Which page please? Okay,  
24 I'm there, I believe I'm there.

1 Q Are you there?

2 A I believe so.

3 Q You have utilized the assumption that the  
4 commercial/industrial interruptible  
5 transportation customers are--were described  
6 or calculated 3,812 MCF of peak demand in  
7 your study and that demand is based on 100%  
8 load factor. Would you please read into the  
9 record what Mr. Walker has said about the  
10 load factor of large commercial/industrial  
11 class customers?

12 A Which page, which line please?

13 Q That is page 11.

14 A Line?

15 Q Lines one through three?

16 A One through three, "The residential and small  
17 commercial customer classes have temperature  
18 normalized load factors at 23.0 and 24.2  
19 percent respectively as compared to 31.9  
20 percent for the large commercial/industrial  
21 class. However, while the customers within  
22 the residential and small commercial classes  
23 are relatively homogeneous, the large  
24 commercial/industrial class is extremely

1           diverse with respect to customer size load  
2           factor."

3       Q     So, the large customer industrial class was  
4           at 31.9%?

5       A     That's what Mr. Walker says.

6       Q     Is there any diversity in demand on any of  
7           Delta's service lines that run from its main  
8           to the customers premises?

9       A     I would say there are probably always is  
10          diversity on the lines. It depends--

11      Q     Now, I'm talking about service lines?

12      A     Oh, to the customer's premises?

13      Q     Uh-huh.

14      A     Okay. Service line from the connection at  
15          the street, for example, to the house, there  
16          would not be diversity there.

17      Q     So, since no two customers can share a  
18          service line, each customer needs one; is  
19          that a fairly obvious statement? And the  
20          service line has to be sized to meet that  
21          customer's gas usage requirements on the day  
22          of the customer's greatest gas demand; is  
23          that right?

24      A     Yes.

1 Q Is there any diversity in demand on any of  
2 Delta's main system?

3 A I would say there is.

4 Q Is it a fair statement that your services have to  
5 be sized to meet each customer's peak demand but  
6 your main system has to be built to meet the  
7 maximum coincidental, either coincident peak  
8 system demand or coincident peak area demand?

9 A It--okay, I would agree with the first premise  
10 that the service line has to be sized for the  
11 customer's maximum demand. Now, would you repeat  
12 the second premise for me, please?

13 Q The second premise begins with the main system has  
14 to be built to meet the maximum coincidental  
15 either coincident peak system demand or coincident  
16 peak area demand?

17 A I--no, I can't agree with that exactly. In  
18 reality the main has to be sized to meet the  
19 maximum load served by that main.

20 Q You have used the zero intercept method to  
21 calculate what you believe is the customer  
22 component of the distribution mains; is that  
23 right?

24 A Yes, I have.



1 Q Conceptually, this is the cost associated  
2 with installing zero inch pipe; is that  
3 right?

4 A Yes.

5 Q Zero inch pipe is, of course, a hypothetical  
6 and there could never be a pipe cost for zero  
7 inch pipe because it doesn't exist, is that  
8 right?

9 A Yes.

10 Q Your estimating technique of determining the  
11 cost of zero inch pipe actually estimates the  
12 installed pipe, is that right?

13 A The installed pipe, yes.

14 Q The installed cost?

15 A Yes.

16 Q And embedded in your estimation of the cost  
17 of the distribution system of all zero inch  
18 pipe, you have included the cost of that pipe  
19 itself and, again, as it is a hypothetical,  
20 it simply doesn't exist; is that right?

21 A The zero inch pipe obviously doesn't exist.

22 Q So, embedded in your estimation of the cost  
23 of the distribution system of all zero inch  
24 pipe, you have included the cost of the pipe

1           itself at zero inches; is that correct?

2    A       Yes.

3    Q       On Exhibit 4-3 you have calculated that it  
4           takes Delta \$3.14 to install one foot of zero  
5           inch pipe; is that right?

6    A       Exhibit--I'm sorry?

7    Q       4-3?

8    A       4-3, what was the figure that you quoted again?

9    Q       \$3.14?

10   A       Yes, that is correct.

11   Q       Are you aware that Western Kentucky Gas  
12           Company has a simultaneous case pending on  
13           97-070 before this Commission?

14   A       Yes.

15   Q       Are you aware that in their filing  
16           requirements FR10(9)(v) the estimated cost of  
17           installing zero inch pipe is 89 cents per  
18           foot?

19   A       It could very well be.

20                   MR. WATT:

21                   I object, that's irrelevant.

22   Q       Can you explain the enormous disparity in the  
23           cost?

24   A       Oh, yes, I could--of course, there are lots

1 of factors that could explain that. I can't  
2 tell you exactly what they are but I could  
3 probably guess what they might be. The--this  
4 is driven--I've done a lot of these zero to  
5 intercept analysis, I've done them for  
6 electric utilities, I've done them for gas  
7 utilities, you get different results. It  
8 depends largely on things such as the age of  
9 the system. For example, if you have a newer  
10 system then rather than an older system you  
11 will get a different result here. Okay,  
12 another factor is that Delta is a rural  
13 utility, okay. That will--that could very  
14 well change it, they are a smaller utility,  
15 that could change it. But probably the  
16 factor that would drive it more than anything  
17 else is the relatively newness of the system.  
18 I haven't analyzed Western to see what their  
19 vintage of their average pipe is in the  
20 ground, but I would suspect that they  
21 probably have, based on that number you gave  
22 me, they probably have an older system.

23 Q All right, thank you. Does Delta have a  
24 hook-up policy?

1 A Pardon me?

2 Q Does Delta have a hook-up policy?

3 A Line extension policy, you mean, a main  
4 extension policy?

5 Q Uh-huh.

6 A Yes, I believe it does.

7 Q Does that policy preclude them from hooking  
8 up potential customers who really have no  
9 intention of using gas?

10 A It is my understanding of the policy that a  
11 customer must use some form of gas to receive  
12 service. And it could be a small service and  
13 they view it as an obligation to provide  
14 service to a customer that comes on the  
15 system. And it could be a small customer, it  
16 could be a large customer, and it could be a  
17 small residential customer, it could be a  
18 large residential customer.

19 Q Do you know if they ever hook up someone who  
20 merely wanted a gas cooking stove?

21 A I believe they would.

22 Q Or perhaps a blind for hunting birds where it  
23 would be used very, very infrequently?

24 A I think you probably should direct that question

1 to one of the company witnesses, but it is my  
2 understanding that they view their obligation to  
3 serve as an obligation to provide service to  
4 customers.

5 Q Would you refer again to the Bonbright book?

6 A I'll need it back.

7 Q Have we placed it at risk again by passing it  
8 around the table? Pages 348 through 349.

9 A I'm there.

10 Q The last paragraph starting on page 348,  
11 would you read that into the record?

12 A "But if the hypothetical cost of a minimum-  
13 sized distribution system is properly  
14 excluded from the demand-related costs for  
15 the reason just given, while it is also  
16 denied a place among the customer costs for  
17 the reason stated previously, to which cost  
18 function does it then belong? The only  
19 defensible answer, in my opinion, is that it  
20 belongs to none of them. Instead, it should  
21 be recognized as a strictly unallocable  
22 portion of total costs. And this is the  
23 disposition that it would probably receive in  
24 an estimate of long-run marginal costs. But

1 the fully distributed cost analyst dare not  
2 avail himself"--boy this is well written--"  
3 "but the fully distributed cost analyst dare  
4 not avail himself of this solution, since he  
5 is the prisoner of his own assumption that  
6 'the sum of the parts equals the whole.'  
7 He is therefore under the impelling pressure  
8 to 'fudge' his cost apportionments by using  
9 the category of customer costs as a dumping  
10 ground for costs that he cannot plausibly  
11 impute to any of his other cost categories."

12 Q Mr. Seelye, in your cost of service study  
13 have approximately 58% of the cost of  
14 distribution mains being dumped into the  
15 customer component of the service?

16 A Well, he speaks of a methodology that wasn't  
17 used here. He speaks of a minimum system  
18 approach, we did not use a minimum system  
19 approach. I was perfectly aware of  
20 Bonbright's exception to the minimum system  
21 approach. If I remember correctly, he  
22 doesn't speak of zero intercept approach in  
23 this study. It was probably not used  
24 frequently at that time. Let me look in the

1 index here, I can probably--I see no  
2 reference to zero intercept.

3 Q For both the minimum--zero intercept and the  
4 minimum system attempt to measure customer  
5 costs; is that correct?

6 A Yes. I'd like to elaborate on it a little  
7 bit. It is hard to say what Dr. Bonbright  
8 would--his comments would be on the zero  
9 intercept and, unfortunately, we can't ask  
10 him now.

11 Q Just a second I need to switch off folks here. I  
12 always reach a stage in a hearing where paper has  
13 become a critical mass, and you are the lucky  
14 witness where this happened. Let's address year-  
15 end adjustment expenses for a moment.

16 A Yes, ma'am.

17 Q On page 32 of your rebuttal testimony you  
18 state that if Delta's customer base were to  
19 double, the company would have to hire new  
20 employees; is that right?

21 A Yes.

22 Q Would you accept, subject to check, the  
23 company currently has about 37,000 customers?

24 A Yes.

1 Q Were they to double you would be making the  
2 rather obvious assumption that it would be  
3 moving up to approximately 74,000 customers  
4 and the company would have to add employees;  
5 is that right?

6 A Yes.

7 Q Based on that kind of example, you conclude  
8 that there is correlation between the number  
9 of customers and the number of employees; am  
10 I correct?

11 A Yes, that was just to illustrate the point.

12 Q How long do you think it would take for a  
13 doubling to occur on Delta's system?

14 A At the current rate, probably, 12 years, somewhere  
15 in that ball park. I could probably calculate it.

16 Q So, you are talking about a post test year  
17 adjustment based on something perhaps 12  
18 years down the road?

19 A To double?

20 Q With that assumption?

21 A To tell you the truth I don't think that the  
22 --there was any assumption here to double  
23 anything. This is--this point was merely to  
24 illustrate the point that if Delta doubled in



1 size they would have to increase the number  
2 of customers. With customer growth--

3 MR. WATT:

4 Employees.

5 A Yes, let me restate that. If they were to double  
6 in size, they would have to increase the number of  
7 employees that are necessary to provide service.  
8 The--there is some increment all along the line.  
9 Okay. At any time when you add customers there is  
10 associated, just drawing a line and calculating  
11 marginally, like running a regression analysis  
12 against it, you would increase employees.

13 Q Would you accept, subject to check, that the  
14 proposed year-end customer adjustment amounts  
15 to the recognition of 1,059 additional  
16 customers over the actual test year average  
17 level of customers of 37,066 customers?

18 A Run that by me again.

19 Q Would you accept, subject to check, that the  
20 proposed year-end customer adjustment amounts  
21 to the recognition of 1,059 additional  
22 customers over the actual test year average  
23 level of customers of 37,066 customers?

24 A I would accept it, subject to check, yes.

1 Q Would you accept that this represents an increase  
2 expressed in percentage of approximately 2.86%?

3 A I'll accept that, subject to check.

4 MS. BLACKFORD:

5 Can you tell me what number we are on  
6 for exhibits, six or seven?

7 MR. WATT:

8 You marked six, but then you didn't move  
9 its admission, so I don't know how you  
10 want to deal with that.

11 MS. BLACKFORD:

12 All right, what we will do is--

13 MR. WATT:

14 Let's call it seven.

15 Q In the company's response to AG Number 67 in the  
16 ARP proceeding which is attached to this, you show  
17 the number of customers for Delta for the period  
18 between 1991 and 1998; is that correct?

19 A Yes, that is what that says.

20 Q This shows that the customers have grown from  
21 30,269 in 1991 to 36,896 in 1998; is that  
22 correct?

23 A Yes, ma'am.

24 Q This represents a growth of approximately

1           6,627 customers representing a customer  
2           growth of 22%, would you accept that, subject  
3           to check?

4    A       Yes, ma'am.

5    Q       Now, the response to AG 42 in the ARP case,  
6           also attached, shows the number of employees,  
7           employed at Delta for the last ten years.

8    A       Yes, ma'am.

9    Q       Would you accept that the company's employees  
10          did not change during that ten years?

11   A       Yes, that is consistent with Mr. Jennings'  
12          testimony that he had taken efforts to get  
13          the lean and mean, therefore, he has taken  
14          measures to keep his costs, employees cost  
15          down. So, that is consistent with what he  
16          said.

17   Q       So, that this 22% increase in customers  
18          actually resulted in an employee level that  
19          went down?

20   A       From the beginning to the end it stayed the  
21          same. It went down and it went back up,  
22          therefore, I would take this to mean that  
23          when he was getting lean and mean, it went  
24          down to 168 and now that he is growing it is

1 going back up.

2 Q Your testimony that the number of employees  
3 will grow as a result of an increase in the  
4 customers, if there is only a 2.86% increase,  
5 is contrary to the actual employee customer  
6 ratio shown on this schedule, isn't it?

7 A Say that again, I'm sorry, you lost me.

8 Q Your testimony that the number of employees  
9 will grow as a result of an increase in the  
10 customers of only 2.86% is contrary to the  
11 actual employee customer ratio shown on this  
12 schedule?

13 A I believe in the future you could anticipate  
14 employee growth as a result of customer  
15 growth because they have tried to reduce the  
16 number of employees that they have. And you  
17 cannot draw any conclusions whatsoever from  
18 this because it was in a period of "right  
19 sizing," therefore, I don't think it  
20 illustrates anything.

21 Q Would you accept, subject to check, that the  
22 proposed revenue annualization in this case  
23 represents only .58% of the company's total  
24 pro forma consumption and revenues?

1 A I'm sorry, could you repeat the question?  
2 Q Yes. Would you accept, subject to check,  
3 that the proposed revenue annualization in  
4 this case represents only .58% of the  
5 company's pro forma consumption and revenues?  
6 A I'll accept that, subject to check. Could you  
7 repeat the percentage again, please, because it  
8 is--point zero--  
9 Q .58%.  
10 A That sounds high, could you demonstrate how that  
11 is calculated?  
12 Q I'm not a witness.  
13 A Oh, okay. I'll back up, I can't accept that  
14 subject to check then.  
15 Q On page--I want to go to your rebuttal  
16 testimony if we are not already there, on  
17 page 48.  
18 A Yes, ma'am.

19 CHAIRMAN HELTON:

20 Do you want to move this in?

21 MS. BLACKFORD:

22 Oh, I do want to move that in, that's  
23 seven.  
24

1 CHAIRMAN HELTON:

2 So ordered.

3 (EXHIBIT SO MARKED: Attorney General Cross  
4 Examination Exhibit No. 7)

5 Q On page 48 of your rebuttal testimony you implied  
6 that the budgeted information to be included for  
7 purposes of establishing the AAC will include  
8 proper information because, as you state on lines  
9 seven through eight, the budgeted information used  
10 to calculate the AAC would be reviewed by the  
11 Commission; is that right?

12 A Yes, ma'am.

13 Q Let me hand you the PSC, your response to the--or  
14 the company's response to the PSC follow up  
15 request number six to the ARP. I'd like to have  
16 that marked for identification purposes as number  
17 eight, Attorney General Cross Exhibit Number 8.

18 A Yes, ma'am.

19 Q Am I correct that the last phrase of the  
20 sentence, the first responsive paragraph is,  
21 "We do not envision extensive review of the  
22 AAC filing?"

23 A Yes, this is a one year review, that's  
24 correct. This is not the three year review

1 that we referred to--were referring to  
2 earlier.

3 Q And in the first bullet point you again note  
4 that the filing of the AAC the Commission  
5 would be allowed approximately 30 days  
6 between the filing and the implementation for  
7 review and any questions would be handled  
8 informally by phone conversations or by  
9 informal technical conferences; is that  
10 correct?

11 A Yes, that is correct, and that is consistent  
12 with a lot of other mechanisms that are filed  
13 with the Commission, including the gas supply  
14 cost recovery mechanism, the environmental  
15 cost recovery mechanisms, the DSM mechanisms,  
16 the performance based rate making mechanisms,  
17 therefore, it is a very consistent  
18 methodology for evaluating costs like this.

19 Q This refers to, essentially, total system  
20 cost not otherwise covered by special formats  
21 and each of those that you have referred to  
22 is a special format; is that correct?

23 A Yes. In many cases the cost may be higher  
24 than what we are dealing with here, though.

1 Q I want to talk a moment about bad debt  
2 expense. At pages 37 and 38 of your rebuttal  
3 testimony you criticize Mr. Henkes'  
4 uncollectible expense adjustment as being a  
5 post test year adjustment?

6 A Yes, ma'am.

7 Q An adjustment that goes beyond the end of the  
8 1998 test year; is that right?

9 A Yes, ma'am.

10 Q First, Mr. Henkes has made his uncollectible  
11 expense normalization adjustment based on actual  
12 historic uncollectible expenses experience from  
13 1993 through 1998. These are all years prior to  
14 or during the 1998 test year; is that not so?

15 A That's correct, but his logic for doing so  
16 was to look beyond the end of the test year,  
17 not to look at that period. If you look at  
18 that period there was--if you look at the  
19 five year period there was as growth,  
20 therefore, that would suggest an even higher  
21 debt level of expenses than what was utilized  
22 in the test period of the rate case.  
23 Therefore, in order to support his five year  
24 averaging he said that he would anticipate



1 bad debt expenses going down, in his opinion.  
2 And he justifies--that's the logic he uses to  
3 use a five year average looking at past  
4 costs.  
5 Q But he does not rely on projected data for  
6 1999 or 2000 to determine the expense  
7 normalization adjustment?  
8 A No. If he used projected data you would have  
9 a higher debt--bad debt expense, not a lower  
10 one.  
11 Q Are you generally familiar with the rebuttal  
12 testimony of Mr. Brown?  
13 A Yes, I am.  
14 Q In fact, you were present in the room when he  
15 was testifying concerning that rebuttal  
16 testimony?  
17 A Yes, ma'am.  
18 Q Are you aware that in his rebuttal testimony  
19 at pages four through five he has proposed an  
20 adjustment of--to adjust medical expenses  
21 based on actual and projected medical expense  
22 data?  
23 A No, I don't think he has proposed to adjust--  
24 he put that exhibit together, put that

1 analysis together to illustrate that there  
2 are a lot of other costs that have gone up.  
3 He--I don't think that Mr. Brown is proposing  
4 to use that adjustment in the case, only  
5 except if Mr. Henkes' isolated the look at  
6 certain costs.

7 Q But in making his exhibits he did, in fact,  
8 look at the expenses that extended beyond the  
9 historic and went into the future; is that  
10 correct?

11 A But not for the test year adjustments in the  
12 case, that is just an analysis he performed  
13 in--to rebut Mr. Henkes.

14 Q Are you aware that in 1998 the company's  
15 uncollectible expenses have reached a very  
16 high level of \$346,000 representing almost 1%  
17 of the company's revenues?

18 A I haven't performed that calculation, but  
19 I'll accept that.

20 Q Subject to check?

21 A Subject to check.

22 MR. WATT:

23 I object, subject to check, to the  
24 characterization of very high level. We

1 can accept subject to check that  
2 number--

3 A The number is what I was accepting, subject  
4 to check.

5 Q Let me rephrase that. Would you accept,  
6 subject to check, that it has reached  
7 \$346,000 and that that represents  
8 approximately 1% of the company's revenues?

9 A I'll accept that, subject to check.

10 Q Would you accept, subject to check, that this is  
11 the highest level ever reached in the company?

12 A I haven't looked at that, so I can't--I have  
13 no basis to even accept it subject to check.

14 Q On page 38 of your rebuttal testimony you  
15 state that there has been an upward trend in  
16 uncollectibles and you suggest that there is  
17 nothing to indicate that this trend will  
18 change?

19 A Yes.

20 Q Are you aware that the company has, in fact,  
21 implemented a policy for apparently working  
22 harder to collect the uncollectible?

23 A Policy is probably--listening to Mr. Brown's  
24 discussion earlier today, a policy is

1 probably not the correct way to describe  
2 that. It is an enhanced effort to be  
3 diligent in getting bad debt expenses down.

4 Q Let me pass out what will be marked for  
5 identification as number eight--

6 CHAIRMAN HELTON:

7 No, you need to move eight into the  
8 record.

9 MS. BLACKFORD:

10 Oh, I do need to move eight, I will do  
11 so.

12 CHAIRMAN HELTON:

13 So ordered.

14 (EXHIBIT SO MARKED: Attorney General Cross  
15 Examination Exhibit No. 8)

16 Q Have you reviewed the question and the  
17 response?

18 A Yes.

19 Q And the question asked, essentially, for an  
20 explanation of why collected revenues  
21 averaged nearly what, 40% higher--my math is  
22 not that good--in the first seven months of  
23 1999 over what was occurring in 1998, and the  
24 response was that the company made a

1 conscious effort to aggressively enforce the  
2 company's collection policies.

3 A Yes, ma'am.

4 Q And it actually reduced bad debt expense for the  
5 year and increased collection revenue?

6 A Uh-huh.

7 Q This then is a reversal of the trend.

8 A There may be several reversals that you  
9 haven't looked at though. You look at one  
10 particular item here and say that there is a  
11 reversal, but there could be other costs that  
12 have gone up beyond the end of the test year.

13 Q But in saying that there was nothing, you are  
14 ignoring that crucial fact; is that correct? That  
15 at least known fact that there is an aggressive  
16 policy now to reduce uncollectible?

17 A That's what this says.

18 Q Let's talk a moment about prior rate case  
19 expenses.

20 A Yes, ma'am.

21 Q Is it your position that if the company was  
22 allowed to amortize its rate case expenses  
23 over three years, but the rates effective  
24 period of the case in which this allowance

1 was made is only two years, then the company  
2 has under recovered its rate case expense?  
3 Would you like me to say that again, I kind  
4 of stumbled in the middle which may have  
5 caused a loss of thought?

6 A Sure.

7 Q Is it your position that if the company was  
8 allowed to amortize its rate case expenses over  
9 three years with the rates effective period in  
10 which this allowance was made is only two years,  
11 then the company has unrecovered its rate case  
12 expenses?

13 A Well, that depends on how it is treated in  
14 the subsequent case. If it were subsequently  
15 disallowed, as proposed by Mr. Henkes, then  
16 they would not be allowed to recover the rate  
17 case expenses.

18 Q Let's assume the converse, that the company was  
19 allowed to amortize its rate case expense over  
20 three years but the effective period for the rate  
21 is five years, under that same logic, has the  
22 company over recovered rate case expenses?

23 A Well, I think you are misconstruing the  
24 purpose of rate making. The purpose of rate

1 making is to base rates perspectivevely on  
2 costs that are represented in the test year.  
3 Okay. The--therefore, I can't agree with it.  
4 The methodology that the Commission uses to  
5 handle extraordinary items such as this, and  
6 there are several and I've seen them in  
7 several cases where there may be an  
8 extraordinary expense set up as an  
9 amortization, and that amortization is set up  
10 in the rate base. The utility set that--  
11 typically, will set those costs up as an  
12 amortized expense and amortize it on their  
13 books, therefore, it will be in subsequent  
14 rate cases if that is when it happens to  
15 occur. That is the methodology that has been  
16 used by the Commission that is consistent  
17 with a lot of other adjustments that are  
18 made.

19 Q So, you don't agree that the company should  
20 defer these rate over-recoveries and in its  
21 next rate case credit the ratepayers with  
22 these deferred rate case expense over-  
23 recoveries?

24 A I don't think anybody has made that

- 1 recommendation. That was--what you just  
2 described was not Mr. Henkes' recommendation.
- 3 Q You are aware that the ARP is intended to  
4 interreact with the rate case as filed; is  
5 that correct?
- 6 A It--what we--the rate case would establish  
7 base rates and the Alt Reg Plan would  
8 implement--would be implemented off of that  
9 if that is what you are saying?
- 10 Q And the rates would include O&M expenses awarded  
11 in this case; is that correct?
- 12 A I could accept that.
- 13 Q The rates to which ultimately the ARP  
14 multiplier would apply?
- 15 A Let me reword it and see if this is  
16 acceptable. The rates will reflect the  
17 operation or maintenance expenses that are  
18 accepted for test year levels.
- 19 Q And those operation and maintenance expenses  
20 that are acceptable continue to be the basis  
21 upon which rates are adjusted under the ARP;  
22 is that right?
- 23 A Yes.
- 24 Q Now, the duration of the experimental plan is



1 three years; is that right?

2 A Yes, ma'am.

3 Q And so, that would include two years past what  
4 would be the end recovery of the last year of the  
5 97-066 rate recovery; is that right?

6 A I don't think so, I think it will match  
7 exactly, won't it? Hasn't it been two years  
8 since the last rate case and that was a five  
9 year amortization, we are two years into  
10 that, therefore, two plus three is five.

11 Q You're right; you're right. Should it  
12 continue past that three years it would then  
13 go beyond, right?

14 A Yes.

15 Q Please refer to page seven of your direct  
16 testimony.

17 A Which direct testimony?

18 Q Your direct testimony in the general rate case,  
19 176?

20 A Page five?

21 Q Seven.

22 A Seven, I'm sorry. Yes, ma'am.

23 Q There you discuss performance based cost  
24 controls represented by the indexed O&M

1 expenses?

2 A No, on this page I discuss the cost  
3 allocation used. This--

4 Q I'm sorry, I'm referring you to the wrong  
5 testimony, it is the ARP direct, I guess.  
6 That would be the testimony in 97-046.

7 A I hate to do this, but which page did you  
8 refer to?

9 CHAIRMAN HELTON:

10 Seven.

11 A Seven, okay, I'm there, I believe I'm there.

12 Q I think we are all there. It does, in fact,  
13 talk about performance based controls; is  
14 that correct?

15 A Yes, it does.

16 Q There you discuss the controls represented by  
17 the indexed O&M expenses; is that right?

18 A Yes, ma'am.

19 Q On lines 18 through 21 you state that the indexed  
20 O&M expense to which actual O&M expenses will be  
21 compared under the proposed ARP consists of the  
22 annual O&M expense per customer, as approved in  
23 the last base rate case, increased for changes in  
24 the CPI-U for each year since the last case; is

- 1           that right?
- 2    A       That's not what I see on page seven, line 18.
- 3           What you read sounds correct, but I don't see that
- 4           on page seven.
- 5    Q       The first controls of performance based rate
- 6           making measure--
- 7    A       Okay, I'm there.
- 8    Q       --that would compare Delta's non-gas supply
- 9           O&M--
- 10   A       Yes.
- 11   Q       --expenses per customer--
- 12   A       Okay.
- 13   Q       --to the non-gas O&M expenses on a per customer
- 14           basis approved in Delta's last rate case, after
- 15           adjusting for changes in the consumer price index
- 16           for urban consumers, the CPI-U since that rate
- 17           case?
- 18   A       Yes, ma'am.
- 19   Q       Can you please refer to the first page of the
- 20           Company's--now, would you please turn to the
- 21           proposed tariff schedule for the experimental
- 22           ARP under the topic Performance Based Cost
- 23           Controls?
- 24   A       I assume you mean sheet number 33?

1 Q Yes.

2 A Okay, I'm there.

3 Q There the indexed O&M expenses are defined as

4 the non-gas O&M expenses approved by the

5 Commission in the company's most recent

6 adjustment of general rates after adjusting

7 for changes in the CPI-U; is that right?

8 A Yes, ma'am.

9 Q Would you please refer to the first page of

10 the Company's ARP filing, the letter filing,

11 of February 5, 1999, and under that filing--

12 let me read you the first paragraph under the

13 heading Background and Purpose of this

14 Filing. "Delta Natural Gas, Inc., Delta, is

15 proposing an Alternative Rate Regulation Plan

16 on an experimental basis for a period of

17 three years. At the end of the three years

18 experimental period the program will be

19 evaluated in order to determine whether the

20 Alternative Regulation Plan should continue

21 beyond the initial period." This is again

22 repeated on page 21 of the same filing under

23 the heading Proposed Implementation Schedule.

24 There it says, if you would like to turn and

1 follow, considering I'm getting tongue tied  
2 and may be misquoting something. "Delta  
3 proposes that the alternative rate making  
4 mechanism would go into effect with final  
5 meter readings on and after July 1, 1999, and  
6 continue for an experimental period of three  
7 years."

8 A Yes, ma'am.

9 Q "At the end of the three year experimental  
10 period the program will be evaluated in order  
11 to determine whether the alternative  
12 ratemaking mechanism should continue beyond  
13 the initial period," is that right?

14 A Yes, ma'am.

15 Q When the proposed plan states that after  
16 three years the program will be evaluated to  
17 determine if the ARP should continue this  
18 doesn't say that there will be any general  
19 rate case associated with the evaluation; is  
20 that right?

21 A It does not say that here.

22 Q If the ARP were to be implemented by the  
23 Public Service Commission at this time the  
24 statement may also mean, if one

1 hypothetically assumes the evaluation is  
2 positive, that the ARP program would continue  
3 another three years without a general base  
4 rate case; is that correct?

5 A No. We have subsequently addressed this issue in  
6 data responses or responses to data requests and  
7 that is not what it says--intended at all now.  
8 This particular filing did not address that issue.  
9 The Commission has asked certain questions to get  
10 at that point and in response to those questions--  
11 ultimately, it would be up to the Commission to  
12 determine if base rates would be set or not. But  
13 it was assumed that there would be a  
14 redetermination of base rates after the end of the  
15 three years in subsequent data responses.

16 Q So, this is an assumption based on a  
17 modification of the filing as made?

18 A I wouldn't call it modification of the filing  
19 because that issue is addressed in the  
20 filing. It is responses to interrogatories  
21 that flushed out certain issues, just like we  
22 are flushing out certain issues in this  
23 proceeding today.

24 Q I understand, but tariffs don't contain, for

1 instance, a three year sunset provision, it  
2 would require such a rate?

3 A Yes, it wouldn't have to be changed if the  
4 Commission decided not to. So, I don't think  
5 it is appropriate necessarily to put it in  
6 the tariff.

7 Q Would you accept, subject to check, that  
8 neither the filing, the tariffs, nor the data  
9 responses indicate that there will be a  
10 general rate filing at the close of three  
11 years

12 A That there will absolutely be one?

13 Q Uh-huh.

14 A Just a second, let me look. Here is what it  
15 says in one of the data requests, the  
16 responses to one of the data requests. And  
17 this is Delta's response to the PSC's Order  
18 of June 4, 1999. It says, "The scope of the  
19 three year review will largely depend on the  
20 Commission and the intervenors. It is  
21 anticipated that the scope of review will  
22 encompass the following: Developing an  
23 application of the AAC, AAF, BAF; impact of  
24 the mechanism on individual customer classes;

1 rate of return range utilized in the  
2 mechanism"--which implies base rate  
3 adjustment--"non-gas supply costs recoverable  
4 through the rate mechanism base rate  
5 adjustment; analysis of performance based  
6 controls; analysis of utilities non-gas  
7 supply cost; analysis of cost of service and  
8 rate design."

9 Q While you identify certain elements, nowhere  
10 in there does it say that there will be a  
11 base rate adjustment does it, or a base rate  
12 case?

13 A It doesn't use those terms but it is  
14 certainly implied.

15 Q On your rebuttal testimony at pages 45  
16 through 46, if you would like to turn there  
17 before we move ahead.

18 A Yes, ma'am.

19 Q On page 45, starting at line 17, you state that  
20 the analysis contained in the testimonies of Mr.  
21 Henkes and Catlin is that their analysis  
22 considered an indexed O&M period expense of five  
23 years; is that correct?

24 A Yes, ma'am.



1 Q And on page 46, lines four through six, you  
2 stated, quoting, and I quote, "However, under  
3 Delta's proposed Alt Reg Plan the O&M expenses  
4 reflected in base rates would be reestablished  
5 every three years." Is that correct?

6 A Yes, ma'am.

7 Q All right, thank you. On the one hand your  
8 testimony in the proposed ARP tariff sheet  
9 clearly state that the indexed O&M expenses  
10 will use the annual O&M expenses approved by  
11 the PSC in the last general rate proceeding  
12 as a starting point and then be increased by  
13 the change in the CPI-U for each year after  
14 this general base case. The filing also  
15 states that after three years the program  
16 will be evaluated to see if it continues or  
17 not and there is no mention whatsoever that  
18 the evaluation process will take place as a  
19 part of a general base case. Yet you accuse  
20 the AG witnesses of fatal flaws because the  
21 company--it now is the company's position  
22 that O&M expenses might be examined in a  
23 three year proceeding; is that correct?

24 A Yes, that is correct and I still believe it

1 is correct.

2 Q In doing your zero intercept calculations you  
3 used a weighted regression to estimate the  
4 zero intercept; is that right?

5 A Yes, ma'am.

6 Q Have you ever reviewed Dr. Estomin's  
7 testimony in this proceeding?

8 A Yes, ma'am.

9 Q In your rebuttal testimony you spend about 18  
10 pages addressing the issue of the appropriate  
11 weights to use in the weighted regression.

12 A Yes, ma'am.

13 Q Are you aware that Dr. Estomin is not  
14 recommending reliance on a weighted  
15 regression?

16 A Yes, ma'am, I even refer to that.

17 Q Dr. Estomin, however, recommends the use of an  
18 unweighted regression if a zero intercept approach  
19 is to be relied upon; is that your understanding?

20 MR. WATT:

21 Objection, calls for speculation as to  
22 what Mr. Estomin wants to do.

23 CHAIRMAN HELTON:

24 Rephrase the question, please.

1 Q Were we to assume that Dr. Estomin is  
2 recommending the use of an unweighted  
3 regression, if a zero intercept approach is  
4 to be relied upon--I'm sorry, my brain quit  
5 on me. Let's assume that Dr. Estomin is  
6 recommending the use of an unweighted  
7 regression if a zero intercept approach is to  
8 be relied upon. Do you recall the example  
9 that Dr. Estomin presented using Delta's data  
10 and the data of a hypothetical company with  
11 an identical system except for the quantity  
12 of two inch steel pipe?

13 A Yes, I believe.

14 Q Based on your review of that example, would  
15 you agree that the weighted regression  
16 results are highly sensitive to the number of  
17 feet in each category?

18 A I'm sorry, could you rephrase the question?

19 Q Would you agree that the weighted regression  
20 results are highly sensitive to the number of  
21 feet in each category?

22 A A weighted regression approach will be  
23 sensitive to the number of feet in each  
24 category, that is correct.

1 Q Is there any intuitive reason, aside from the  
2 arithmetic of the regression logarithm, why  
3 the cost of a zero capacity system should be  
4 over 14% different based solely on a change  
5 in the number of feet of two inch steel main  
6 such as that shown in Dr. Estomin's  
7 hypothetical?

8 A Yes, because you should give appropriate  
9 weight to the amount of feet in each  
10 category.

11 Q Please describe the data that underlie the  
12 zero intercept analysis that you performed--  
13 analysis that you performed?

14 A Okay. The data consists of average unit cost  
15 data for each type of pipe on Delta's system.  
16 And what that represents is the total cost  
17 for each type and size of pipe divided by the  
18 number of units for each size and pipe, the  
19 respective number of units, and that provides  
20 the average unit cost. And in that situation  
21 it is appropriate to use weighted regression.  
22 If you actually use--if you actually had the  
23 actual cost data for each span or each foot  
24 of pipe that is installed on the system, it

1 wouldn't be necessary, but since you are  
2 dealing with average data it is necessary to  
3 weight it. That is standard information or  
4 standard approaches that are used in the  
5 statistics, the statistics literature.

6 Q Over what period of time did these data span?

7 A A number of years, I can't say exactly how  
8 many years, but for quite a number of years.

9 Q Are there any adjustments made to the cost  
10 data to reflect the differences in vintage?

11 A No.

12 CHAIRMAN HELTON:

13 Could we take a break, please, I think  
14 we need to take a break.

15 MS. BLACKFORD:

16 Surely.

17 CHAIRMAN HELTON:

18 We'll take a short break.

19 (OFF THE RECORD)

20 CHAIRMAN HELTON:

21 Back on the record, Ms. Blackford.

22 MS. BLACKFORD:

23 Yes. I need to move in Exhibit Number 9  
24

1 CHAIRMAN HELTON:

2 So ordered.

3 (EXHIBIT SO MARKED: Attorney General Cross  
4 Examination Exhibit No. 9)

5 Q And, Mr. Seelye, may I get you to turn to  
6 page 24, lines two through seven, of your  
7 rebuttal testimony?

8 A Yes, ma'am.

9 Q Why did you include the quoted material from  
10 the Gas Distribution Rate Design Manual at  
11 that point in that testimony?

12 A Okay. The reason I put this in here it  
13 says--because of the sentence that says, "The  
14 distribution plant investment in mains may be  
15 classified as both demand and customer  
16 related." Okay, that sentence in particular  
17 I felt was important because of the cost of  
18 service studies submitted by Mr. Galligan  
19 didn't classify cost as demand and customer,  
20 classified them as demand and commodity. And  
21 the point I was making here is that the  
22 manual suggests demand and customer.

23 Q That it suggests demand and customer, may I--  
24 that is, in fact, the 1989 NARUC Manual?

1 A Yes.

2 Q And that recitation is from page 22 of the  
3 manual?

4 A Thirty-two is what it says.

5 Q Thirty-two of the manual.

6 A That's what it says in my quotation.

7 Q All right, thank you. I'm going to mark this  
8 as Cross Exhibit Number 10 for purpose of  
9 identification. This is a copy of portions  
10 of the NARUC Manual which includes, I  
11 believe, page 32.

12 A It does not include page 32, mine does not.

13 Q I believe it does, it is just two pages in  
14 from the back.

15 A Oh, okay, they are not in sequential?

16 Q Not quiet sequential.

17 A Okay.

18 Q Are you with me?

19 A Yes, ma'am.

20 Q All right. Would you flip back two pages  
21 prior to that to what is page 32 of that 1989  
22 manual, and am I correct--

23 CHAIRMAN HELTON:

24 Page 30?

1 Q Page 30.

2 A Yes, ma'am.

3 Q And pointing out that the quote that you have made  
4 for purposes of saying that this is what the  
5 manual recommends is merely what the manual  
6 recommends in the context of the illustrative  
7 embedded cost service study that it happens to be  
8 laying out at that point. Not that that is the  
9 appropriate methodology or the favorite  
10 methodology, merely that it is "a" methodology,  
11 the illustration of which is being laid out in the  
12 manual at that point?

13 A Okay. I don't believe that is correct  
14 because what I'm quoting here is a generic  
15 statement or a general statement that  
16 addresses what--how distribution plant  
17 investment may be classified. I--it is not  
18 in the context of the zero intercept  
19 methodology, that statement is not, it is a  
20 general statement.

21 Q Let's go back then to page 30 which is where  
22 that general statement flows from and read  
23 the first paragraph.

24 A Okay.



1 Q The first paragraph provides, "A cost of  
2 service study is a series of choices  
3 regarding potentially controversial methods  
4 of identifying and allocating costs incurred  
5 by a utility. This illustrative study  
6 represents one possible means of computing  
7 class cost of service. There are many other  
8 equally correct methods." Have I correctly  
9 read that?

10 A Yes.

11 Q And would you turn with me, please, back  
12 towards the front, one more page, which take  
13 us to page 22 of the NARUC Manual?

14 A Yes, ma'am.

15 Q And there, in fact, it is talking about  
16 classifications of cost.

17 A Yes, ma'am.

18 Q And it speaks of customer costs under  
19 subsection (a).

20 A Yes, ma'am.

21 Q And the first paragraph there says, "Customer  
22 costs are those operating capital costs found to  
23 vary directly with the number of customers served  
24 rather than with the amount of utility service

1           supplied. They include the expenses of metering,  
2           reading, billing, collecting, and accounting, as  
3           well as those costs associated with the capital  
4           investment in metering equipment and in customers'  
5           service connections." The next paragraph, "A  
6           portion of the costs associated with the  
7           distribution system may be included as customer  
8           costs. However, the inclusion of such costs can  
9           be controversial. One argument for inclusion of  
10          distribution related items in the customer cost  
11          classification is a 'zero or minimum size main  
12          theory.'" Have I read that correctly?

13        A        Yes, ma'am.

14        Q        Does that tend to indicate that the inclusion  
15          of distribution costs as a customer cost can,  
16          in fact, be controversial and that there may  
17          be accepted methodologies which do not  
18          include such an allocation?

19        A        Okay. I agree first that it can be  
20          controversial, the fact that it is being  
21          argued in that case--in this case illustrates  
22          that. The second point is that there are--it  
23          does say there can be different methodologies  
24          can be accepted for doing that, or it implies

1 that concept. I don't disagree the different  
2 methodologies are correct--excuse me, I do  
3 not disagree that different methodologies  
4 have been used. In my opinion, the one that  
5 is utilized in this case is correct and the  
6 Commission has accepted that methodology in  
7 the past, therefore, we are relying on prior  
8 practice, therefore, greater weight should be  
9 given to that methodology.

10 Q That wasn't my question. My question is,  
11 does the NARUC Manual recognize that there  
12 are a variety of methodologies that are  
13 equally useful. And, in fact, does it not  
14 demonstrate that the quote that you have  
15 given is merely part of an illustrative study  
16 and not one that gives specific weight or  
17 favoritism to that as a means of allocation?

18 A Okay. I--in my previous response I was  
19 agreeing with that, but I was elaborating on  
20 my response.

21 Q I see, thank you. All right, I'd like to go  
22 back one sentence and note that you say that  
23 nowhere in the NARUC Manual does the  
24 allocation methodology utilized by Mr.

1 Galligan appear, the average in peak demand  
2 method that he has utilized?

3 A Okay. He has utilized the methodology that  
4 takes 50%--arbitrarily assigns 50% as demand  
5 and 50% as commodity. That methodology is  
6 not prescribed in this manual.

7 Q And doesn't his methodology, in fact, put it  
8 all into demand and then divide demand  
9 between annual usage, which is average usage,  
10 according to the footnote in his testimony,  
11 and peak?

12 A No. His methodology classifies--you are  
13 confusing two different processes in the cost  
14 of service study. The first process is to  
15 functionally assign, the second process is to  
16 classify costs as either demand related or  
17 customer related. Mr. Galligan arbitrarily  
18 classifies 50% of the cost--of mains related  
19 costs as demand and 50% as commodity. He  
20 does not first put them in demand and then  
21 reclassify them, he classifies them. That is  
22 my understanding of Mr. Galligan's testimony.

23 Q I'm sure you will take that up with Mr.  
24 Galligan in cross, but my point being that

1           certainly an average in peak demand method is  
2           recognized by the NARUC Manual; is that  
3           correct?

4    A    Mr. Galligan does not use average and peak  
5           methods. He uses a 50/50 split, which is  
6           arbitrary.

7    Q    Are you familiar with Administrative Case  
8           Number 297?

9    A    Yes.

10   Q    The investigation--

11   A    I attended the hearings.

12   Q    --of the impact of the federal policy on  
13           natural gas to Kentucky customers, consumers  
14           and suppliers?

15   A    Yes, ma'am.

16   Q    Are you aware that on page 47 of the June '87  
17           Order issued by the Commission in connection with  
18           that hearing, the Commission indicated its concern  
19           about cost of service methodologies that place all  
20           emphasis on maximum design day as a way to  
21           allocate cost, stating that this method may result  
22           in inappropriate shift of cost to the residential  
23           customer class and for that reason stated that  
24           cost of service methodology should give

1 consideration to volume of use?

2 A I can't remember that being in there but I'll  
3 accept that it says that.

4 Q You'll accept it?

5 A Yes, if I can elaborate on it a little bit,  
6 we haven't done that. We've allocated a  
7 portion--or classified a portion on the basis  
8 of demand and a portion on the basis of  
9 customers and then there was another portion  
10 assigned on the basis of commodity. So--  
11 winter commodity. So, we did not allocate  
12 all the cost on the basis of demand, we  
13 didn't use a methodology that the concern was  
14 expressed.

15 Q The design day demand does not allocate based  
16 on peak usage?

17 A We didn't allocate all costs on that basis.  
18 We allocated a portion on the basis of demand  
19 or design day.

20 Q The bills that were included in the demand  
21 segment?

22 A Those that were classified as demand, but all  
23 of them weren't--that doesn't encompass all  
24 the costs.

1 Q The costs that were not encompassed by that  
2 are the ones that are put in with customer  
3 service?

4 A Yes, there were fixed costs that--to answer  
5 it a little differently. There were fixed  
6 costs that were allocated on the basis of  
7 customer related, and there were fixed costs  
8 that were allocated on the basis of design  
9 day--excuse me, winter season volumes. So,  
10 unless I'm misunderstanding what was said  
11 there, I don't think that they express  
12 concern with the methodology that we used.  
13 In fact, the Commission has accepted this  
14 methodology that is used on a number of  
15 occasions in at least two cases. They have  
16 accepted the methodology that is employed  
17 here.

18 Q And are you aware that the Commission also in  
19 Admin 297 indicated that a variety of  
20 methodologies had been put forth, that a variety  
21 were considered appropriate, and that each company  
22 was to search for the cost of service methodology  
23 that was most appropriate to it?

24

1 MR. WATT:

2 What page?

3 MS. BLACKFORD:

4 That would be at--again, I think it is  
5 page 46, I'll be glad to present you  
6 copies of this if you would like to see  
7 it, I think 47.

8 MR. WATT:

9 That's okay, 47.

10 A Could I see it please?

11 Q I was trying to avoid one more hand out but  
12 I'm not getting there. Let me mark this for  
13 purposes of identification as Cross  
14 Examination Exhibit 11. Please take your  
15 time to review that, if you would like.

16 A I will. I reviewed the quotation that you  
17 read.

18 Q And have I correctly quoted that there are  
19 significant differences among class A, LDCs,  
20 that merit case by case decisions on cost of  
21 service methodologies?

22 A It says here, "There are a variety of  
23 techniques available for cost of service  
24 studies. The Commission acknowledge that



1           there is not a single acceptable method to  
2           prepare such a study. Each LDC is encouraged  
3           to choose a methodology it finds  
4           appropriate." Now, I would have to believe  
5           that what the Commission meant by this is to  
6           follow principles of cost causation;  
7           otherwise, you end up in a state of gross  
8           relativism, anything goes. Therefore, I  
9           think it is important to utilize a  
10          methodology that is sound and that reflects  
11          cost causation on the system.

12                   MS. BLACKFORD:

13                           Thank you. I would move that what has  
14                           been identified as Exhibits Number 10  
15                           and Number 11 be moved into the record.

16                   CHAIRMAN HELTON:

17                           So ordered.

18                           (EXHIBITS SO MARKED: Attorney General Cross  
19                           Examination Exhibits Numbered 10 and 11)

20                   MS. BLACKFORD:

21                           Thank you, that's all.

22                   CHAIRMAN HELTON:

23                           I've already conferred with Mr. Wuetcher. It  
24                           seems that he has what we think would be

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considerable cross so we are going to adjourn  
until in the morning, 9:00.

(OFF THE RECORD)

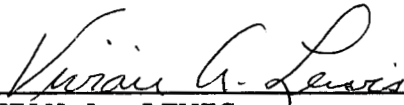
1 CERTIFICATE

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STATE OF KENTUCKY )  
COUNTY OF FRANKLIN)

I, VIVIAN A. LEWIS, a Notary Public in and for the state and county aforesaid, do hereby certify that the foregoing testimony was taken by me at the time and place and for the purpose previously stated in the caption; that the witnesses were duly sworn before giving testimony; that said testimony was first taken down in shorthand by me and later transcribed, under my direction, and that the foregoing is, to the best of my ability, a true, correct and complete record of all testimony in the above styled cause of action.

WITNESS my hand and seal of office at Frankfort, Kentucky, on this the 8th day of November, 1999.

  
VIVIAN A. LEWIS  
Notary Public  
Kentucky State-at-Large

My commission expires: 7-23-01

*Vivian A. Lewis*

COURT REPORTER - PUBLIC STENOGRAPHER  
101 COUNTRY LANE  
FRANKFORT, KENTUCKY 40601

**To:** This transcript cover has been sealed to protect the transcript's integrity. Breaking the seal will void the reporter's certification page. To purchase a copy of this transcript, please call the phone number listed on the bottom of the cover sheet.

## NOTICE OF HEARING

**NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m., Eastern Time, October 28, 1999, in the Commission's offices, Hearing Room 1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.**

**DELTA NATURAL GAS COMPANY, INC.**  
**PSC CASE NO. 99-176**  
**ATTACHED LEGAL NOTICE PUBLISHED IN THE FOLLOWING:**

Barbourville Mountain Advocate, P.O. Box #190, Barbourville, KY 40906  
Published October 14, 1999

Bath County News Outlook, P.O. Box #577, Owingsville, KY 40360  
Published October 14, 1999

Berea Citizen, P.O. Box #207, Berea, KY 40403  
Published October 14, 1999

Bourbon Country Citizen, P.O. Box #158, Paris, KY 40361  
Published October 13, 1999

Central Record, P.O. Box #492, Lancaster, KY 40444  
Published October 14, 1999

Citizen Voice & Times, P.O. Box #660, Irvine, KY 40336  
Published October 14, 1999

Clay City Times, P.O. Box #547, Stanton, KY 40380-0547  
Published October 14, 1999

Flemingsburg Gazette, P.O. Box #32, Flemingsburg, KY 41041  
Published October 13, 1999

Jackson County Sun, P.O. Box #130, McKee, KY 40447  
Published October 14, 1999

Jessamine Journal, P.O. Box #8, Nicholasville, KY 40340-0008  
Published October 14, 1999

The Ledger Independent, P.O. Box #518, Maysville, KY 41056  
Published October 14, 1999

Leslie County News, P.O. Box #967, Hyden, KY 41749  
Published October 14, 1999

Lexington Herald Leader, 100 Midland Avenue, Lexington, KY 40508  
Published October 14, 1999

Manchester Enterprise, P.O. Box #449, Manchester, KY 40962  
Published October 14, 1999

Menifee County News, 722 West First Street, Morehead, KY 40351  
Published October 20, 1999

Middlesboro Daily News, P.O. Box #579, Middlesboro, KY 40965  
Published October 12, 1999

Morehead News, 722 West First Street, Morehead, KY 40351  
Published October 12, 1999

Mt. Sterling Advocate, P.O. Box #406, Mt. Sterling, KY 40353  
Published October 14, 1999

Richmond Register, P.O. Box #99, Richmond, KY 40475  
Published October 20, 1999

Sentinel Echo, P.O. Box #830, London, KY 40743  
Published October 13, 1999

Sun Courier, P.O. Box #250, Pineville, KY 40977  
Published October 14, 1999

Three Forks Tradition, P.O. Box #436, Beattyville, KY 41311  
Published October 13, 1999

Times Tribune, P.O. Box #516, Corbin, KY 40702  
Published October 12, 1999

Whitley Republican News Journal, P.O. Box #418, Williamsburg, KY 40769  
Published October 13, 1999

The Winchester Sun, P.O. Box #4300, Winchester, KY 40392  
Published October 13, 1999

**AFFIDAVIT OF PUBLICATION**

I, Carolyn Kennedy <sup>ad mgr.</sup>, Editor of the Barbourville Mountain Advocate, paper of general circulation, printed and published at Barbourville, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc. , attached hereto, was published in the Barbourville Mountain Advocate on October 14, 1999.

Carolyn Kennedy  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 21<sup>st</sup> day of Oct, 1999.  
My Commission expires: 11-16-01.

Lillie Carnes  
Notary Public

# Advocate LEGAL AND PUBLIC NOTICES

## BOND RELEASE PHASE 1

In accordance with the provisions of KRS 350, notice is hereby given that Jameson Construction Company of 30 Jamieson Lane, London, Kentucky, 40744, phone 606-878-7966, intends to apply for a Phase I Bond Release on Permit Number 861-0447 which was last issued on April 22, 1998. The application covers an area of approximately 16.4 acres of which all 16.4 acres was disturbed. The area is located in Knox County, Kentucky, approximately 0.15 mile northeast of Golden Creek Road's junction with Kentucky Route 1809, and located 0.1 mile east of Davis Branch of Golden Creek. The latitude is 36 deg. 43 min. 16 sec. and the longitude is 83 deg. 56 min. 31 sec.

The total bond now in effect for this permit is Fifty Nine Thousand and Nine Hundred Dollars (\$59,900) of which approximately sixty percent (60%) of the amount will be included in this application for Phase I Bond Release.

Reclamation work performed includes: backfilling, grading, liming, fertilizing and seeding according to the re-vegetation plan and soil analysis. This work was completed on November 6, 1998.

A public hearing has been scheduled for November 23, 1999 at 9:00 a.m., at the Department of Surface Mining, Reclamation and Enforcement, 1804 East Cumberland Avenue, Middleboro, Kentucky 40965. Written comments, objections and requests to attend this public hearing may be submitted to the Director of Field Services, #2 Hudson Hollow, Frankfort, Kentucky 40601 or the Department of Surface Mining, Reclamation and Enforcement, 1804 Middleboro Regional Office, 1804 East Cumberland Avenue, Middleboro, Kentucky 40965.

This hearing will be cancelled if the Cabinet does not receive a request in writing for the public hearing before November 20, 1999. 443p 781p

## NOTICE OF INTENTION TO MINE

Pursuant to Application #681-5809, Renewal of the property gold under this judgment in accordance with the provisions of the

the Fiscal Courtroom of the Knox County Courthouse, Barbourville, KY for county supplies.

Bids must be typewritten or neatly printed and placed in a sealed envelope with the specific Bid Item Number printed on the front of the envelope. We will be accepting bids on the following items:

- Item #1: Food for the Knox County Jail
  - Item #2: Office Supplies
- Bid packages can be obtained in the Knox County Judge/Executive's Office Monday through Friday from 8:00 a.m. until 4:00 p.m. Bid packages MUST be obtained in order to be qualified to bid. Bids will be opened for review and possible acceptance or rejection at open court on the regular scheduled meeting of the Knox County Fiscal Court at the Knox County Courthouse on Tuesday, October 26, 1999 at 10 a.m. Bid packages will be available beginning on Monday, October 11, 1999. Bids must be for goods and services for the period of July 1, 1999 through June 20, 2000.

## COMMONWEALTH OF KENTUCKY 27TH JUDICIAL DISTRICT KNOX DISTRICT COURT PROBATE NO. 99-P-191 DIVISION I

IN RE: THE ESTATE OF JAMES H. KERSEY, DECEASED EXECUTOR'S NOTICE Andy Kersey and Kyle E. Kersey were by order of the Knox District Court on October 4, 1999, appointed as Co-Executors of the Estate of James H. Kersey.

All persons indebted to the above referenced Estate please pay same to Andy Kersey and Kyle E. Kersey immediately at the address set forth below. All persons having claims against said Estate please file same with Andy Kersey and Kyle E. Kersey at the address stated below and in accordance with the Laws of the Commonwealth of Kentucky on or before April 5, 1999.

Andy Kersey and Kyle E. Kersey, Co-Executors of the Estate of James H. Kersey, deceased c/o Jeffery R. Tipton, P.O. Box 1284, Corbin, Kentucky 40702. 533p

PUBLIC NOTICE

by anyone other than myself. 533p

## AUCTION

KCEOC will be having an auction on Friday, October 22, 1999, beginning at 9:00 a.m. rain or shine. All sales are final and all items sold must be picked up no later than 5:00 p.m. on Monday October 25, 1999. Sale items include metal doors and frames, office furniture, buses and other vehicles, kitchen equipment, copiers, computer supplies, and much more. All items for sale are viewed three days prior to sale date. For more information contact Michael Bingham at KCEOC 546-3152 between the hours of 8:00 a.m. to 5:00 p.m. Monday through Friday. 533p

## NOTICE OF INTENTION TO MINE PURSUANT TO APPLICATION NUMBER 861-8009 MAJOR REVISION #1

1) In accordance with the provisions of KRS 350.070, notice is hereby given that GATLIFF COAL COMPANY, P.O. BOX 39, NEVADALE, KENTUCKY 40764, has applied for a major revision to an existing coal processing facility. The operation will include loading facility, crusher, washer, refuse disposal, and ventilation operations located 1.0 miles northeast of Artemus in Knox County. This major revision will add 20.0 acres of surface disturbance, making a total area of 31.86 acres within the revised permit boundary.

2) The proposed major revision area is approximately 0.2 miles West from State Route 230 junction with Fortney Branch Road and located 0.2 miles North of Cumberland River. The latitude is 36°50'25". The longitude is 83° 49' 10". 3) The proposed major revision is located on the Artemus U.S.G.S. 7 1/2 minute quadrangle map. The surface area to be affected by the major revision is owned by Gatliff Coal Company.

4) The major revision processes TO UPGRADE THE EXISTING PROCESSING FACILITY WITH COMPONENTS FROM PERMIT 518-8002 (GATLIFF PIPEL). 5) The major revision application has been filed for public inspection at the Department for Surface Mining, Reclamation and Enforcement &

MINING, RECLAMATION AND ENFORCEMENT, 1804 EAST CUMBERLAND AVENUE, MIDDLEBORO, KENTUCKY 4101. Written comments, objections or requests for a permit conference must be filed with the Director of the Division of Permits, #2 Hudson Hollow, U.S. 127 South, Frankfort, Kentucky 40601. 633p 911(p)

## BARBOURVILLE BOARD OF ADJUSTMENT

The Barbourville Board of Adjustment will hold a meeting on October 21 at 7 p.m. upstairs in the old city council chambers in City Hall. The purpose of the meeting is for a variance at 103 Johnson Lane. Anyone interested should attend. 632p

## CARD OF THANKS

Aubrey Lee and family wants to thank everyone for your expression of sympathy during the passing away of our loved one, Bernice Lee. Love always 61p

## NOTICE IS HEARING

NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m., Eastern Time, October 28, 1999, in the Commission's office, Hearing Room 1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any. 611p

## PUBLIC NOTICE

In accordance of law and K.R.S. Chapter 359 Section #2, #3, #5 and #6 Clark Self Storage on October 26, 1999 will offer for sale at 10:00 a.m. The contents of unit #6 being the contents of Kelly Gibson HC 73 Box 688, Barbourville KY, 40906. This



**CARD OF THANKS**  
The Gibson Family would like to thank everyone for their prayers, food, flowers and kindness during the loss of our loved one. Remember us in your prayers.  
The Family of Roy Gibson  
Special thanks to: Rev. Sylvester Dunn, the pullbearers, J.B. Gibson, Dr. Campbell, Julie Mercer, Natalie Rose and Herbie Miller. 61p

**METAL ROOFING & SIDING**

Painted: ..... 29¢/sq. White Trims ..... 5¢ ea.  
Galvalume: ..... 21¢/sq. Corners: ..... 50¢/ft.  
Galvalume: ..... 24¢/sq. J-channel: ..... 7¢ ea.  
Remnants: ..... 15¢/sq.

WE USE STOCK THINGS IN STOCKS  
SCREENS, NAILS, SCREWDRIVERS, WALK-THRU DOORS, CURTAINS, SLIDING DOOR TRACKS

**DAVCO STEEL** DANVILLE, KENTUCKY



**ANNUAL DRINKING WATER QUALITY REPORT  
EAST KNOX COUNTY WATER DISTRICT**

We are very pleased to provide you with this Annual Quality Water Report. We want to keep you informed about the excellent water and services we have delivered to you over the past year. Our goal is and always has been, to provide you a safe and dependable supply of drinking water. Our water source is treated surface water from the Cumberland River.

We are happy to report that our drinking water is safe and meets federal and state requirements. If you have any questions about this report or concerning your water utility, please contact Roy Sowders at 546-5300. We want our valued customers to be informed about their water utility. If you want to learn more, please attend any of our regularly scheduled meetings. They are held on the first Tuesday of every month at the Knox County Courthouse at 5:00 p.m.

The East Knox County Water District routinely monitors for constituents in your drinking water according to Federal and State laws. This table shows the results of our monitoring for the period of January 1st to December 31st, 1988. All drinking water, including bottled drinking water, may be reasonably expected to contain at least small amounts of some constituents. It's important to remember that the presence of these constituents does not necessarily pose a health risk. In this table, you will find many terms and abbreviations you might not be familiar with. To help you better understand these terms, we've provided the following definitions:

**Million Fibers per Liter (MFL)** - million fibers per liter is a measure of the presence of asbestos fibers that are longer than 10 micrometers. Maximum Contaminant Level (MCL) - The "Maximum Allowed" is the highest level of a contaminant that is allowed in drinking water. MCL's are set as close to the MCL's as is feasible using the best available treatment technology.

**Maximum Contaminant Level Goal (MCLG)** - The "Goal" (MCLG) is the level of a contaminant in drinking water below which there is no known or expected risk to health. MCLG's allow for a margin of safety.

MCL's are set at very stringent levels. To understand the possible health effects described for many regulated constituents, a person would have to drink two (2) liters of water every day at the MCL level for a lifetime to have a one-in-a-million chance of having any adverse health effects.

Contaminant	MCL	MCLG	Highest Detection	Range	Date of Sample	Violation	Likely Source of Contamination
Total Coliform Bacteria	5,000	0	0	0-0	03/03/88	0	0-0
Asbestos (MFL)	7	7	0	0	12/14/88	none	Naturally present in the environment
Nitrate (as Nitrogen)	10	10	0	0	08/03/88	none	See explanation below

**Total Coliform:** The Total Coliform Rub requires water systems to meet a stricter limit for coliform bacteria. Coliform bacteria are usually harmless, but their presence in water can be an indication of disease-causing bacteria. When coliform bacteria are found, special follow-up tests are done to determine if harmful bacteria are present in the water supply. If this limit is exceeded, the water supplier must notify the public by newspaper, television, or radio.

\*We constantly monitor for various constituents in the water supply to meet all regulatory requirements. This past year we did not get our samples in the required monitoring period. When we did the samples, no asbestos was detected. This does not pose a threat to the quality of our water supply.

\*A special note: The water system was not notified until November 1988 that some of the sampling, monitoring, and reporting conducted by the water system had been rejected by the Federal EPA. This has resulted in a violation. Monitoring had been performed in 1988 for the same parameters and all results indicated non-detected values. Monitoring for the full list of contaminants will continue in the future.

As you can see by the table, our system had no violations. We're proud that your drinking water meets or exceeds all Federal and State requirements. We have learned through our monitoring and testing that some constituents have been detected. The EPA has determined that your water IS SAFE at these levels. All drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of contaminants does not necessarily indicate that the water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the Environmental Protection Agency's Safe Drinking Water Hotline at 1-800-426-4791.

Some people may be more vulnerable to contaminants in drinking water than the general population. Immuno-compromised persons such as persons with cancer undergoing chemotherapy, persons who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants can be particularly at risk from infections. These people should seek advice about drinking water from their health care providers. EPA/CDC guidelines on appropriate means to lessen the risk of infection by cryptosporidium and other microbiological contaminants are available from the Safe Drinking Water Hotline (800-426-4791).

Thank you for allowing us to continue providing your family with clean, quality water this year. We at East Knox County Water District work around the clock to provide top quality water to every tap. We ask that all our customers help us protect our water sources, which are the heart of our community, our way of life and our children's future. If you have any questions, please call our office at 546-5300. A copy of this report will be made available to our customers upon request.

THE PURCHASER SHALL BE RESPONSIBLE TO assume and pay all taxes or assessments upon the property for the current tax year and all subsequent years. All taxes or assessments upon the property for prior years shall be paid from the sale proceeds if properly claimed in writing and filed of record by the purchaser prior to payment of the purchase price.

Dated this 1st day of October, 1989.

James G. Carnahan  
Master Commissioner  
Knox Circuit Court  
53p

**NOTICE OF INTENTION TO MINE PERSUANT TO APPLICATION NO. 861-0450**

In accordance with the provisions of KRS 350.055, notice is hereby given that D & H Coal Company of Laurel County, Inc., P.O. box 932 London, KY 40743 has applied for a permit for surface coal mining and reclamation operation affecting 36.81 acres located 2.2 miles west of Dewitt in Knox County.

The proposed operation is approximately 3.6 miles North from the Junction with Ky. Rt. 25E and Ky. Rt. 233 and located 0.03 miles East of Road Fork Creek. The latitude is 36-52-50 and the longitude is 83-44-43.

The proposed operation is located on the Sealf and Pount, U.S.G.S. 71/2 minute quadrangle maps. The operation will use the combination contour auger method of surface mining. The surface to be disturbed is owned by Doug Bingham.

The application has been filed for public inspection at the Department for Surface Mining Reclamation and Enforcement's Middlesboro Regional Office, address 1804 East Cumberland Ave., Middlesboro, KY 40765. Written comments, objections, or requests for a permit conference must be filed with the Director of the Division of Permits, #2 Hudson Hollow, Frankfort, Kentucky 40601.

The written comment, objection, or request for a permit conference must reference the above permit application number and be received within 30 days of the final weekly advertisement.

53c  
81(c)(7)

**INVITATION TO BID COUNTY SUPPLIES FISCAL YEAR 1999-2000**

Notice is hereby given that the Knox County Fiscal Court will accept bids at the Fiscal Court Meeting of October 26, 1989 at 10 a.m. in

North Big Run Road, Ashland, Kentucky 41102, has applied for renewal of a permit effecting 8.83 surface acres and underlies 1452.28 acres.

The operation is located 1.7 miles southeast of Eros in Knox County. The operation is approximately 1.89 miles southeast from KY 718's junction with Alex Creek Road and located 0.02 miles south of Alex Creek. Beverly U.S.G.S. 7 1/2 minute quadrangle map at latitude 36-54-37, and longitude 83-35-20. The surface area is owned by Crockett Collieries (Kentucky), Inc., James Trosper, Roy Collett and Don and Dottie Mills.

The application has been filed for public inspection at the Department for Surface Mining Reclamation and Enforcement's Middlesboro Regional Office, 1804 East Cumberland Ave., Middlesboro, Kentucky, 40765. Written comments, objections or a request for a permit conference must be filed with the Director, Division of Permits, #2 Hudson Hollow, U.S. 127 South, Frankfort, Kentucky 40601. All comments or objections must be received within fifteen (15) days of today's date.

This is the final advertisement of this application. All comments, objections, and/or requests for a permit conference must be received within 30 days of the date.

61p

**COMMONWEALTH OF KENTUCKY 27TH JUDICIAL DISTRICT KNOX CIRCUIT COURT CIVIL ACTION NO. 98-CF-00974 DIVISION II**

**NATIONAL CITY BANK OF KENTUCKY, PLAINTIFF VS. GALE ELLIOTT, UNKNOWN SPOUSE OF GALE ELLIOTT, CITY OF BARBOURVILLE, AND COMMONWEALTH OF KENTUCKY, COUNTY OF KNOX, DEFENDANTS**

**NOTICE OF SALE**

By virtue of the Judgement and Order of Sale of the Knox Circuit Court, granted on September 14th, 1989 in the above styled matter, for the sum of what it will bring to raise the principal amount of \$40,193.49, together with charges, interest, and costs, I shall proceed to offer for sale at the courthouse door in the City of Barbourville, Knox County, Kentucky to the highest bidder at public auction on Thursday, October 22, 1989, at the hour of 1:00 p.m. or thereabouts, the following described property, to wit:

RECEIVED  
OCT 19 1999

**AFFIDAVIT OF PUBLICATION**

I, Ken E Metz Publisher, Editor of the Bath County News Outlook, paper of general circulation, printed and published at Owingsville, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc. , attached hereto, was published in the Bath County News Outlook on October 14, 1999.

Ken Metz  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 18th day of October, 1999.  
My Commission expires: June 26, 2001.

Margaret C. Metz  
Notary Public





RECEIVED  
OCT 22 1999

**AFFIDAVIT OF PUBLICATION**

I, TERESA Mullins, Editor of the Berea Citizen, paper of general circulation, printed and published at Berea, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc. , attached hereto, was published in the Berea Citizen on October 14, 1999.

*Teresa S. Mullins*

\_\_\_\_\_  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 20<sup>th</sup> day of October, 1999.

My Commission expires: 4/28/2003.

*Heera Burdette*

\_\_\_\_\_  
Notary Public



RECEIVED

OCT 14 1999

**AFFIDAVIT OF PUBLICATION**

I, Genevieve Brannon, Editor of the Bourbon County Citizen, paper of general circulation, printed and published at Paris, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Bourbon County Citizen on October 13, 1999.

Genevieve Brannon  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 13 day of Oct, 1999.  
My Commission expires: Sept. 28, 2000.

Shanda O'Bryan  
Notary Public

# Legals, Classifieds

**NOTICE**  
All courthouse records, including court news, property transfers, marriage licenses, divorces, etc. are public record and open to the public at any time. They are also accessible to the newspaper with no exceptions.

## Court News

From 10-6-99 Docket  
Operating on susp'd license- driving contrary to law, 100, 47.50; speeding 16 MPH over limit, 32 + 1/2 merged, 179.50.  
Operating motor vehicle under influence drugs-1st offense-Eric Michael Brown, 200 F, 200 SF, 90.50=49.50, license taken.  
Operating on susp'd license- Judy A. Vies, 200 F, c/c 68.50, 30 days susp. 12 mos. consecutive; no Ky registration plates 50 + c/c merged; no insurance- 300, c/c merged, 60 days susp. 12 mos.  
No operators license-Janelle M. Smith, amended to no OPS in possession, 25, 68.50= 93.50.  
Possession of marijuana-Andrew Simmerman, 100 + 74.75; drug paraph. use/possess. 1st=30 days susp. 1 yr. merge c/c; resisting arrest- 30, 2 days susp. 1 yr. merge c/c.  
Speed 21 MPH over limit- Chad Hunter, amended to 13 over, 30 + 92.15; operating on susp'd license- 25 + c/c merged-147.15.  
Speeding 10 MPH over limit- Luis E. Parra, 20 + 92.15= 112.15.  
Failure to produce insurance card=Janet L. Allison, 300, 300 balance 200 + 68.50=268.50.  
Disregard TCD 1st offense- Curtis W. Bush, 25 fine; operating on susp'd license- amended to no OPS in possession, 25 fine.  
Improperly on left side of road- George W. Lee, 20 + 68.50; no operators license-amended to no OPS in possession, 25, merge c/c.  
Operating motor vehicle w/influence of Intox-Jeremy C. Keesy, 200 F, 200 SF, 90.50=490.50, 7 days, serve 2 balance probate 2 yrs.  
Speed 20 MPH over limit- Francisco Ishmael Lopez Jeronimo, 40 + 92.15= 132.15.  
Operating motor vehicle, BAC=.10- or 1st-Christina M. Turner, 200 F, 200 SF, 90.50.

**HELP WANTED--Administra-**  
tive assistant full time/ part time. Must be computer literate with good office skills. Absolutely no faxes or walk-ins accepted. Call for appointment 299-6401 ext. 876 or 1-800-947-7166 ext. 876.

## Marriage License

Tami Leigh Turner 22 and Jeffrey Parker Whelan 30.  
Mary Elizabeth Hembree George 21 and Christopher Len Garrison 22.  
Jennifer Lynn Little 23 and Larry Duane Reed, Jr. 25.

## Property Transfers

Wendell Drakeford and Vickie Drakeford to James L. Baber and Mary Jane Baber, property on U.S. Highway 27, tax \$42.00.  
Homeside Lending, Inc. to Michael T. Dempsey, property at 524 Gorey Avenue, tax \$35.00.  
Juanita W. Wells to Gus Thomas Petro, property on Springhill Drive, tax \$98.00.  
Vernon Mullett and Karina Schwartz to Pec M. Mirabito and Jeanne M. Mirabito, property located at

**INVITATION TO BID**  
The City of Paris will receive sealed bids until 11:00 A.M. on Friday, October 22, 1999 for the purchase of Fiber Optic Cable and Related Equipment. Specifications and other related bid documents may be obtained from the undersigned or from Captain Michael Kendall of the Paris Police Department at 525 High Street, Paris, Kentucky, during normal working hours. The City reserves the right to reject any and all bids.  
Robert E. Casher, Jr.  
City Manager

**NOTICE OF HEARING**  
NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m., Eastern Time, October 28, 1999, in the Commission's offices, Hearing Room 1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.

**PARIS INDEPENDENT SCHOOL DISTRICT**  
CHILD FIND NOTICE  
Paris' Independent School District has an opening for a

Little Rock, tax \$7.50.  
James E. Johnson, Jr. and Neal P. Johnson Shelley L. Ogden and Mary Ogden, property at Wyndamore Subdivision, tax \$22.50.  
Lonnice Cope and Wanda Cope to Dion C. Lemieux and Linda R. Lemieux, property on Russel Cave Road, tax \$70.00.  
William Kelly Jones to Timothy W. Sanders and Pauline G. Sanders, property at 117 Winchester Street, tax \$42.50.

## Sheriff's Report

William Reynolds, Jr. 656 Deleplain Rd., 85/55, disregarding stop sign, 10/4/99.  
Robert Snapp, 780 Bethlehem Rd., theft by deception, 7 counts, 10/6/99.  
Anthony Dixon, 325 Leer, Cythonia, theft by Jeception, 10/6/99.  
Billy True, 595 Shawhan Rd., contempt of court, 10/6/99.  
Frances Smith, 220 Grimes Baaton, theft by Jeception, 10/6/99.  
John Florence, 6255 Paris Pike, Georgetown, terroristic threatening, 10/7/99.  
Frances Smith, 220 Grimes Baaton, 2 counts theft by deception, 10/7/99.  
George Doison, 211 Curtis, theft/forgery 10/7/99.  
George Doison, 211 Curtis, fugitive from justice, 10/7/99.  
Wayne Gaunice, Vine St., failure to appear, 10/7/99.  
Lori Reed, 146 Sunset Drive, DUI, 10/7/99.

## LEGAL NOTICE PUBLIC HEARING

There will be a regular meeting of the Paris-Bourbon County Joint Planning Commission on Thursday, October 21, 1999 at 7:00 p.m. in the Bourbon County Courthouse. The following items will be heard:  
1. ALD-99-26 - Agricultural Land Division request by Mary Lou Ellis, for her property located at 150 Stone Road, Bo. Co. Ky., a division of 5.853 acres.  
2. ALD-99-27 - Agricultural Land Division request by Terry J. and Richard A. York for property located at 227 Stoney Point Road, Bo. Co. Ky., property owned by William S. Bradford, Sr., a division of 5.18 acres.  
3. ALD-99-28 - Agricultural Land Division request by Barry Hay for property located on Russel Cave Road, Bo. Co. Ky., property owned by Lawrence and Martha Lambert, a division of 17,037 acres.  
4. ALD-99-29 - Agricultural Land Division request by Gregory and Leigh Ann Patterson for their property located at 3570 Houston Antioch Road, Bo. Co. Ky., a division of 5.602 acres.  
5. ZMA-99-07 - (Public Hearing) - Zoning Map Amendment request by James and Virginia Alexander for their property located at 145 Austerlitz Road, (Clintonville Area) Bo. Co. Ky., Zone Change from A-1 (Agricultural) and R-1 (Residential) to A-2 (Rural/Agricultural Small Community Zone).  
6. ZMA-99-08 - (Public Hearing) - Zoning Map Amendment request by James Schandling for his property located at 138 Austerlitz Road and KY 57 (Thachers Mill Road) (Clintonville Area), Bo. Co. Ky., Zone Change of A-1 (Agricultural) to A-2 (Rural/Agricultural Small Community Zone), property consist of 43.885 acres.  
7. S-99-04 - Preliminary Subdivision/Preliminary Development Plan approval request by Alex Campbell, property located on US 27 and Bethlehem Road, Paris, Ky, Tract #5 and #6.  
8. S-99-05 - Preliminary Plat Approval request by Noble Lee and Bonnie Smith for their property located at the corner of Cypress Street and Spring Hill Drive, Paris, Ky., Approval of 6 lots on 2.695 acres zoned R-3, Subdivision to be known as the Smithfield Estates.  
9. S-99-06 - Development Plan and Preliminary Plat approval request by American Commercial Realty LLC for their property located on the Southeast Corner of the intersection of Cypress Street and Paris By-Pass, Paris, Ky., Approval of 3 lots on 64+ acres. Property zoned B-2.

# Got A Problem?

## Replacement Windows

Shannon Home Center  
Millersburg, Kentucky  
For free estimates, Call  
Ward Shannon Owner  
**484-2089**



RECEIVED  
OCT 19 1999

**AFFIDAVIT OF PUBLICATION**

I, Jim Coy, Editor of the Central Record, paper of general circulation, printed and published at Lancaster, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Central Record on October 14, 1999.

Signature J. Waltrip

**NOTARY PUBLIC**

Subscribed and sworn to before me this 15 day of October, 1999.  
My Commission expires: 2-5-2002.

Quinn W. Black  
Notary Public

**ANNOUNCEMENTS**

**Big Buck Contest**

Winner receives \$200 in Kawasaki Merchandise. Official rules posted in store. Must pre-register to qualify. Check out the Kawasaki Prairie 400 ATV.

**Kawasaki of Richmond**  
505 S. Keeneland Dr.  
Richmond, KY 40475  
606-624-9355

**PETS**

**BEAUTIFUL KITTENS** to good homes, 792-3317 after 5 p.m. (10-7-21)

**REWARD**

**REWARD OFFERED** for return of male Jack Russell Terrier, Brown and white. Lost on Hamon's Lick Road, 792-4051. Also missing female white English Setter. (10-14-11)

**FOR SALE**

**FOR SALE - Men's Carhart Stonewash Denim Jeans - \$25.50.** Nepler Brothers Clothing, 35 Public Square, Lancaster 225-2338. (2-5-11)

**FOR SALE - 100% cotton house dresses by Carolina Maid Barbara Ann's Children and Ladies Wear.** 73 Public Square, Lancaster, Kentucky 792-4473. (5-15-11)

**FOR SALE - Dog food, hunting supplies, lick powder, worm pills, collars with name plates, hunting lights and bulbs.** Wholesale Carpeni, 1256 Stanton Road, Lancaster, Phone 792-6561. (4-16-11)

**FOR SALE - Carhart Insulated Bid Overalls.** Starting at \$39.99. Carhart Coats starting at \$49.99. Carhart Denim Jeans regular or relaxed fit \$26.50. **NAPIER BROTHERS CLOTHING,** 35 Public Square, Lancaster, KY. (1-21-11)

**FOR SALE - one 5,000 BTU air conditioner, one 12,000 BTU air conditioner, 2 full of clothes (one - 1 year old, other 3 years old).** Call 792-6409 after 5 p.m. (10-14-11)

**FOR SALE - Antique oak furniture - high back panel beds, dressers and wash stands.** 546-3809. (10-14-20)

**FOR SALE - Craftsman - deluxe 10 inch flex drive table saw - \$400.00. Jazzy power chair - \$800.00. regular wheel chair - \$150.00.** 792-2307. (10-14-11)

**TOP SOIL FOR SALE**  
792-4980



**COMPUTER OPERATOR**  
**LANCASTER, KY**  
**7:00 A.M. - 3:30 P.M.**  
**(4 - MONTH POSITION)**

Seeking qualified person to operate the AS/400 and process scheduled and/or requested jobs; input data for job processing for various departments; print all donor and prospect mailings; set up and initiate user and system file backups; monitor the quality and accuracy of all print jobs. **QUALIFICATIONS:** High School diploma/GED plus up to 18 months of education/training in a job related field; 2-4 years successful S/38 or AS/400 experience; self-initiative, flexibility; high degree of personal integrity, confidentiality, and professionalism.

If qualified and interested, please respond by 10/20/99 to:

Christian Appalachian Project, Inc.  
Human Resources Department #2252  
322 Crab Orchard Street  
Lancaster, KY 40446

An Equal Opportunity Employer

**Solos and Teams!**

**\*1,200 Mile Average Length of Haul \* 95% No Touch Assigned Recruiters \* Safety Bonus \* Medical in 30 Days**  
1-800-729-9770



**CHARLESTON HEALTH CARE CENTER**

Taking applications for nursing assistants, all skills. Competitive pay. Generous benefits including health, dental, vision and life insurance. Prefer certified individuals but will train those and furnish schooling for those who are not certified. Apply in person at 203 Bruce Court, Danville, KY EOE (7-22-11)

**PART TIME SITTER NEEDED** for elderly couple. Phone 792-4424. (10-7-20)

**WANTED - FULL TIME CUSTODIAN.** Job description may be picked up at Lancaster Baptist Church between 9 a.m. and 4 p.m. Monday - Friday. Send all resumes to: Lancaster Baptist Church, 201 Richmond Street, Lancaster, KY 40444 c/o House & Grounds. All resumes must be received by October 29, 1999. (10-14-11)

**LEXINGTON COMPANY SEEKING** the installation/office operator. Diploma or GED required. Must have valid drivers license be able to drive a standard shift pickup with trailer, lift up to 50 lbs. and

**CNC OPERATOR NEEDED** Lexington Area. Experience with Horizontal and Vertical. Must be able to read Blue Prints and understand G-Code Programming. Apply in person, Nesco Service Company. (10-14-11)

**THE CENTRAL RECORD, OCTOBER 14, 1999 - B - 13**

**NICHOLASVILLE COMPANY** has immediate need for production workers 50-55 hours per week. Excellent benefits. Opportunity for advancement. Lifting 50-60 lbs. Drug screen and physical required. Apply in person, Nesco Service Company, 651 Penitentiary Drive, Suite 120, Lexington, Kentucky (606) 266-1212. Toll Free 1-800-261-1216. (10-14-11)

**GARRARD COUNTY MEMORIAL HOSPITAL & L.T.C.F.** has opening for full-time notice is hereby given that by order of The Garrard District Court, Lancaster, Kentucky in Probate No. 99-P-00106 dated September 23, 1999, Jerry Poynter, 125 Countryside Drive, Lancaster, KY 40444 was appointed Administrator of the Estate of Leslie Poynter.

**LEGAL NOTICE**  
**COMMONWEALTH OF KENTUCKY**  
**GARRARD DISTRICT COURT**  
**PROBATE NO. 99-P-00106**  
**IN RE: ESTATE OF**  
**LESLIE POYNTER, DECEASED**  
Notice is hereby given that by order of The Garrard District Court, Lancaster, Kentucky in Probate No. 99-P-00106 dated September 23, 1999, Jerry Poynter, 125 Countryside Drive, Lancaster, KY 40444 was appointed Administrator of the Estate of Leslie Poynter.

**LEGAL NOTICE**  
**COMMONWEALTH OF KENTUCKY**  
**GARRARD DISTRICT COURT**  
**PROBATE NO. 99-P-00108**  
**IN RE: ESTATE OF**  
**JAMES E. PRESTON, DECEASED**  
Notice is hereby given that by order of The Garrard District Court, Lancaster, Kentucky in Probate No. 99-P-00108 dated September 30, 1999, Dots Rose Preston, 105 Nina Ridge Road, Lancaster, KY 40444 was appointed Executrix of the Estate of James E. Preston.

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**GARRARD DISTRICT COURT**  
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Moss, 13 Public Square, Lancaster, KY 40444 within six months after September 23, 1999.

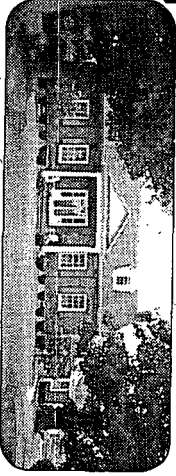
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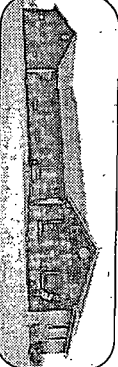
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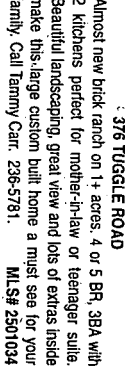
**Poetry Historic Home**



**167 OLD DANVILLE ROAD**  
Perfect for a magazine cover this stunning colonial home on 6+ acres is a must see. You'll love its high ceilings, open & airy feeling. Call Marlene Pruitt 332-8491 for your own personal showing. MLS# 2500913



**376 TUGGLE ROAD**  
Almost new brick ranch on 1+ acres, 4 or 5 BR, 3BA with 2 kitchens perfect for mother-in-law or teenager suite. Beautiful landscaping, great view and lots of extras inside make this large custom built home a must see for your family. Call Tammy Carr. 236-5781. MLS# 2501034



**354 DON MAR DRIVE**  
Private lakefront home with indoor pool, in no wake zone on Herrington Lake. Call Marlene Pruitt 332-8491 for your personal viewing.



**NEW PRICE**

RECEIVED  
OCT 20 1999

**AFFIDAVIT OF PUBLICATION**

I, Guy Hatfield, Editor of the Citizen Voice & Times, paper of general circulation, printed and published at Irvine, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Citizen Voice & Times on October 14, 1999.

Guy Hatfield  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 18<sup>th</sup> day of October, 1999.  
My Commission expires: 10-18-99.

Earline Arwin  
Notary Public

# Classifieds

**B•13**  
 Citizen Voice & Times Thursday, October 14, 1999

**HOMEOWNERS** - Even people with good credit get buried in bills. One call pays them all. Call 888-324-4852, 24 hours/7 days. Low rates; quick fundings.

**NO DOWN PAYMENT?** Problem credit? Own the home you need now, without a big down payment. Complete financing if qualified. DeGeorge Home Alliance 800-343-2884.

**FOR SALE**  
**WOLFF TANNING BEDS** - Tan at home. Buy direct and save! Commercial/home units from \$199. Low monthly payments. Free color catalog. Call today 800-842-1310.

**1985 CHEVY S-10 4x4** - New motor V-6, \$3,500. Located in Frankfort. Call after 5 pm; 502-227-5135 or 502-875-2764.

**NOTHING DOWN** - 300 MHz computer printer and monitor. A-B-C credit ok. Free call 888-245-6912, call now.

**HELP WANTED**  
**DRIVERS** - Over The Road, 35 states. Flat with sides, late model conventionals. 3 years experience. Start .30¢ - .33¢ a mile + benefits. Call 800-444-6648.

**DRIVER** - OTR Covenant

## Why Pay Retail??

Front Doors Are Our Specialty!

Factory Direct Pre-Hung Exterior Door Units At Superior Discounts!

STEEL • FIBERGLASS • MAHOGANY • TEAK

Bring A Truck!!

6 Panel Steel.....	\$75*
9 Lite Steel.....	\$119*
6 Panel Fiberglass.....	\$149*
5' Steel Patio.....	\$275*
3' Oak.....	\$395*

Toll Free 1-877-244-3667

**REGENCY DOOR OUTLET**

Tue - Fri 9:30 a.m. - 6 p.m.  
 7510 Danmore Dr.

**MAWSON & MAWSON, INC.** - Is looking for qualified over the road flatbed company drivers and independent contractors. Weekly settlements-first in/first out-minimal deadhead-monthly bonuses-trailers available. For more information call Jenny at 800-2-MAWSON.

**SOUTHERN INDIANA BASED COMPANY** - Has immediate openings for OTR drivers, produce experience a must. New equipment. Meet DOT requirements. 800-422-9013.

**DRIVERS, TEAMS & SOLOS** - 3 months + school minimum experience drop & hook no touch freight, assigned conv. Freightliners, excellent pay and miles, incredible benefits & miles, miles, miles. Celadon Trucking. 800-729-9770.

**DRIVERS/OTR** - No New York City, No Northeast/Canada, no loading or unloading, no bull. Minimum 23 year with 1 year OTR CDL w/Hazmat. Paschall Truck Lines 800-848-0405.

**DRIVERS** - Nationally known carriers are offering free truck driver training with no contracts & no gimmicks. For more details, call 800-865-7284.

Transport. The one perk everyone deserves 800-441-4394, experienced drivers and owner operators 800-338-6428. For graduate students Bud Meyer Truck Lines Refrigerated Hauling. Call toll free 877-BUD-MEYER 877-283-6393 solo drivers and contractors.

**DRIVERS** - OTR Dry Box/Flatbed. Be home most weekends! Top pay, direct deposit, bonus program, major medical, optical, dental, prescription card, late model equipment, 401K, pension, 90% no-touch, year-round riders. Cardinal Freight Carriers. 800-346-1542. Joe. CDL-A Haz. required. EOE.

**AVERRITT-EXPRESS** - Start at up to 82¢ a mile based on experience. Straight pay, no gimmicks. Top at 35¢ a mile is as little as 24 months. Home weekly. Terrific benefits. Great opportunity! 800-886-4753. EOE.

**BE YOUR OWN BOSS!** - Set your own working hours! Get paid what you're worth! If you like people and are sales oriented, take a look at this. We offer: Training; benefits; no cold calls; high commissions. Call Bob Taylor; 606-299-7656 Monday thru Friday for personal interview.

**FRIENDLY TOY & GIFTS** - Has openings for party demonstrators & managers! Home decor, gifts, toys, Christmas. Earn cash, trips, recognition. Free catalog, information 800-488-4875.

**DRIVER AND OWNER-OPERATORS** - Needed with flatbed experience to run the Southeast. Home weekends.

**NOTICE OF HEARING**  
 NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the

terminal pay, great benefit package. Call Welborn Transport 800-828-6452 ext. SC02.

**COMPUTER/INTERNET** - Landmark Community Newspapers, Inc. is seeking an experienced web site developer/graphic designer. Essential functions include layout/design of on-line products, web programming, integration of newspapers' content with the on-line arena and management of database and programs for various on-line products. Send resume, including compensation history to: Joyce Ford, Landmark Community Newspapers, Inc., P.O. Box 549, Shelbyville, KY 40066. Equal Opportunity Employer.

**PLUMBERS NEEDED** - Lexington and Louisville area. 800-829-6609.

**DRIVERS, NOW HIRING!** - Home every weekend. Company drivers, start 31¢ a mile. (includes .03¢ bonus). Free insurance. Excellent benefits. Owner Operators. 81¢ a mile (includes .01¢ bonus). Paid fuel taxes & tolls. Insurances available. EPES Transport, 800-948-6766.

**AIR TRAFFIC CONTROL TRAINEES** - No experience needed. Paid training for qualified H.S. diploma graduates willing to relocate. Ages 17-34 only. Climb the tower and learn with a leader, 800-284-6289.

**DRIVERS** - Earn \$745 a week. No experience? No problem! C.D.L. training provided, no contract required! Out Kentucky terminals need trainees and experienced teams/singles right now! 800-616-5055.

**HOMEMAKERS** - To \$40,000 a year. Needed all over the United States, caring for nice families and beautiful homes. Private accommodations, fantastic salaries/benefits. No fees. 614-885-4357.

**OUTSIDE COLLECTOR** - For mobile home loans. All expense paid, car, laptop. Training provided. Excellent benefits. \$18,000 annual base plus monthly bonuses. Fax resume to 540-381-4690.

**DRIVER** - Are you tired of long hours or low pay? Company drivers-Roehl can get you

home 2; out 10, home 3. Average 1997 wage was \$43,857. OJT training/Owner operator .81¢/82¢ all miles, excellent insurance solo or team. 95% no touch. 48/53 van or flatbed. Talk to our drivers! 800-467-6345. www.roehl.net

**MAKE A DIFFERENCE** - Unique and rewarding opportunities for houseparents/caregivers for private, residential school for mentally-challenged children and adults. Full-time and part-time positions. Ideal full-time candidate would live on the beautiful 850 acre campus located in Frankfort, Kentucky 23 consecutive days and be off 5 days. Part-time opportunities for 4 days-20 days per month. Schedules can be somewhat flexible. Experience in healthcare is helpful, but not required. Excellent benefit package with extras, including housing, meals and use of school facilities. For more information, please call: Machele Tackett, Stewart Home School, "Special Care for Special People!" 502-227-4821 EOE.

**If you do not receive your Money Mailer on Sunday or if you receive it before 6 p.m. on Saturday please call**

Sun. & Mon.: Closed Jim Callahan - Owner/Manager

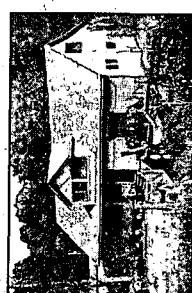
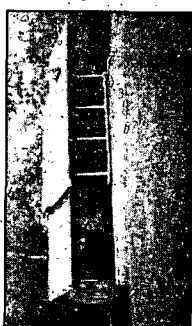
## NOW HIRING

Well established Clark County company now hiring for first and second shift. We have been in Clark County for 35 years and we are currently recruiting for long term, full time employment. Must be able to work 40 hrs. a week plus overtime (if needed). Good attendance incentives, and group health insurance after 60 days. If you are interested in joining a company that has supported the people of Clark county for more than a quarter of a century, apply today at Quality Mfg. Co. 5855 Rockwell Rd. Winchester, or the Dept. of Employment Services in Winchester. EOE

Company, INC. for an assignment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m. Eastern Time, October 28, 1999, in the Commission's offices, Hearing Room-1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.

**REDUCED TO \$225,000!!**  
**GREAT BUSINESS OPPORTUNITY!**  
**OWNER MAY HELP WITH FINANCING!**

**PRIME COMMERCIAL PROPERTY** on River Dr., in Irvine. **GREAT INCOME PRODUCER.** Consists of 7 separate office and business units on street level with potentially other business units in the basement with entrance from the back. In Addition you will get the building that is now leased as the TWINKLE TUB LAUNDRY/MAT, plus a building with 7 storage spaces. **OWNERS HAVE RETIRED AND HAVE MOVED OUT OF STATE. CALL FOR DETAILS AND AN APPOINTMENT TO SEE. Produces almost \$50,000 in annual rental income! Only \$245,000.**



**LEE COUNTY.** "Only 15 miles from Irvine." Beautiful 3 bedroom home with fireplace and 2 car garage on a beautiful 5 acres. Also has a small barn and a log outbuilding. **CALL FOR MORE INFORMATION.** and have a real nice home.



**Real nice 14'x70' mobile home with central heat/air on a nice lot in the country. Great starter home for only \$22,500.**

**FOR RENT - COMMERCIAL PROPERTY (ONES BUILDING ON RIVER DRIVE).** Suitable for office or small business. Call for more details.

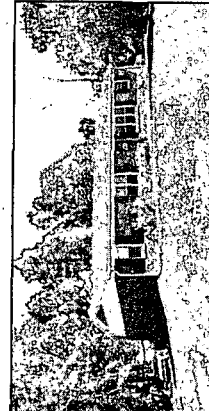
**5 ACRES.** Good place to build or would make a good tract of land to put a mobile home on. Won't last long. Only \$18,000. Call for more details.

# 723-5161, ext. 26. You must give your address.

40 acres + or - off Super Hollow Rd. (So. line). On top of a hill but mostly level with a great view. Only \$32,000. **CALL FOR MORE DETAILS**



**OUT IN THE COUNTRY NEAR RAVENNA.** A super nice 2 bedroom, 2 bath 14'x68' Norris Mobile Home (on a poured concrete foundation). This home is "the top of the line" and is in top notch condition. This home comes with a Trane heat pump, range, refrigerator, dish washer, washer and dryer. You will also get a real nice 3 car garage that is well insulated. All of this and more on almost an acre. Note: This home has had an extra build up roof installed and heating and cooling bills are extremely low. Call for more information.



**NEW LISTING!** Great location in Sand Hill area. Real nice 3 bedroom, 2 bath home with central heat and air (heat pump) and fireplace on an acre lot. Special financing available. Call for more details. Real nice 3 bedroom brick home with family room. This home comes with plenty of outside storage and one building could be converted into a guest house. You can get almost immediate possession. Special financing available and priced at only \$39,900.



**RAVENNA.** If you have been looking for a real nice home in town (in great neighborhood) and is real roomy and is priced right, then you need to look at this 4 bedroom, 2 bath home with separate central heat/air for upstairs and down. Call for more details. Can get immediate possession. **ONLY \$68,000!**



**RON NEWLIN REALTY CO.**  
*Ron Newlin, Real Estate Broker*  
"SELLING ESTABLISHED COUNTY BY THE YARD" FOR OVER 20 YEARS  
124 S. Court St., Irvine • 723-4684 (office) or 723-4300 (home)

## LISTINGS

**BEGIS ROAD.** 4 bedroom, 1 bath, two story home and lot, combination brick/vinyl with fireplace, city water, ceiling fans and electric heat. 12x16 storage building. Make offer.

**BEGIS ROAD.** 3 bedroom, 2 bath, large family room. 10x20 sunroom, central heat/air, ceiling fans, super nice entertainment center, fireplace, spacious kitchen and covered patio. Blacktop drive, 16x30 storage building, KU electric. Super nice! Owner will consider offers. **REDUCED TO \$68,500.**

**4.BEDROOM.** 1 bath, central air, gas heat, siding, carport, front & back porches, nice level lot with shade trees, also 12x28 building with electricity. Close to school and grocery store. \$53,900. Broker/Owner.

**125 ACRES +/- ON WINCHESTER ROAD - CALLOWAYS CREEK.** 4 1/2 miles from courthouse. No improvements. 30 acres in grass. Remaining acreage in timber. \$115,000.

**EQUIPMENT**  
1070 Case Tractor Diesel - \$5,000 - 668 IH Diesel - \$6,750  
12 ft. Stock Trailer - \$2,450 - 30 ft. Feather Light Goose Neck - \$9,850

**Listings needed. We have buyers for your property. Call Now! Complete Auction Service available. Farms, Residential, Commercial, Household, Farm Equipment.**

**NOLAND REAL ESTATE**  
606-723-4977 (NIGHTS) • 606-723-3362  
Bruce Fields, Auctioneer • Larry McIntosh, Auctioneer

# CLAY CITY TIMES

Guy Hatfield, PUBLISHER

## AFFIDAVIT OF PUBLICATION

I hereby certify that I am the Publisher of CLAY CITY TIMES, the newspaper published in the County of Powell, Kentucky (hereinafter referred to as the "publication area") which has the largest bona fide circulation in said publication area of any newspaper published therein.

I further certify that there is attached hereto a true copy of the Legal Display Advertising  
of DELTA NATURAL GAS COMPANY

which was published in said newspaper in its regular issue for the 14<sup>TH</sup> day of OCTOBER 1999.

I further certify that said newspaper maintains a known office in the publication area for the purpose of gathering news and soliciting advertisements and other general business of newspaper publication and has a second-class mailing permit issued for that office. I further certify that said newspaper is published regularly as frequently as once a week for at least fifty weeks during the calendar year, as prescribed by its mailing permit, and it has been so published in the publication area for the immediately preceding one-year period prior to the date of publication hereinbefore referred to.

I further certify that said newspaper is circulated generally in the publication area, maintains a definite price or consideration not less than fifty percent of its published price and is paid for by not less than fifty percent of those to whom distribution is made. I further certify that said newspaper bears a title or name, consists of not less than four pages without a cover, is of a type to which the general public resorts for passing events of a political, religious, commercial or social nature for current happenings, announcements, miscellaneous reading matter, advertisements and other notices and that the news content of said newspaper is at least twenty-five percent of the total column space in more than one-half of the issues during any 12-month period.

I further certify that all of the foregoing facts were true on the date of the publication hereinbefore referred to.

Dates this 15<sup>TH</sup> day of OCTOBER, 1999.

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My commission expires 10-18-99.

Earlene Arvin

Notary Public, Ky.

# CLASSIFIED

property, great for development, not suitable for livestock. \$68,000. 5 miles west of Mountain Parkway on KY 82. Bank financing available. 663-1110.

**3 BEDROOM** House, Brick, Carport - large storage, completely remodeled, new furnace & AC at 167 Boone St. High 50's. Call 663-5151.

**LOT FOR sale**, Located at Cave Run Lake, at Leatherwood. Call 606-663-4837 after 7 p.m. or leave number will return call.

**1,400 SQUARE** foot home, 50 acres of land, 4 bedroom with full basement, barn with tobacco base. Seven miles from Campion. 668-3440.

**3 BEDROOM** at 639 W. College Ave., Stanton, Brick, large living Room, Kitchen/Dining Room, Utility Room, Hardwood Floors, Central air, carport, on large lot, call 497-9949 after 5 p.m.

**LOT FOR sale** at Beechfork Golf Estates. 3/4 acre \$20,000 or best offer. Days 663-0697. Nights 663-2035.

**OPEN HOUSE**  
Sunday, Oct. 17, 1999  
1954 Cat Creek Rd.  
Stanton, KY  
Coldwell Banker McManhan

**McClanahan Eye Care**

1462 W. Lex Ave. • Winchester  
737-5599  
M-F 8:30 - 5:00  
Sat. by appointment

**NOTICE OF HEARING**  
NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m., Eastern Time, October 28, 1999 in the Commission's offices, Hearing Room 1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.

Host: Paul Baber  
4 Bedroom Brick Ranch With Sun Room & Deck, 1988 Sq. Ft. On 1/2 Acres with Good Road Frontage.

**HOUSE FOR sale** by owner. 2 Bedroom, 1/2 acre, fenced yard, off Beechfork. Leave message on machine. 663-0538.

**BEAUTIFUL 4 BEDROOM**, brick, Ranch on 1 acre with fenced in yard, Sunroom, screened in porch, deck, water purification system, city water. 1-888-744-4894.

**HOUSE FOR sale** by owner. Brick, 3 BR, 1 BA, LR, large kitchen with refrigerator and stove, utility room & carport. GFA heat with a/c, situated on large lot. Price Reduced. Call 464-9647.

**WEDDING PHOTOGRAPHY**  
Quality photos at affordable prices. No costly reprints because you own the negatives and proofs. Phone 606-723-9719 or 606-741-8507 to leave a message.

**RICMOND ROAD**  
Paving & Sealing  
Notice of Public Hearing  
A public hearing will be held on Tuesday, October 19, 1999 at 7:30 p.m. for proposed zone change on Alma Trent Property on 515 Furmace Road from an R-1 Residential Low-Density to B-3 Business Highway

**NOTICE**  
A mandatory pre-bid conference is scheduled for October 26, 1999 at 2:00 p.m. in the office of the Powell County Judge Executive, Room 102, Powell County Courthouse, 525 Washington Street, Stanton, Kentucky.

The proposed project consist of construction of a bridge located on the Hill Hill Road, 1.1 miles south of the Jct. of KY 1639. The proposed bridge is 16' wide and 20' long.  
Plans and specifications shall be presented at conference.  
Pre-qualification requirements apply to this project as set forth by the Kentucky Transportation Cabinet, Office of Contract Procurement.

**PEOPLES EXCHANGE BANK STANTON, KY**  
WE SOLICIT YOUR SEALED BID ON THE FOLLOWING CHATTEL:  
YEAR: 1995  
MAKE: PONTIAC  
SERIAL NO.: 1G2NE15D9SM513602  
TYPE OF VEHICLE: GRAND AM

Peoples Exchange Bank makes no representation as to the mechanical or physical condition of the above vehicle. Title to be made upon receipt of the best and highest bid. Peoples Exchange Bank further reserves the right to reject any and all bids. Successful bidder agrees to hold Peoples Exchange Bank harmless upon assuming control of the vehicle and after title has been made. Notification will be given to the highest bidder, and successful bidder will be responsible to remove the chattel from our premises within a 12-hour period.  
**DEADLINE TO TURN IN BIDS:**  
**THURSDAY, OCTOBER 21, 1999,**  
**12:00 NOON**

Call Gainus Rogers for all your paving needs. Free estimate call 723-5929 or 723-1218.

**TRUCKS**  
FORD F-150 Pickup, 4 WD, Rough body, 743-4189 days. 743-1931 evenings.

**FORD DUALY** F350, 460 engine, 4 speed, only 37,000 miles, one owner, excellent condition, loaded with extras. \$11,500. Winchester 842-4761.

**WANSWICKS**  
FOR WRECKER & storage. GMC Van, Serial # 1GDG325H2E7515636, Vandura 2500 series. 663-9411.

**PIANO LESSONS** - Beginner & advanced. Any age welcome WEDDINGS, singings or other music events, call Sandy Fugate 663-8261 or 663-9512. Gospel tapes available.

**HATE TO IRON?** Let me do it for you. By the piece or basket. Call 663-2585.

**YARD SALE**  
YARD SALE!! October 14th & 15th, 9 a.m. to 4 p.m. Rt. 82 Farm across from Salem Baptist Church, 2nd house on farm lane. Multi-Family Sale - Household items, Word Processor, Women's, Children & Men's clothing (all sizes from small to large). Something for everyone! Rain date to be announced, later. NO, EARLY BIRDS!!!

**STATEWIDES BUILDINGS**  
STEEL BUILDINGS SALE:  
5,000+ sizes. 40x60x14, \$8,335; 50x75x14, \$10,667; 50x100x16, \$14,333; 60x100x16, \$16,293. Mini-storage buildings, 40x180, 36 units, \$18,175. Free brochures. www.sentinelbuildings.com

Sentinel Buildings, 800-327-0790, extension 79.

**BUSINESS OPPORTUNITIES**  
BE YOUR OWN BOSS - Own your own business working with healthcare providers. \$2,500 part-time, \$8,000 a month full-time. Purchase of software \$3,500. Call 800-292-4877.

**AVON PRODUCTS** Start a home-based business. Work flexible hours. Enjoy unlimited earnings. Call toll free 888-561-AVON

**FINANCIAL**  
"CASH" - Immediate \$\$ for structured settlements and deferred insurance claims. J.G. Wentworth 888-231-5375.

**HOME EQUITY LOANS**  
Debt consolidation  
1027 9am-9pm  
Debt consolidation  
programs available. Bad credit OK. No advance fees! Free consultation. Non-profit. Lower payments. AmeriDebt.

Debt consolidation; 12% equity loans; single-double wide with land OK; pay off land contracts. Bankruptcies, slow credit OK! Apply by phone! Black Diamond Mortgage, 868-395-1115.

**REFINANCE FAST** - Easy & over-the-phone. Need a second chance? Credit problems? OK! Bankruptcy? OK! Foreclosures? OK! Starting under 7%-APR. 8.973 www.platinumcapital.com

**BILL PROBLEMS?** - 800-408-0044 ext. 1027 9am-9pm 7 days. Debt consolidation loans/programs available. Bad credit OK. No advance fees! Free consultation. Non-profit. Lower payments. AmeriDebt.

**HOMEOWNERS!** Debt consol-

**To The Voters of Clay City Precinct #9**  
You will be voting in the Community Building across the street from the old fire house.

**Election School for Precinct Officers**  
There will be Election School for Precinct Officers on October 20th at 5:30 p.m. in the Courtroom.

**Voting Machine Inspection**  
Voting machines will be inspected by Election Board on Monday, October 18th at 3:00 p.m.

**Absentee Voting**  
Absentee Voting in the County Clerk's Office will begin on Tuesday, October 19th for those who will be out of the county on Election Day

RECEIVED

OCT 26 1999

**AFFIDAVIT OF PUBLICATION**

I, Guy Hatfield, Editor of the Flemingsburg Gazette, paper of general circulation, printed and published at Flemingsburg, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Flemingsburg Gazette on October 13, 1999.

Guy Hatfield  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 22<sup>nd</sup> day of October, 1999.  
My Commission expires: 01/21/2003.

Shonda Ford  
Notary Public



**Need An Ad?**  
Call  
**845-9211**

**WILL BUY**  
Antiques, Old  
Coins or  
Estates  
**Will Pay Cash**  
Call 845-4721

**Lytle Auctions**  
& Real Estate  
**Terry O. Lytle**  
Broker-Auctioneer  
**845-3110**

**Gene's Appliance**  
Center  
Parts Available for  
Major Brands  
Major Appliance Repair  
Factory Authorized Service on  
GE & Whirlpool Products  
IN-HOME SERVICE AVAILABLE  
28 W. 2nd St., Maysville  
564-4204

**FURNITURE**  
BOTH NEW & USED  
APPLIANCES,  
WASHERS & DRYERS,  
CENTRAL AIR  
All kinds of PARTS for your  
Mobile-Home. Also, Wheels,  
Tires & Axles for making your  
own trailer or wagon.

See Us First at  
**DOYLE MOBILE**  
**HOMES, INC.**  
Flemingsburg 845-8601

**DAVE'S**  
**CHEVRON**  
SERVICE  
•FULL & SELF  
•GAS & DIESEL  
•COMPLETE SERVICE  
& MINOR REPAIRS  
Open: Mon.-Sat. 7 a.m.-8 p.m.  
Sun. 9 a.m.-4 p.m.  
845-6261  
405 W. Water, Flemingsburg

**Emery's Garage &**  
**Transmission**  
**Repair**  
Mt. Sterling Ave.  
(Next to the Flemingsburg Gazette)  
**Auto Repair Service**  
Tune-Ups, Brakes, A/C  
Hrs: 8 a.m.-5 p.m. Mon-Fri; Sat 8-12  
Phone: **849-4983**

**Fizer Carpet**  
270 East Water St.  
Flemingsburg, KY 41041  
**606-845-9771**  
Free Estimates  
Large Selection  
Barbara & Gerald Fizer, owners

**For All Your**  
**Auction & Real**  
**Estate Needs, Call**  
**Bill Kachler**  
**606-763-6140**  
**or 763-6211**

**Poured Walls, Inc.**  
Offers solid concrete  
basements, cisterns,  
retaining walls  
manure pits, bunker silos  
and other concrete work.  
**FREE ESTIMATES**  
**606-849-2661**  
**KEITH HARMON, Owner**

Call For A Quote Today  
Rt. 3 Hwy. 11, Flemingsburg, KY 41041  
Andrew E. Mitchell, Agent  
(606) 849-1908 Fax: (606) 845-1108

**By-Pass**  
INSURANCE  
**AGENCY**  
**1-888-332-3831**

**COMMONWEALTH OF KENTUCKY**  
**FLEMING CIRCUIT COURT**  
**CIVIL ACTION NO. 99-CI-00065**

**PLAINTIFF**  
**DEFENDANTS**

**NOTICE OF SALE**

**FIRSTSTAR BANK, NA**  
**KATIE E. MAINS**

By virtue of a Judgment and Order of Sale of the Fleming Circuit Court, dated October 8, 1999, in the above action, I shall proceed to offer for sale, at public auction on the premises on the Morehead Road, Ky. Highway #32 in Fleming County, Kentucky House and Lot on the Morehead Road, Ky. Highway #32 in Fleming County, Kentucky

**FRIDAY, October 29, 1999**  
**at 11:00 A.M., EST**

Said lot is described as being near Blue Bank, Fleming County, Kentucky. Beginning in the center of Kentucky Highway No. 32 and corner to Darrell Reeves; corner, thence out the road N 83 deg. 85 feet; thence leaving the road with a 20 foot passway S 14 1/2 deg. W 146 feet to a stake; thence N 74 deg. W 85 feet to a stake in Reeves' line; thence with same N 14 1/2 deg. E 135 feet to the beginning. Being the same property conveyed to Katie E. Mains, by deed from Donna Copher, single, dated May 30, 1997 and of record in Deed Book 189, Page 504, Fleming County Clerk's Office. Said property is being sold in order to satisfy the judgment lien of the plaintiff in the amount of \$35,078.99 plus accrued late penalties of \$10.76 per month beginning with December 1, 1998 and interest accruing thereon at 8.5% per annum from December 1, 1998 until paid. 1998 real estate taxes to be paid from the proceeds of the sale and purchaser to pay the 1999 taxes. Purchaser shall pay Ten (10%) Per Cent of the purchase price on day of sale and execute a sale bond with approved surety thereon due and payable Thirty (30) days from date of sale with interest at the rate of 12% per annum from date of sale until paid for the balance of the purchase price; however, purchaser shall have the privilege of paying all of the purchase price in cash at the time of the sale or paying said bond before maturity by paying the principal amount thereof together with all interest accrued thereon until the date of said payment. The Sale Bond shall have the full force and effect of a Judgment and shall remain and be a first lien on the property until fully paid. Possession can be given upon satisfaction of the sale purchase price and delivery of the deed.

**MARVIN W. SUIT**  
**MASTER COMMISSIONER OF THE**  
**FLEMING CIRCUIT COURT**

Hon. Settimous Taylor  
Attorney for the Plaintiff  
3211B Frederica Street  
Owensboro, KY 42301

**NOTICE OF HEARING**  
NOTICE is hereby given that the Commission of Public Service of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m. Eastern Time, October 28, 1999, in the Commission's offices, Hearing Room 1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.

**NOTICE OF HEARING**  
NOTICE is hereby given that the Commission of Public Service of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m. Eastern Time, October 28, 1999, in the Commission's offices, Hearing Room 1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.

**Federal State**  
**Market News**  
Cattle receipts totaled 511 Monday, October 4, 1999 at the Flemingsburg, Ky. Total receipts for the week: 1085. (Compared to last week) Slaughter cows and bulls steady, feeder steers and heifers steady to 1.00 higher.  
**SLAUGHTER COWS:**  
Boners 80-85¢ lean 1080-1460 lbs. 94.00-37.00, Lean 85-90% lean 885-1020 lbs. 30.00-34.00, Lean 85-90% lean 795-1050 lbs. 24.50-30.00.  
**SLAUGHTER BULLS:**  
yield grade 1-2 1285-1745 lbs. indicating 78-80 carcass boning percent 42.00-44.00, yield grade 2 1210-1500 lbs. indicating 75-78 percent 32.00-39.75.  
**FEEDER STEERS:** medium & large frame #1 300-400 lbs. 91.00-102.00, 400-500 lbs. 85.50-94.00, 500-600 lbs. 79.50-87.50, includes 5 head Lamousin 543 lbs. 87.50, 600-700 lbs. 75.00-82.50, 750-810 lbs. 73.50-78.00, includes 19 head Charolais cross 755 lbs. 78.00, small frame #1 300-400 lbs. 84.00-88.00, 400-500 lbs. 77.00-84.00, 500-600 lbs. 72.50-78.00, medium & large frame #2 300-500 lbs. 75.00-85.00, 500-600 lbs. 72.00-78.00, large frame #2 (Holsteins) 400-500 lbs. 62.00-65.50, includes: 11 head 427 lbs. 65.50, few 545-750 lbs. 57.50-60.00, medium & large frame #1 (bull calves): 300-400 lbs. 89.00-100.00, 400-500 lbs. 77.50-90.00, 500-600 lbs. 70.00-84.00.  
**FEEDER HEIFERS:** medium & large frame #1 300-400 lbs. 78.50-83.50, 400-500 lbs. 75.00-82.75, 500-600 lbs. 68.75-75.75, 600-700 lbs. 68.00-72.00, 11 head Charolais cross 817 lbs. 66.00, small frame #1 300-400 lbs. 75.00-79.00, 400-500 lbs. 72.00-76.00, 500-600 lbs. 68.00-72.00, medium & large frame #2 300-500 lbs. 70.00-79.00, 500-650 lbs. 62.00-72.00.

**Hours:** Tues.-Sat. 8-5;  
Sun. & Mon. 1-5  
Phone: (606) 849-2881

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OCT 26 1999

**AFFIDAVIT OF PUBLICATION**

I, George Ferrell, Editor of the Jackson County Sun, paper of general circulation, printed and published at McKee, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Jackson County Sun on October 14, 1999.

George E. Ferrell  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 25<sup>th</sup> day of October, 1999.

My Commission expires: 7/10/2000.

Sammy E. Sikes  
Notary Public

**INSURANCE**  
 Press Operators  
 Automated Weld Machine Oper.  
 Loaders/Unloaders  
 Full-time Opportunities  
 Contact our recruiter at 606-624-3111  
 10/21

Local Hotel in Richmond is now hiring for housekeepers, Medical, Dental, vision, holiday and vacation pay available. For immediate interview contact FFI at 606-624-3111  
 10/21

Will Train I Blue Grass Plating is now hiring for machine operators, maintenance, loaders and unloaders. 1st, 2nd, and 3rd shift openings. Benefits available include: Medical, dental, prescription, profit sharing, holiday and vacation pay. To schedule an interview, please call 606-624-3111  
 10/21

Now Hiring! Food servers needed in the Richmond area. Will Train 1st and 2nd shifts available. For immediate interview contact FFI at 606-624-3111  
 10/21

Help Wanted: Hair Stylist apply in person at Donna's Cut and Curl in Annville, Ky or call 364-2426  
 10/14

Now Hiring: Colters Diamond Center is now accepting Resumes for employment. Both full and part-time for McKee and Manchester Stores. Send complete Resume to: Colters Diamond Center Suite 17 Box 17 Manchester Square Shopping Ct. Manchester Ky 40962  
 ATTENTION: John Colter, President  
 10/28

**LEGALS**

**NOTICE** is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m., Eastern Time, October 28, 1999, in the Commission's offices, Hearing Room 1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.

**Quality Workmanship**  
 Free Estimates  
 David Dean, Owner  
 364-2012  
 287-8926  
 364-3912  
 Will return all calls

**Gabbards Rollback & Wrecker Service and Used Auto Parts**  
 We buy cans - \$0.29/lb, or car bodies, aluminum wheels - \$0.32/lb.  
 Phone: (606) 287-4286 or (606) 438-4278.

**Don't miss out on the bargains. The CLASSIFIEDS have what you're looking for.**

Notice is hereby given that Geraldine Wilson has been appointed Executrix of the Estate of Opha Rader by the Jackson County District Court. All persons having claims against the Estate of Opha Rader are requested to present same, verified according to law, to said Executrix within six months from 9-13-99. All persons indebted to said Estate are notified to pay said indebtedness to the Executrix.  
 Attorney: Carl G. Cunnigan.

Notice is hereby given that Roxanne Coffey has been appointed Executrix of the Estate of Bobbie Cleo Spurlock by the Jackson County District Court. All persons having claims against the Estate of Bobbie Cleo Spurlock are requested to present same, verified according to law, to said Executrix within six months from 9-13-99. All persons indebted to said estate are notified to pay said indebtedness to the Executrix.  
 Attorney: Carl G. Cunnigan.

**WHY RENT WHEN YOU CAN OWN A NEW FLEETWOOD FOR \$19,995!**  
 16x80 3 bdrm 2 bath, w/ess than \$218 mo. The Affordable Housing Mart (606) 878-0013 or (800) 755-5361  
 10/28

**NOW ARRIVING!! NEW 2000 MODEL DOUBLE WIDES!!**  
 Check Us Out!! The Affordable Housing Mart (606) 878-0013 or (800) 755-5361  
 10/28

**USED HOME BLOWOUT SALE!!**  
 Overstocked Used Homes Priced to Sell. Call Charlie at The Affordable Housing Mart, London, (606) 878-0013 or (800) 755-5361  
 10/28

**SPECIAL FINANCING, EASY APPROVALS!!**  
 Plus we have Land and Home Financing Available! Call Jerry (606) 878-0013 or (800) 755-5361  
 10/28

**LEGALS**

Jackson County Bank v/s Notice of Commissioner Sale James Walker, Judd and Jackson County Bank, Defendants  
 Plaintiff

By virtue of the Judgment and Order of Sale of the Jackson Circuit Court, granted on the 6th day of August, 1999, in the above styled action, and for the sum of what it will bring, I shall proceed to offer for sale at the courthouse door, in the City of McKee, Jackson County, Kentucky, to the highest bidder at public auction on Friday, the 22nd day of October, 1999, at the hour of 10:00 o'clock a.m. or thereabouts, the following described property, to wit: a certain tract or parcel of land lying and being in Jackson County, Kentucky, and which is more particularly described as follows:  
 Beginning at O.T. Bond's line with the state Highway 421 running a southerly course 115 feet to a stone marker; thence east 140 feet back to O.T. Bond's line; thence with O.T. Bond line back to the beginning.  
 The sale shall include all fixtures, equipment located on the property.  
 Being all the land conveyed to James Walker, Judd, by deed dated March 26, 1998, and of record in Deed Book 150 at page 524, the records of Jackson County Clerk's Office, this property will be sold for cash, or twenty (20%) percent down, with sixty (60) days to pay the balance at the option of the purchaser. Unless the purchaser so elects to pay cash, the purchaser of the property so sold shall give bond for the purchase price with good surety approved by the Master Commissioner in making the sale, which bond shall be payable to the Master Commissioner, and shall bear interest at the rate of twelve (12%) percent per annum from the date thereof until paid. The bond shall have the full force and effect of the Judgment and should execution be issued thereon, no reply shall be allowed.  
 A lien shall exist and be retained by the Master Commissioner on the property sold under this Judgment as security for the purchase money.  
 This property is being sold to raise the sum of \$134,748.19, plus court costs and attorneys fees to be set by the Court, and interest on the debt of 12% per annum from the date of the Judgment until paid, which the Plaintiff hath been granted judgment against the Defendants, in the Judgment and Order mentioned above in this action, and the costs thereof.  
 This the 4th day of October, 1999.  
 Carl G. Cunnagin, Master Comm.  
 Jackson County Circuit Court

**Certificate**  
 The undersigned hereby certifies that a true and correct copy of the above Notice of Commissioner Sale was served this the 4th day of October, 1999, by mailing a true copy thereof to: James Walker, Judd, P.O. Box 116, Gray Hawk, Kentucky 40434  
 George T. Hays, P.O. Box 748, McKee, Kentucky 40447  
 Hon. Allen B. Roberts, P.O. Box 277, McKee, Kentucky 40447  
 Carl Cunnagin Master Commissioner.

10/21

**WHY RENT WHEN YOU CAN OWN YOUR OWN HOME.** call for details 1-800-265-6633

**NATIONS LARGEST FALL FEVER CLOSE-OUT SALE.** ALL 1999's MUST GO NEW 2000 MODELS ARRIVING DAILY. PAYMENTS AS LOW AS \$199.00 PER MONTH, ONLY \$499.00 DOWN  
 606-623-1121  
 10/21

**WOW!** 16x80 3 br/2 bath \$19,997.00 Delivered and set  
 CALL 1-800-320-0670  
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**HUGE 5 bdrm/3 bath, OVER 2,000 sq. ft. \$359/perm month** | Call for details, 1-800-320-0670

**NEW DOUBLEWIDE** Large kitchen and living room ONLY \$237/perm month  
 Call 1-800-320-0670

**NEW HOME ON 1 ACRE** Ready to move in, only \$379/perm month!  
 Call 1-800-320-0670

10/21

**Slightly Damaged 16x80** Save Thousands CALL RAY at 606-878-7396

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**1st Time Buyer Program** easy to Qualify. 606-878-9660

**NEW VINYL SIDE, SHINGLE ROOF** singlewides starting at \$159.00  
 CALL FRANK 606-878-7396

**4 Bedroom Double wide** must see it no other like it. CALL JOE at 606-878-7396  
 10/21

10/14

**WHY RENT WHEN YOU CAN OWN A NEW FLEETWOOD FOR \$19,995!**  
 16x80 3 bdrm 2 bath, w/ess than \$218 mo. The Affordable Housing Mart (606) 878-0013 or (800) 755-5361  
 10/28

**NOW ARRIVING!! NEW 2000 MODEL DOUBLE WIDES!!**  
 Check Us Out!! The Affordable Housing Mart (606) 878-0013 or (800) 755-5361  
 10/28

**USED HOME BLOWOUT SALE!!**  
 Overstocked Used Homes Priced to Sell. Call Charlie at The Affordable Housing Mart, London, (606) 878-0013 or (800) 755-5361  
 10/28

**SPECIAL FINANCING, EASY APPROVALS!!**  
 Plus we have Land and Home Financing Available! Call Jerry (606) 878-0013 or (800) 755-5361  
 10/28

**LEGALS**

Jackson County Bank v/s Notice of Commissioner Sale James Walker, Judd and Jackson County Bank, Defendants  
 Plaintiff

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 Beginning at O.T. Bond's line with the state Highway 421 running a southerly course 115 feet to a stone marker; thence east 140 feet back to O.T. Bond's line; thence with O.T. Bond line back to the beginning.  
 The sale shall include all fixtures, equipment located on the property.  
 Being all the land conveyed to James Walker, Judd, by deed dated March 26, 1998, and of record in Deed Book 150 at page 524, the records of Jackson County Clerk's Office, this property will be sold for cash, or twenty (20%) percent down, with sixty (60) days to pay the balance at the option of the purchaser. Unless the purchaser so elects to pay cash, the purchaser of the property so sold shall give bond for the purchase price with good surety approved by the Master Commissioner in making the sale, which bond shall be payable to the Master Commissioner, and shall bear interest at the rate of twelve (12%) percent per annum from the date thereof until paid. The bond shall have the full force and effect of the Judgment and should execution be issued thereon, no reply shall be allowed.  
 A lien shall exist and be retained by the Master Commissioner on the property sold under this Judgment as security for the purchase money.  
 This property is being sold to raise the sum of \$134,748.19, plus court costs and attorneys fees to be set by the Court, and interest on the debt of 12% per annum from the date of the Judgment until paid, which the Plaintiff hath been granted judgment against the Defendants, in the Judgment and Order mentioned above in this action, and the costs thereof.  
 This the 4th day of October, 1999.  
 Carl G. Cunnagin, Master Comm.  
 Jackson County Circuit Court

**Certificate**  
 The undersigned hereby certifies that a true and correct copy of the above Notice of Commissioner Sale was served this the 4th day of October, 1999, by mailing a true copy thereof to: James Walker, Judd, P.O. Box 116, Gray Hawk, Kentucky 40434  
 George T. Hays, P.O. Box 748, McKee, Kentucky 40447  
 Hon. Allen B. Roberts, P.O. Box 277, McKee, Kentucky 40447  
 Carl Cunnagin Master Commissioner.

RECEIVED  
OCT 20 1999

**AFFIDAVIT OF PUBLICATION**

I, Randy Patrick, Editor of the Jessamine Journal, paper of general circulation, printed and published at Nicholasville, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Jessamine Journal on October 14, 1999.

Randy Patrick  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 18<sup>th</sup> day of October, 1999.  
My Commission expires: 1-21-03.

Ann E. Edwards  
Notary Public



RECEIVED

OCT 18 1999

**AFFIDAVIT OF PUBLICATION**

1. James Mulcahy, Editor of the Ledger Independent, paper of general circulation, printed and published at Maysville, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Ledger Independent on October 14, 1999.

Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 14<sup>th</sup> day of October, 1999.

My Commission expires: May 23, 2000.

Pete Kinder  
Notary Public

# You'll Go Ape... over classifieds!



in

## The Ledger-Independent

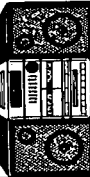
### IT PAYS TO READ

The Ledger-Independent  
Classifieds

Everything From  
Stereos to Sports Cars

There's no limit to the volume of deals in our classifieds. Buy, sell, trade, talk. Call and place an ad, or just read them every day!

The Ledger-Independent Classifieds  
606-564-9091 800-264-9091



**FAX YOUR Classified Ad**  
to The Ledger-Independent  
at 606-564-6853

...Create a  
Special Moments  
...Create a  
... "HAPPY AD"

**BABIES**  
PROMOTIONS  
GRADUATIONS  
BEST WISHES  
BIRTHDAYS  
RETIREMENTS  
ANNIVERSARIES  
AWARDS

**Special events for Children** - congratulate a part in the school play, an or acknowledge a baseball team that really gave it their best!

**Announce a friend for a favor** - announce a visit from a favorite family member, wish a friend good luck.

**ONLY \$9.75\***  
minimum of 1x3, other sizes available, additional inches at \$3.25 each. You won't find a better buy in the area! Choose special art work for your messages and certificates of appreciation or reward your loved one or reward a winner... Deadline 2 days prior to publication, 2pm.

Call us today:  
800-264-9091  
Hours: Monday - Friday  
8am-5pm

**235  
Lost/Found**

**FOUND** - Male Beagle mix, with collar, for more info, call 606-564-5405.

**LOST** - Black & white, female, Boston Terrier, 6 months old, on Big Cabin **Bone, on Big Cabin**  
**REWARD! 606-798-5303**

**240  
Meetings**

**AL-ANON**  
Weekly Schedule:  
Tuesday 7:00pm in the Fellowship Hall at the Episcopal Church in Maysville

Wednesday 10:30-11:30am in the library of Trinity United Methodist Church, 28 W. 3rd St., Maysville.

Wednesday 8-9 pm in the old Rectory at St. Charles Church in Flemingsburg.

Saturday 8-9 pm upstairs at the old St. James school building in Brocks

**263  
Thought for the Day**

Thanks be unto God for his unspeakable gift, 8:15.  
**MAVERICK OPTICAL**  
606-564-6215

**265  
Ticket Mart**

**NASCAR TICKETS** in Talladega, for Oct. 17th, in hotel room, \$100 per ticket. Call 606-862-3841.

**Duplexes**

**MAYSVILLE-2** bedroom, 1 1/2 bath, full kitchen, call 606-564-6114.

**316  
Efficiencies & 1 Bedroom**

**Millston Apartments**  
Furnished studio starting at \$235, 1 bedroom starting at \$289.

**Aberdeen, OH**  
937-795-0261

**NEWLY DECORATED** - 2 bedrooms, 1 1/2 bath, \$250/mo. deposit & references. 606-563-7044.

**Houses/Unfurnished**

**2 BR HOUSE** - heat & air, front porch, yard, 136 E. 5th Street, \$275 per month. Call 606-564-3598.

**3 BEDROOM FRANCH** - car garage, big yard, \$600/mo. + \$800 deposit \*502-426-0015\*

**ABERDEEN-2** bedroom, central air/heat, nice yard, available immediately, \$375 per mo. plus deposit. Call 937-377-4182.

**MAYSVILLE-3 BR.** 1 1/2 bath, HUD approved. Call 606-564-0984.

**MAYSVILLE-464 W. 3rd** - 3 BR, 1 1/2 bath, \$275 deposit. Call 606-564-8450.

**SMALL** - 2 or 3 bedrooms, central air, \$175/mo. plus deposit. Call 606-759-7875, if no answer leave message.

**Storage**  
360

**5 BENT BARN** - in good condition, located on US 25, storage. Call 606-798-6122 after 6 p.m.

**Classified Advertising**  
THE ADVERTISER  
is 1:30PM each Friday.  
To place an ad call  
564-9091 or 1-800-264-9091

**302  
Apartments/  
Unfurnished**

1 BR, 2 BR apts., efficient, sleeping room, one or two bedrooms, call between 9AM-5PM.  
**APT. FOR RENT-2 BR.**  
Call 606-564-8126

**GERMANTOWN** - large 4 room upstairs, utilities included, \$425/mo.  
**HIGHLAND RIDGE - 1 & 2** bedroom apartments, 606-564-0066.

**TOWNHOMES- 2-3 BR.**  
FROM \$460, 606-564-4379.

**MAYSVILLE - 1** bedroom, utilities paid, deposit required, 606-759-7893.

**MAYSVILLE - HUD, 2 (2)** bedrooms, leave message at 606-759-3212.

**MAYSVILLE-3 BR, 2 bath,** w/d hookup, country setting, near hospital, shopping & golf, \$300/mo, plus utilities, call 606-711/1199. Call 606-759-5847.

**MAYSVILLE-2 BR,** real nice, \$300/month, deposit & utilities, 606-564-6119

**MAYSVILLE-3 BR, 2 full bath,** central air, \$450 + utilities, call 606-572-4247.

**MAYSVILLE-New 1 & 2** bedroom apartments, elevator, laundry facilities, equipped kitchen, air, HUD approved, \$237-\$300 per month. Call 606-655-8026

Riverside Inn Apts. are now leasing, 1 & 2 bedroom units. Rent based on income starting at \$230-\$247 for 1 bedroom, \$255-\$267 for 2 bedrooms. Inquire at 1840 Industrial Blvd. Maysville, OH 45001  
Or Call 1-877-795-2504  
Handicap Accessible/Equal Housing Opportunity  
TDY # 419-526-0466

**Everything From Horses to Houses**  
The Ledger-Independent Classifieds  
606-564-9091 800-264-9091

**Classified ads are providing valuable services for many residents of our city. Let them work for you!**

**250  
Paid Political**

**BOAT** been out of water too long? Call The Ledger-Independent Classifieds for more info, call 606-564-9091 or 800-264-9091.

**READ CLASSIFIED**  
S H O P T H E L E D G E R - I N D E P E N D E N T Classifieds, Independent Classifieds, OR Call 1-877-795-2504 800-264-9091 or 564-9091.

So, your old jalopy finally conked out and left you with a loss of drive. Find a dependable car in The Ledger-Independent Classifieds. See class 1600 Transportation.

Visit our Classifieds at the following link:  
http://www.ledger-independent.com

**263  
Thought for the Day**

Thanks be unto God for his unspeakable gift, 8:15.  
**MAVERICK OPTICAL**  
606-564-6215

**265  
Ticket Mart**

**NASCAR TICKETS** in Talladega, for Oct. 17th, in hotel room, \$100 per ticket. Call 606-862-3841.

made in conformity with the Ohio Revised Code and mailed or delivered to the Office of the Treasurer.

The Work for which proposals are requested include labor) no labor, recreational light fixtures and poles), materials, tools and equipment as required to complete Work per the Plans and Specifications and related Documents prepared by Mayes, Suddeth & Eberhede, Inc., and by all Local, State and other governing agencies of the State of Ohio.

Plans, Specifications and Contract documents may be obtained from Metro Blueprint, 1328 Versailles Road, Lexington, KY, 40504, 606752-1459, upon receipt of a non-refundable printing & shipping/handling charge of \$75.00. All orders must be pre-paid. There will be a 24-hour turnaround on all orders. The Plans and Specifications and Contract documents are also on file at the Office of the Treasurer.

As used in the Contract documents, "Prime Contractor" includes the General Contractor and "Prime Contract(s)" includes the Owner's contract with the General Contractor. Unless otherwise specified in all Prime Contractors, "Contractor" shall mean all Prime Contractors, including the General Contractor.

Each bid shall be accompanied by a BID GUARANTEE AND CONTRACT BOND as required by Section 153.571 of the Ohio Revised Code in an amount equal to the total sum of the proposal, including all add alterations, support Certificates from the Department of Highways authorizing the Surety Company to do Surety business in the State of Ohio, and a current financial statement of the Surety Company. The bonds shall be on the form found in the specifications, which bond shall be forthwith returned to the bidder in case the contract is awarded to another bidder.

Bids are to be sealed and addressed to the Treasurer of the Ripley-Union-Lewis Huntington Local School District Board of Education, 120 Main Street, Ripley, OH 45167 and plainly marked on the outside "BID FOR CLASSROOM ADDITIONS AND RECREATIONAL FACILITIES. Not to be opened until November 10, 1999."

No bidder shall withdraw or cancel their bid or any part thereof for sixty (60) days after the time designated for the receipt of bids. Complete and detailed Plans, Specifications and Contract Documents for the Work are on display and may be examined at the following locations:

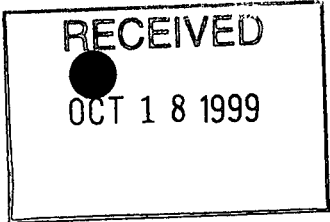
Ripley-Union-Lewis Huntington Local School District, 120 Main Street, Ripley OH 45167  
Way, Lexington KY  
Mayes, Suddeth & Eberhede, Inc., 624 Wellington Way, Lexington KY  
Wagner, Lexington KY  
Wagner, Lexington KY  
FW Dodge/ABC, 132 Venture Ct., Lexington KY  
FW Dodge, 655 Eden Park Dr. Ste. 515, Cincinnati OH  
AGC of KY, 2321 Fortune Dr., Lexington KY

The Ripley-Union-Lewis Huntington Local School District Board of Education with the approval of the Superintendent of Public Instruction reserves the right to reject any and all bids and to waive any informalities in the bidding.

The completion date established for this project is 240 calendar days from the Notice to Proceed and the Contract documents provide for liquidated damages in the event the project is not completed by the completion date.

This notice shall be published on the following dates: October 14, 1999 & October 21, 1999.

The Board of Education, Ripley-Union-Lewis Huntington Local School District  
Ms. Vivian Armour, Treasurer  
Mayes, Suddeth & Eberhede, Inc., Architect



**AFFIDAVIT OF PUBLICATION**

I, Vernon Baker, Editor of the Leslie County News, paper of general circulation, printed and published at Hyden, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Leslie County News on October 14, 1999.

Vernon Baker  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 14th day of October, 1999.  
My Commission expires: 5-15-2001.

Reba J Baker  
Notary Public







STATE OF KENTUCKY  
COUNTY OF FAYETTE

Before me, a Notary Public, in and for said County and State, this  
22 day of October, 1999 came Tim Redwine,  
personally known to me, who, being duly sworn, states as follows:  
That he/she is ADS Copy Coordinator  
of the Lexington Herald-Leader and that said publication of date  
October 14, 1999 carried the advertising  
of Delta Natural Gas Co. occupying  
the following space. 34 lines.

By Tim Redwine

(SEAL)

Lee H. Napier  
Notary Public



RECEIVED  
OCT 18 1999

**AFFIDAVIT OF PUBLICATION**

I, Mark Hoskins, Editor of the Manchester Enterprise, paper of general circulation, printed and published at Manchester, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Manchester Enterprise on October 14, 1999.

Mark Hoskins  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 14 day of Oct, 1999.  
My Commission expires: August 2002.

Melissa Walker  
Notary Public

# CLASSIFIEDS/LEGAL NOTICES

**OR MANAGER NEEDED**  
 Marymount Medical Center of London, Kentucky, is accepting resumes for an OR Manager. The position will be responsible for providing administrative and clinical leadership, as well as continuous monitoring and evaluation of nursing practice within current standards of patient care. Flexibility and a team-player approach are required to meet the challenges of healthcare reform and the economic impact to the institution. The proper candidate must have current licensure in KY as an RN.

**NOTICE**  
 The Clay County Board of Education will receive bids at 128 Richmond Road, Manchester, Kentucky for Alterations to the Clay County Middle School Office until

1:00 p.m. October 21, 1999. Specifications and bid forms may be obtained at the Board of Educational Alternative Regulation office in Manchester, Kentucky. The Board reserves the right to reject any or all bids.

**NOTICE OF HEARING**  
 Notice is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Ap-

**EDGEWOOD MOBILE HOMES, INC.**  
 Located behind ARH Hospital, Hazard, KY  
**New 16x80, 3 Bedroom, 2 Full Baths, \$21,900**  
 Call 606-435-0493  
 Ask For Jennings Blakley

**EDGEWOOD MOBILE HOMES, INC.**  
 Located behind ARH Hospital, Hazard, KY  
**2000, 28x52 Fully Furnished Kitchen Package, Fireplace, Ceiling Fans Ready to Live In,**  
 Call Mike 435-0493

**FIREARMS-AMMUNITION BACON CREEK GUN SHOP**  
 CUMBERLAND FALLS HWY., CORBIN • 528-4860

**Opening November 15th**  
**7 days a week**  
 11 a.m.-7 p.m.  
 Holiday hours 11-9

# Mendors

**Now Leasing Space**  
 Call 862-6464  
 or visit 1803 N. Main St.  
 Mon.-Fri. 2 p.m.-6 p.m.

Over 250 booths  
 Antiques • Crafts • Collectibles • Furniture • Knives  
 Floral Arrangements • T-Shirts • Banners • Much more

**London, KY • 606 862-6464**  
 1803 N. Main St. In old K-Mart building next to Kroger

**University of Kentucky Center for Excellence in Rural Health**  
**DIRECTOR OF COMMUNITY PROGRAMS RESEARCH AND HEALTH POLICY - Job #SM20772**

Serving as Deputy Director of the Center, manages a division of 65 employees with a budget of three million dollars. Division is responsible for designing, obtaining funding, and evaluating model community health projects; defining, coordinating and implementing an organized program of rural health research; developing rural health policy to be used to guide state policy and health professions training programs at the University.

Division programs include Community Inhabited Decision Making; the federal Office of Rural Health; Kentucky Rural Health Care Law; health worker organizations; a Masters Degree and eight years related experience or the equivalent Ph.D. in a health related area preferred. Experience in community development, research proposal writing, personnel management, budgeting is desirable. Duty station is in Hazard, Kentucky.

To apply, please send your resume to: Job #SM20772, University of Kentucky, Human Resources, 112 Scovell Hall, Lexington, KY 40506-0264 or FAX (606) 257-1736. If you have resumes already on file with our office, you may nominate by calling the CATS at (606) 257-3841 or by visiting our website and following the prompts. Deadline for completed credentials/nomination is November 3, 1999, but may be extended if additional candidates are needed.


**UK**  
 The University of Kentucky is an equal opportunity employer and encourages applications from minorities and women. Visit our website - <http://www.uky.edu/facstaff/humanresources>

# DENTURES

**\$175 DELUXE Per Plate**  
**\$110 ECONOMY Per Plate**  
**Most Dentures Available In 3 Days!**

1-Day Denture Service Also Available. Call for Appointment

Because appearance is so important, all dentures are tried in first for patient approval.  
 John M. Stroud D.M.D.  
 Extractions-General Dentistry  
 Vasantha Rao D.M.D.  
 Medicare/Medicaid Provider



**Cumberland Denture Center, Inc.**  
 111 Northside Plaza 25W, Corbin, KY 40701  
**1-800-659-9135 (606) 528-6104**

Inorganic Contaminants		AI=1.3	None Above AL	MCL (0.05)	8/96	N
14. Copper [1023] (ppm)	4	1.3	1.3	0.8-1.3		
16. Fluoride [1025] (ppm)	30	30	4			
21. Selenium [1045] (ppb)						

MCL's are set at very stringent levels. To understand the possible health effects described for many regulated constituents, a person would have to drink 2 liters of water every day at the MCL level for a lifetime to have a one-in-a-million chance of having the described health effect.

We consistently monitor for various constituents in the water supply to meet all regulatory requirements. The

**Annual Drinking Water Quality Report**  
 North Manchester Water Association

in compliance with the Federal Safe Drinking Water Act Amendments. This report explains where your water comes from what it contains, and how it compares to Environmental Protection Agency (EPA) and State standards. We are committed to providing you with information because informed customers are our best friends. For more information about your drinking water call (606) 598-5603.

We are pleased to present to you this year's Annual Quality Water Report. This report is designed to inform you about the quality water and services we deliver to you every day. Our constant goal is to provide you with a safe and dependable supply of drinking water. We want you to understand the efforts we make to continually improve the water treatment process and protect our water resources. We are committed to ensuring the quality of your water. Our water sources are Bert I. Combs Lake, Goose Creek River, and wells (seasonal) located next to the treatment plant. We purchase water from the city of Manchester which is treated before it is sent to us. Many tests are done to see that our water is safe.

The State and EPA require us to test our water on a regular basis to ensure its safety. The City of Manchester and North Manchester Water Assn. does many tests before water is used. Our water meets all of EPA's standards. All tests showed no contaminants or defects in our water. I'm pleased to report that our drinking water meets federal and state requirements.

If you have any questions about this report or concerning your water utility, please contact Luke Mathis

RECEIVED  
OCT 20 1999

**AFFIDAVIT OF PUBLICATION**

I, Jeanie Johnson <sup>Bookkeeper</sup> ~~Editor~~ of the Menifee County News, paper of general circulation, printed and published at Morehead, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Menifee County News on October ~~18~~<sup>20</sup>, 1999.

Jeanie Johnson  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 19 day of October, 1999.  
My Commission expires: 2/3/2002.

Chimela H. Analey  
Notary Public

133 Cars

**\$500-Cars From \$500!**  
Police impounds & Tax Repossessions. Trucks, Boats, RV's motorcycles, electronics, office equipment, etc. For listings call 1-800-319-3323 x3988.

**Automobiles**  
\$100, \$500 & up. Police impounds. Honda's, Toyota's, Chevys, Jeeps, & sport utilities. Call now! 800-730-7772, ext. 6336. CAN

**Cars \$100, \$500 & up.**  
Police Impound. Honda's, Toyota's, Chevy's, Jeeps and Sport utilities. Fee required. Call Now! 800-772-7470, ext. 7832. CAN

**134 Trucks**  
**1999 Ford Explorer**  
\$100/OBO. Seized and selling locally. Fee. 1-800-409-7511 Ext. 9865. Fee. CAN

140 Legal Notices

**NOTICE OF HEARING**  
NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m., Eastern Time, October 28, 1999, in the Commission's offices, Hearing Room 1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.

141 Public Notices

**Auction Notice**  
Sat Oct 30th 10:30 AM  
177 Acres in farmland & wooded hunting tracts & timber, house & 2 acres & trailer & lot on Myers Fork. Near Cave Run. Lawson Real Estate & Auction (606) 768-3583.

**READ YOUR OWN AD!!**  
Make sure you read your own ad the first time it appears. *The News* is only responsible for one incorrect insertion!



By Golly!  
I've Spotted A Clue!  
The Real Find Is In The Classified Ads!



Need Help Designing Your Advertisement?  
Call One Of Sales Reps At 784-4116  
And Let Them Help You Design An

**METAL ROOFING & SIDING**

**Fall Specials**

Painted: \$29.95 - \$33.95 Sq. — **WHITE TRIMS** —  
Galvanized: \$21.95 Sq. Ridge Cap \$5.00 Ea.  
Galvalume: \$24.95 Sq. Corners .50¢ Ft.  
Remnants: \$15.00 Sq. J-Channel \$2.00 Ea.

We also stock trims, skylight, screws, nails, ventilators, windows, walk-thru doors, cupolas, sliding door tracks.



**DAVCO STEEL**

Danville, KY  
**1-800-474-4321**

You must present this ad to receive these prices. Offer expires Oct. 30, 1999. No Dealers



*The Winesaps Are In!*

*Cider, Pumpkins, Jam, Mums and More!*

**BROWNING ORCHARD**

Phone 606-849-2881  
Hours: Sunday & Monday 1-5 pm; Tuesday - Saturday 8 am - 5pm

**ESTATE AUCTION**

**Sat., Oct. 23, 1999**  
**10:00 A.M.**

Located in Rowan County Sharkey community. From Hwy. 32, take Hwy. 158 to sale site. Auction signs posted.

**ANTIQUES**

- Oak dresser
- Kitchen safe
- Crosley radio
- w/beveled mirror
- Oil lamps
- Pink Depression
- Dresser w/mirror & washstand
- Marbles
- Carnival glass
- McCoy cookie jar
- Iron bed
- Library table
- Oval top table
- Granite Ware
- Quilts
- Canister set

**FURNITURE & ETC.**



RECEIVED

OCT 15 1999

**AFFIDAVIT OF PUBLICATION**

I, \_\_\_\_\_, Editor of the Middlesboro Daily News, paper of general circulation, printed and published at Middlesboro, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Middlesboro Daily News on October 12, 1999.

Raymond Street  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 13 day of October, 1999.

My Commission expires: 3-14-02.

Mary Katherine Gordon  
Notary Public

# CLASSIFIED ADS

We Get Results

# PHONE 248-1010

## 080 Public Notices

### INVITATION TO BID

The Town of Cumberland Gap is accepting bids for the survey of Town boundaries. The scope of the survey shall consist of research and field survey to monument the Town limits and prepare a certified survey map, suitable for recording in the Registers Office of Claiborne County. The research must cover researching courthouse for maps and deeds; obtaining copies of National Park services survey maps; and review T.D.O.T. maps. Field survey: reconnaissance to locate any original monuments and property corners; control survey to establish control points referenced to Tennessee Plane Coordinate System; traverse survey to connect all control points and found monuments; and, set permanent survey markers at all corners and intermediate points on long straight lines. Office: review research and plot deeds; calculate boundary line (Town limits) showing Town limits and any overlap with National Park boundary. All proposals must be submitted to the Town Recorder, Town of Cumberland Gap, P.O. Box 78, Cumberland Gap, TN 37724 - (869-3860) - on or before October 25, 1999 at 2:00 p.m. All bids will be reviewed and submitted to the Mayor and Aldermembers with recommendations for awarding the bid on November 1, 1999. The governing body of the Town of Cumberland Gap reserves the right to reject any and all bids and waive formalities. Robert L. Askew, Recorder, Town of Cumberland Gap, Tennessee.

### NOTICE OF HEARING

NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m., Eastern Time, October 28, 1999, in the Commission's offices, Hearing Room, 1,730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.

### NOTICE OF PUBLIC AUCTION

U-Stor & Lock, North 15th St. Middlesboro, KY 40965, will conduct a public sale for cash to satisfy a lien placed against the units listed below on 10/19/1999 at 10:00 a.m. Unit #411-Wanda Johnson. We will also be auctioning used office furniture & equipment (chairs, desks, cabinets, computer stand, etc.

## 080 Public Notices

## 210 Senior/Child Care

Someone to stay with older woman on weekends. Call between 8am & 7pm 248-1409.

## 220 Employment Wanted

Wanted: job sitting with elderly lady, (prefer christian lady), house or office cleaning in Middlesboro. 248-8976.

## 240 Business Opportunities

CASH, CASH, CASH: Call 1-888-453-3367 9AM to 9PM Mon.-Fri./ 10AM to 6PM Sat. and Sun.

TIRED OF THE LIES, Tired of the run around: Call 1-888-453-3367 9am to 9pm Mon. to Fri./10am to 6pm Sat. & Sun.

## 250 Financial Services

GET OUT OF DEBT!  
REDUCE Interest Rates!  
REDUCE Monthly Payments 20-40%  
Call 800-700-6812 x1001  
For FREE consultation.  
www.debtdebt.com/enh

## 280 Business Services

All types of carpentry. Interior/Exterior painting. (423)869-9527.

Backhoe, bulldozer work, septic & excavating, reasonable rates. 248-0862.

Build homes, additions & decks. Any type remodeling. (423)869-5552.

### BATTERY'S FLOOR COVERING

220 Chester Ave. Truck mount carpet cleaning. Carpet, vinyl, wood, tile, floor sanding. 248-4049 or 248-7311

Gravel delivered. (606)248-8815.

HEATING, AIR CONDITIONING and Refrigeration Repairs and Service. Call Don Pratt 248-0605.

Mike's Tree Trimming & Removal Insured 423-869-2490

WELCH ALUMINUM  
248-1625, 869-4339.

Vinyl Siding & Soffitt, Security Doors, Replacement Windows & Doors, Carports & Patio Covers, Interior & Exterior Remodeling.

## 200 Help Wanted

### FULL AND PART TIME

NOW HIRING BOTH FULL AND PART TIME WORKERS.

Air-conditioned indoor telephone work. No experience necessary. Starting wage \$7 or \$6 per hour, depending on project. Earn hundreds of dollars in bonuses. Pick your own schedule. 25-40

hours per week. CALL TODAY, GET A JOB TODAY. 800-929-5753

Kentucky Licensed HVAC Installer. Do you want to work for a Company that has excellent pay, benefits, good environment and reasonable work hours in a full time position? We have 1 position available.

## 300 Pets/Pet Care

AKC Boxer Bulls, 2-girls wormed & first shots \$150/ea. (606)248-4049 o 248-7311/nights.

AKC Shih Tzu puppies males, \$300 each. (423)869 8876.

### FREE

kittens to good home. 2 Persian & 1 short hair, beige or grey. Call after 4 p.m. (423)626-9588.

## Classifieds Work!

## 310 Livestock & Supplies

For Sale: Boer Goats, full blooded and percentage crosses. Call Larry Anderson (540)346-4056, after 5 p.m.

## 430 Household Items

For sale: name brand mattress sets 50%-70% off retail. see us before you buy Visa/MasterCard accepted (423) 869-4745 or 869-0218.

## 500 Building Materials

Storage Buildings of all sizes for sale. Insulated, 2x4 treated floor with 5/8" ply wood. Visa/MasterCard accepted. (423) 869-4745 o 869-0218.

## 530 Campers & RV's

24Ft Coachman Travel Trailer exc. cond. sleeps 6, air stove, refrig, furnace, full bath \$4000. Call (540)861-2604

## 580 This 'N That

Electric-adjustable bed, like new, moving, best offer accepted; heavy duty tread mill programmable, incline, rarely used, \$300 OBO. 242-2023.

PUMPKINS-FUJI APPLES Local grown. Large selection of pumpkins, some over 100 lbs. Good prices. 3700 Hwy 25E, 2 mi. N. of Tazewell Next to Trails End Antiques 10-5 daily.

## 650 Apartments/ Rooms

1 bdrm apartment, private exc. location, kitchen & all utilities furn., suitable for single or couple. \$425 a month \$200 deposit. (606)248-6156.

1 bedroom apartment, stove refrigerator and all utilities except electric furnished. Ca (606)248-1317.

1 bedroom furn. apt., utilities paid. \$300 + security de

RECEIVED  
OCT 15 1999

**AFFIDAVIT OF PUBLICATION**

I, Jeanie Johnson <sup>Bookkeeper</sup> ~~Editor~~ of the Morehead News, paper of general circulation, printed and published at Morehead, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Morehead News on October 12, 1999.

Jeanie Johnson  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 18 day of October, 1999.  
My Commission expires: 2/3/2002.

Christina M. Haley  
Notary Public

**CLASSIFIEDS 606-784-6868**

**133 Cars**

**Cars \$100,  
\$500 & up.**

Police Impound. Honda's, Toyota's, Chevy's, Jeeps and Sport utilities. Fee required. Call Now! 800-772-7470, ext. 7832. CAN

**For Sale**

1977 Ford Mustang 50,000 actual miles. V-6 original paint & rims. Runs great \$3,000. Call 784-7344 after 5pm.

**134 Trucks**

**1999 Ford Explorer**

\$100/OBO. Seized and selling locally. Fee. 1-800-409-7511 Ext: 9896. Fee. CAN

**For Sale**

1996 Splash 34,000 miles, 4 cy, 5 speed. Excellent condition. Call 784-2756 after 6pm.

**79 GMC**

3/4 Ton with slide in camper, make offer 768-9455.

**For Sale**

92 S-10, 5 speed, 4WD, 4.3L, 72,000 mi, lowner, ex. cond., new tires. Asking \$7,300 784-3656.

**138 All-Terrain Vehicles**

**1998 Yamaha Warrior**

DG exhaust, bumper, nerfs. Extra tires. \$3,800. Leave message for Dean, 784-2507.

**For Sale**

1995 Honda ATV, 4WD, very low hrs. Like new. Asking \$3,800 784-3656.

**For Sale**

1999 Yamaha Blaster. Lots of extras \$2,300 or best offer. Call 784-7344 after 5pm.



✓  
**It Out  
CLASSIFIEDS  
784-6868**

**140 Legal Notices**

An application was tendered for filing with the Federal Communications Commission for consent to assignment of a broadcast station construction permit by Optimum Impact, Inc. to American Family Association, Inc. to serve Morehead, Kentucky. The proposed facilities are .250 KW on Channel 203 from an Antenna Center of Radiation Height of 41 meters above ground level (454 meters above Mean Sea Level). The proposed location of the transmitter is at: North Latitude: 38 degrees, 10 minutes and 38 seconds; West Longitude: 83 degrees, 24 minutes and 24 seconds, to be located at: Triangle Hill, 1.6 miles SE of Morehead, KY, Rowan County.

The principals of the new assignee are Donald E. Wildmon, Timothy Wildmon, Forrest Ann Daniels, Gayle Alexander, Steve Crampton, Tim Fortner, Bobby Hankins, Bert Harper, Tim A. Lampley, Curtis Petrey, Forrest Sheffield and Jack Williams.

Copies of the application and related materials are on file for public inspection at Rowan County Public Library, 185 East 1st Street, Morehead, KY 40351.

**140 Legal Notices**

**NOTICE OF HEARING**

NOTICE is hereby given that the Public Service Commission of the Commonwealth has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m., Easter Time, October 28, 1999, in the Commission's offices, Hearing Room 1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witness and presentation of rebuttal testimony, if any.

**140 Legal Notices**

**NOTICE OF HEARING**

NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on

**141 Public Notices**

*Continued*

Bath County: Gateway Community & Menifee County: Gateway Community & Montgomery County: Gateway Commu 5345.

Morgan County: Gateway Community S Rowan County: Gateway Community S Vendors may be added as needed. The for mailing the completed agreement to. Services Organization, Inc. Attn.: Beth H West Liberty, KY 41472. Agreements sl later than Friday, October 29, 1999.

**141 Public Notices**

**Invitation To Bid**

Separate sealed bids for Contract 5: V tensions, consisting of water line, sewer pump station and conduit for underground phone lines, at the MMRC Regional Indus ceived by Terry Ensor, Chairman, at the Morgan, Rowan, Carter Industrial Develo Industry Road, Morehead, Kentucky, 4035 October 21, 1999, and then at said locatio read aloud.

The Contract Documents may be revie locations:

Menifee, Morgan, Rowan, Carter Ind Authority, 600 Industry Road, Morehead, K Mayes, Sudderth & Etheredge, Inc. 6 Lexington, Kentucky.

F.W. Dodge/ABC, 132 Venture Court, Kentucky.

F.W. Dodge, 655 Eden Park Drive, Su Ohio.

Builder's Exchange, 2300 Meadow Dri tucky.

AGC of Kentucky, 2321 Fortune Dri tucky.

Copies of the Contract Documents may b fice of Metro Blueprint, located at 1328 V ington, Kentucky 40504 (606) 252-1459) up refundable printing and shipping charge of \$

Each bidder must deposit with his b amount, form, and subject to the condition formation for Bidders.

The Owner may consider informal an and submitted in accordance with the prov tisement and/or the specifications and m malities or reject any and all bids.

No bidder may withdraw his bid for a 1 days after the actual date of the opening the

Award will be made to the lowest resp Bidder.

**141 Public Notices**

Notice is hereby given that Ms. Lisa R ness Lane, Morehead, KY 40351 has filed the Rowan County Floodplain Management Resources and Environmental Protection C pose of placing a mobile home in the Bull I ments or objections concerning this applica to: Tracy C. Williams, Floodplain Managem Street, Morehead, KY 40351 or Ky. D.O.W Branch, 14 Reilly Road, Frankfort, Kent (606) 784-6345 or (502) 564-3410.

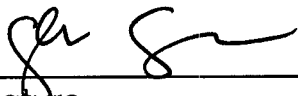
**141 Public Notices**

**NOTICE TO BIDDERS**

RECEIVED  
OCT 15 1999

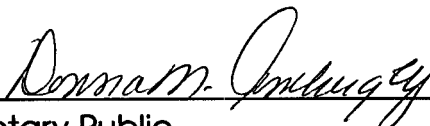
**AFFIDAVIT OF PUBLICATION**

I, Glen Greene <sup>Publisher</sup> ~~Editor~~ of the Mt. Sterling Advocate, paper of general circulation, printed and published at Mt. Sterling, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Mt. Sterling Advocate on October 14, 1999.

  
\_\_\_\_\_  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 14 day of October, 1999.  
My Commission expires: 9-19-2003.

  
\_\_\_\_\_  
Notary Public

# Class

Thursday, Oct. 14, 1999

Mt. Ste

### 1 LEGAL NOTICES

#### NOTICE OF HEARING

NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m., Eastern Time, October 28, 1999, in the Commission's offices, Hearing Room 1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.

### 1 LEGAL NOTICES

#### ANNOUNCEMENT FOR VENDORS

Gateway Community services organization, Inc. is announcing for vendors for the Subsidy and Crisis Components of the Home Energy Assistance Program. Delivery area is Bath, Menifee, Montgomery, Morgan and Rowan Counties. The application phase for the Subsidy program will begin November 1, 1999 and will continue until December 10, 1999. The application phase for the Crisis program will begin January 10, 2000 and will continue until March 15, 2000 or until funds are expended. Types of fuel needed are: wood, coal, kerosene, fuel oil and propane.

### 1 LEGAL NOTICES

Each vendor must sign a vendor agreement prior to being accepted as a vendor for the program. agreement list specific requirements that must be met if the vendor is placed on the approved vendor list. Potential vendors may contact the local Gateway office to complete agreement. Listed below are the counties where the vendor agreements may be picked up and information obtained.

Bath County: Gateway Community Services at 674-2502.

Menifee County: Gateway Community Services at 768-2369.

Montgomery County: Gateway Community Services at 498-5345.

Morgan County: Gateway Community Services at 743-3133.

Rowan County: Gateway Community Services at 784-7735.

Vendors may be added as needed. The vendor is responsible for making the completed agreement to Gateway Community Services Organization, Inc., Attn: Beth Holbrook, P.O. Box 367, West Liberty, KY 40380. Agreements should be received later than Friday, October 29, 1999.



## \$1,000 REWARD OFFERED

for lost Jack Russell, male, two years old, answers to Spotty, Grassy Lick Road area.

Children's pet.

498-8157 or 498-3663

*Classifieds  
Get Results!*

*Call 498-2222*



## MCI WORLDWIDE

and Kelly Services are offering you several GREAT work opportunities!

Now accepting applications for *Customer Service Agents* at the call center in Winchester, KY.

Interested candidates should contact their local Kelly Services office to set up an interview.

RECEIVED  
OCT 22 1999

**AFFIDAVIT OF PUBLICATION**

I, Pam King, Editor of the Richmond Register, paper of general circulation, printed and published at Richmond, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Richmond Register on October 20, 1999.

Pam King  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 20 day of Oct, 1999.  
My Commission expires: 2-13-01.

June Miller  
Notary Public

# The Richmond Register

# CLASSIFIED



• To place your ad call 623-1669 • To FAX your ad 623-2337  
 • Mail or stop by: The Richmond Register, 380 Big Hill Ave.  
 Classified Dept., Richmond, KY 40475  
 • Frances or Mayme will assist you with your ad.



• **OUR OFFICE HOURS** 8 am to 5 pm Monday - Friday  
 • **DEADLINES:** For Monday Paper: 2:30 Friday • For Tuesday Paper: 2:30 Monday  
 For Wednesday Paper: 2:30 Tuesday • For Thursday Paper: 2:30 Wednesday  
 For Friday Paper: 2:30 Thursday • For Saturday Paper: 11:45 Friday  
 For Sunday Paper: 2:30 Friday  
 Display Ads: 10:00 am day prior, except Sat., Sun. and Mon. Call display advertising for deadlines.  
 • Cancellation deadlines are the same as above

**Career Opportunities**  
 High School Juniors,  
 Seniors, Grads and  
 Prior Service Veterans!  
 FREE College Tuition  
 plus up to \$600 a Month  
 and ready to move into  
 Career Training  
 • Bonus up to \$3000  
 • Part-Time Work  
 CALL 1-800-GO-GUARD  
 or visit  
 1-877-511-4400  
 TRADING POST HOMES  
 OF LEXINGTON

**SALE SALE SALE**  
 • 3 bedrooms-\$199.00 per mo.  
 • \$0 Down Programs  
 • Financing for Everyone  
 • Homes on nice land, set-up  
 and ready to move into  
 • Homes in park, ready to  
 move into  
 • Trade-ins Welcome  
 CALL TOLL FREE  
 1-877-511-4400  
 TRADING POST HOMES  
 OF LEXINGTON

**KOKOKU RUBBER, INC.**  
 Is now accepting applications for various  
 production positions & shifts. These are  
 full-time positions with excellent benefits.  
 Starting wage up to \$7.75 per hour.  
 Applicants must have H.S. Diploma(G.E.D.),  
 and able to work O.T.  
 Qualified applicants can apply in person at:  
 120 Hanger Circle, Richmond, Ky 40475  
 E.O.E.

**NURSING ASSISTANTS**  
 Experienced and those with  
 no experience welcome.  
 Training classes offered now.  
 possible pay raise  
 • **NEW COMPETITIVE WAGES**  
 • Sign Registered and  
 Non Registered Rates  
 • Benefit package - vacation, holiday  
 pay, sick pay, health insurance,  
 personal days, 401 K investment  
 weekend & shift differential.  
**Richmond Health & Rehab**  
**Kenwood/Madison**  
 130 Meadowlark Dr.  
 623-9472 623-3564  
 E.O.E.

**SAVE A LOT**  
**FOOD STORES**  
**DRIVERS**  
**TRACTOR TRAILER**  
 Come be a part of one of the fastest growing grocery chains in the country.  
 WE HAVE OPENINGS FOR FULL-TIME AND PART-TIME DRIVERS.  
 WEEKEND OPPORTUNITIES AVAILABLE.  
**\$14.10** per hour after 750 hours plus time-and-a-half overtime  
 PALLETIZED LOADS LATE MODEL EQUIPMENT UNIFORMS FURNISHED  
 WE OFFER YOU COMPREHENSIVE BENEFITS  
 Full-time employees receive medical, dental, vision, life insurance, disability, and paid vacations.  
 Full-time and part-time employees are eligible for 401(k) and pension benefits.  
 MINIMUM QUALIFICATIONS: •DOT qualified •2+ years driving experience  
 APPLICATIONS will be accepted Monday - Friday, 8 A.M. - 4 P.M. at  
**SAVE-A-LOT**  
 4000 Corporate Drive,  
 Winchester, KY 40391  
 (No phone calls please)  
 E.O.E.

**030 in Memoriams**  
 Remember, Loved Ones  
 Memorialize their lives  
 Memorial: Ann Knecht \$16  
 Baker Co. Richmond, Ky.  
 623-2510, A.C. Fed. Herd Oil Co.

**130 Help Wanted**  
**OFFICE ASSISTANT**  
 Experienced Medical Transcriptionist/Physician's office. Must have excellent typing and spelling skills. Part-time position to start with full-time position possible in the future to apply. Please send or fax resume to:  
 John A. Patterson, M.D.  
 105 Main Street, Irvine, Ky.  
 40338; fax: 606-723-4364.

**130 Help Wanted**  
**EXPERIENCED Medical Transcriptionist/Physician's office.** Must have excellent typing and spelling skills. Part-time position to start with full-time position possible in the future to apply. Please send or fax resume to:  
 John A. Patterson, M.D.  
 105 Main Street, Irvine, Ky.  
 40338; fax: 606-723-4364.

**160 Services Available**  
**UNIVERSITY CINEMAS**  
 Now hiring honest and dependable Assistant Manager. Must work weekends and holidays. University Shopping Center.  
**HAMMUS BP 480 EKU BY-PASS.** Now accepting applications. Must have own truck, also able to attend. Apply in person.  
**NTB** Now hiring Tire Technicians. Above average pay and benefits. Saturday 8:00-9:00 only.  
 RT. 1280 - Highlands Drive, Overland Drive, Park Ridge, Parkview.  
 Apply in person  
 Richmond Register

**210 Miscellaneous For Sale**  
 Rheem 75,000 BTU Horizontal electric furnace For Sale Asking \$200. Call 624-9210.  
 NEW Ivory sofa w/matching chair. Solid cherry coffee and end table. 623-3184.  
 NEW Mini barns, 8x12 Top Quality. Asking \$200. Call 625-1567.  
 20 TON 5hp Husky log splitter, 6" chipped firewood. 1995 6960 \$  
 BRAND new mattress set, full size firm orthopedic, still in plastic. \$185. 606-276-5999.  
 For Sale 20' Poulan Chain Saw. Like new, asking \$200. Call 623-5484.

**070 Legal**  
**NOTICE OF HEARING**  
 NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m., Eastern Time, October 28, 1999, in the Commission's offices, Hearing Room 1, 730 Schenkel Lane,

**130 Help Wanted**  
**OFFICE ASSISTANT**  
 Immediate opening to highly motivated person desiring a career with a growing company. Good knowledge of the English language, Word Processing, and computer skills are system necessary. Apply in person at Skill Enhancement & Employment Center, 535 2nd Street, Suite 203, Lexington, 25-1900.  
**THE RICHMOND REGISTER**  
 Has the following routes available:  
 RT. 1300 - Lexington Road,  
 RT. 1280 - Highlands Drive,  
 Overland Drive, Park Ridge, Parkview.  
 Apply in person  
 Richmond Register

**130 Help Wanted**  
**EXPERIENCED Medical Transcriptionist/Physician's office.** Must have excellent typing and spelling skills. Part-time position to start with full-time position possible in the future to apply. Please send or fax resume to:  
 John A. Patterson, M.D.  
 105 Main Street, Irvine, Ky.  
 40338; fax: 606-723-4364.

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 Now hiring honest and dependable Assistant Manager. Must work weekends and holidays. University Shopping Center.  
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 RT. 1280 - Highlands Drive, Overland Drive, Park Ridge, Parkview.  
 Apply in person  
 Richmond Register

**410 Duplex For Rent**  
 THREE Bedroom duplex 1 1/2 bath w/c car garage duplex, Hillcrest Subdivision, No pets. Call Hillcrest Rentals, 626-1276.  
**420 Apartments For Rent**  
 3 BEDROOM 1 1/2 Bath w/c car garage duplex, Hillcrest Subdivision, No pets. Call Hillcrest Rentals, 626-1276.  
**430 Business Prop. For Rent**  
 2600 sq. ft. or less. Millers landing, skylight, parking, good traffic flow. Close to schools. 623-4959.  
 300 to 1280 sq. ft. Office space. Partial utilities paid. Call Bypass. Good traffic flow. 623-6527, 623-4029.  
 Excellent Location, off EKO

**410 Duplex For Rent**  
 THREE Bedroom duplex 1 1/2 bath w/c car garage duplex, Hillcrest Subdivision, No pets. Call Hillcrest Rentals, 626-1276.  
**420 Apartments For Rent**  
 3 BEDROOM 1 1/2 Bath w/c car garage duplex, Hillcrest Subdivision, No pets. Call Hillcrest Rentals, 626-1276.  
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 Excellent Location, off EKO

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 RT. 1280 - Highlands Drive, Overland Drive, Park Ridge, Parkview.  
 Apply in person  
 Richmond Register

**10% off**  
 First Week

**10% off**  
 First Week

**10% off**  
 First Week

**10% off**  
 First Week

**JPA RENTALS**





RECEIVED  
OCT 22 1999

**AFFIDAVIT OF PUBLICATION**

1. Willie Sawyers, Editor of the Sentinel Echo, paper of general circulation, printed and published at London, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Sentinel Echo on October 13, 1999.

Willie Sawyers  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 20 day of Oct., 1999.  
My Commission expires: June 21, 2003.

Judy McCowan  
Notary Public

240 MOBILE HOMES FOR RENT

14x52 two bedroom, one bath, on huge lot in City limits, no pets, \$300/mo. \$250 deposit. Call 877-844-7765 or 877-3018 after 7 p.m.

2 bedroom mobile home, all electric, \$200 per month plus utilities. Deposit, \$150. Call 877-844-7765 for more information.

2 bedroom trailer on Philpot Road, water furnished, no pets. \$275/mo. \$150/dep. Call 864-4240.

2 bedroom, completely furnished with washer/dryer, good neighborhood, utility dep. Call 864-5489.

Now leasing brand new two bedroom townhouses in Lenox town and 1-75. All appliances furnished. Also for the business man in mind. One bedroom furnished apartment, short term lease. For more information call 864-3173 or evenings 528-8954.

Now taking applications for two bedroom townhouses located on Hicks Lane, KY-eligible, serious inquiries only. Call 864-6793.

MURBURN TOWNHOUSES IN LONDON, TWO bedrooms, room, kitchen fully furnished. Washer and dryer. Call 606-599-0606.

250 APARTMENT FOR RENT CANTERBURY PLACE: Clear view, art, super close to schools, shopping centers. All electric. KU, Stove, refrigerator, dishwasher, furnished. 878-7650.

CHARMING 2 bedroom house in city limits washer/dryer, hook-up, nice yard, \$400/mo. w/lease & deposit. Call pager 736-0473 or 864-4912 for appointment.

NICE 2 bedroom apartment located in town. Stove, refrigerator and water included in rent. Washer & dryer available. No pets. Security deposit \$300.00. Rent is \$300.00 per month. Call 878-6540 between 9 a.m. - 2 p.m.

ONE & Two's bedroom townhouses, \$225/mo. & \$375/mo. London area. Call for details 606-523-1120.

245 TOWNHOUSES

3 bedroom, 3 bath, all appliances, washer & dryer, \$500/mo. Call 864-4176.

ONE and two-bedroom apartments. Located S. Main Street. All appliances furnished. One per month. Extra nice. Phone 864-7876

ONE and two-bedroom townhouses. One mile from Wal-Mart. Some utilities furnished. Two bedroom-\$325. One bedroom-\$275. Call 877-9101.

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246 LOTS

89 acres, wooded lot, Hwy 192 Bypass. Dual-ku city water, will make into two lots if preferred. No other property, call 878-2941.

FOR sale or lease: 1/2 to 1 1/2 acre, well established doublewide, KU, Under-ground utilities. Call 878-7894.

LOTS and acreage for sale by owner. Will also buy land. Call 606-878-7151.

MOBILE HOME DEALERS 1987 Must sell! \$498.00 down. Take over payments. (606) 862-1884

Limited amount of \$\$\$ available. \$0 down to land owners. Hurry, call (606) 862-1885.

MUST SELL! 14x70 3 bedroom 2 bath Owner finance (606) 862-1884

New Program! Pay less on income! Call (606) 862-1885

EMPLOYMENT 329 HAIR AND BEAUTY CARE Needed, Cosmetologist for high traffic salon, call 878-5773.

330 GENERAL HELP: Full time position with general office duties, competitive salary & benefits package. Respond to: PO Box 1484, London, KY 40343-1330.

ADMINISTRATIVE ASSISTANT, good computer background, great pay. Local company. Bluegrass Satellite and Security. Call 800-545-7949, ask for Lisa.

DESK CLERK NEEDED: For Tues, through Sat. 1st shift, 8 a.m. - 4 p.m. Apply in person at the Budget Host Westgate Inn Motel building, 901 N. Main Street, Mon. through Fri., 9 a.m. - 5 p.m.

247 TRAILERS

247 TRAILER: 2 bedroom, 2 bath, water included, in town, \$350/month, plus \$200 deposit. Must have references. 864-0700.

TWO bedroom trailer on White Oak Road in Swiss Colony. No pets. \$250/mo plus deposit. Call after twelve, 877-1441.

TWO bedroom two bath 12x65 with extension. Stove and refrigerator. AC. \$300/month, \$75 deposit. 877-9101.

245 TOWNHOUSES 3 bedroom, 3 bath, all appliances, washer & dryer, \$500/mo. Call 864-4176.

ONE and two-bedroom apartments. Located S. Main Street. All appliances furnished. One per month. Extra nice. Phone 864-7876

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TWO bedroom trailer on White Oak Road in Swiss Colony. No pets. \$250/mo plus deposit. Call after twelve, 877-1441.

TWO bedroom two bath 12x65 with extension. Stove and refrigerator. AC. \$300/month, \$75 deposit. 877-9101.

245 TOWNHOUSES 3 bedroom, 3 bath, all appliances, washer & dryer, \$500/mo. Call 864-4176.

ONE and two-bedroom apartments. Located S. Main Street. All appliances furnished. One per month. Extra nice. Phone 864-7876

ONE and two-bedroom townhouses. One mile from Wal-Mart. Some utilities furnished. Two bedroom-\$325. One bedroom-\$275. Call 877-9101.

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RECEIVED  
OCT 20 1999

**AFFIDAVIT OF PUBLICATION**

I, Clayton Harte, Editor of the Sun Courier, paper of general circulation, printed and published at Pineville, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Sun Courier on October 14, 1999.

Clayton Harte  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 14<sup>th</sup> day of October, 1999.  
My Commission expires: August 1<sup>st</sup> 2001.

Lola Faye Greene  
Notary Public

**Legal, nursing and nursing management experience is preferred.**

This position offers:  
 Educational Opportunities,  
 matching 401K, low cost health insurance, life and dental insurance plus paid vacation, holidays and sick days.

Brithaven of Pineville is seeking an experienced professional dedicated to providing quality care to our residents.

If you possess these qualities and are interested in a rewarding health care career, please apply in person to:

Brithaven of Pineville  
 U.S. 25E - Pineville, Ky.

NO PHONE CALLS PLEASE



**Do you need help**  
 hauling off garage, yard  
 sale or household items  
 We will haul off free.  
 Contact 423-869-9041  
 please leave a message.

**PINEVILLE  
 PAWN SHOP**  
 Quick Cash Loans  
 On Anything of Value  
**337-3386**

Memorial Hospital has an immediate need for a full-time X-Ray Tech. Related clinical degree and certification expected; 1+ years experience preferred. Computer applications orientation preferred; positive guest relation's skills and professional clinical image required. Ability to communicate verbally in English and use written documentation skills in English. Hourly position with competitive wages and benefits. Send resume to or make application with the Department of Employment Services, 122 Town Square (Chamber of Commerce Bldg. between the Library and the First National Bank) Manchester, Ky. 40962. Phone: 606-598-0104. Memorial Hospital is an Equal Opportunity Employer.

**NOTICE OF HEARING**

NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 8:00 a.m., Eastern Time, October 28, 1999 in the Commission's Office, Hearing Room 1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.

**PIANO FOR SALE**  
 Take on low monthly payment.  
 Beautiful console piano. No Money Down. 1-800-371-1220

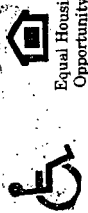
**Land/Home Finacing Packages:**  
 Land and home septic, water, heat, pump, washer & dryer, appliances, furniture, skirting, electrical, seamless gutters, other developments and much more, fixed rates, simple interest, loans, no money down, low monthly payments. Call Luv Homes Of Middleboro, Ky. 606-248-9100

**Land-In-Lieu Finacing Package**  
 Home, septic, water, heat pumps, washer/dryer, appliances, furniture skirting, electrical seamless gutters, other developments and much more. Fixed rates, simple interest. Loans no money down, low monthly payments Call Luv Homes of Middleboro, KY. 40965

**We are now taking applications for 1,2,3&4 bedrooms units. And also, 1&2 bedroom handicapped units.**

**FERNDALE APARTMENTS**  
 337-8821

**TDD # 1-800-247-2510**  
 (Hearing Impaired Only)



**Part-Time Job Wanted**

\*Will clean houses or offices.  
 \*Will cook.  
 \*Will sit with the elderly.  
 Have qualifications, plenty of references and experience.  
**Call Inez Bishop at 337-5698**

**Rosenbalm Real Estate & Appraisals**

Albert Rosenbalm - Owner/Broker - 248-4291  
 Martha Burke - VP/Broker - 242-2023

**Pineville - Newly remodeled home at Williams Branch - 2 bedrooms - porch & deck. New carpet and cupboards. \$40,000**

**#164 New Listing off Hwy. 119 - just 6 miles from Pineville. Newly remodeled home on 5 acres m/l. Offers 3 BRs, 1 bath. Great Condition and numerous enhancements \$52,000.**



**New Listing: Ann St., Pineville. Nicely kept, older home has one acre lot with fruit trees and grape vines, out building and paved drive. Three or four bedrooms, charming kitchen, dining room and family room PLUS bonus room makes this house "a must see" for comfortable living. Home has natural gas for stove, water heater and heat which cost owner \$47/month! A/C is electric and average monthly bill is \$55/month! Dishwasher, stove and refrigerator remain with house. Move-in condition! \$58,500.**



1622 CUMBERLAND AVE. MIDDLESBORO, KY. 40965  
 DAYS - 606-248-SOLD NIGHTS 606-248-7713

TO: The following named persons and their heirs, devisees, legatees, executors, administrators, successors, creditors and assigns, whose names and places of residence are unknown in Tract No.23E-1 and 2: Kentucky Leather Company, Virginia Oak Tannery, Inc. Jerome Weinstein and Greiner Corporation International.

In addition to those named above, there may be others who have or may claim an interest in the property taken, who are unknown to plaintiff, and such persons are made parties to the action under the designation "Unknown Owners"

**YOU ARE HEREBY NOTIFIED** that a Complaint in Contemnation has heretofore been filed in the Office of the Clerk of the United States District Court at London, Kentucky, for the taking of Tract No.23E-1 and 2. The taking of said land is for use in connection with the construction and establishment of the Middlesborough Project, Upper Cumberland River Basin, in and to the following described property in which you have, or claim to have, an interest, and more particularly described in the pleadings herein: Tract No. 23E1 and 2, a certain tract of land in the Middlesborough Project, situate in Bell County, and containing 0.77 of an acres of land, more or less; it being the intention of the particular description in the pleadings to include the same land described in a deed to Kentucky Leather Company, a Delaware Corporation, from Cumberland Valley Pipe Line Company, Inc., dated 17 April 1968, recorded in Deed Book 195, Page 286 in the records of the County Court Clerk for Bell County, Kentucky.

The authority for the taking is the Act of Congress, approved February 26, 1931 (46 Stat. 1421, 40 U.S.C. 258a), and acts supplementary thereto and amendatory thereof, and under the further authority of the Acts of Congress approved April 24, 1888 (25 Stat. 94, 33 U.S.C. 591) and March 1, 1917 (39 Stat. 946, 33 U.S.C. 701), which authorize the acquisition of land of flood control projects; the Acts of Congress approved October 27, 1965 (Public Law 89-298) (H.R. 7590) which act authorizes the construction of the Middlesborough Project, Upper Cumberland River Basin as part of the general comprehensive plan for flood control and other purposes in the Ohio River Basin and the Act of Congress approved October 13, 1997 (Public Law 105-62), which Act appropriated funds for such purpose.

**YOU ARE FURTHER NOTIFIED** that if you have any objection or defense to the taking said property, you are required to serve your answer on the plaintiff's attorney at the address herein designated within twenty (20) days after October 28, 1999 the date of the last publication of this Notice. Your answer shall identify the property in which you claim to have an interest, including Tract Number, state the nature and extent of the interest claimed and state all objections and defenses to the taking of said property. All defenses and objections not so presented are waived. Failure to answer shall constitute a consent to the taking and to the authority of the Court to hear the action.

If you have no objection or defense to the taking, you may serve on the plaintiff's attorney a notice of appearance designating the property in which you claim an interest. Thereafter, you will receive notice of all proceedings affecting said property. At the trial of the issue of just compensation, whether or not you have previously appeared or answered, you may present evidence as to the amount of the compensation to be paid for the property, and you may share in the distribution of the compensation.

JOSEPH L. FAMULARO  
 UNITED STATES ATTORNEY  
 P.O. Box 3077  
 Lexington, Ky. 40588-3077  
 (606) 233-2661

Publication Dates: October 14, 1999, October 21, 1999, October 28, 1999

**AFFIDAVIT OF PUBLICATION**

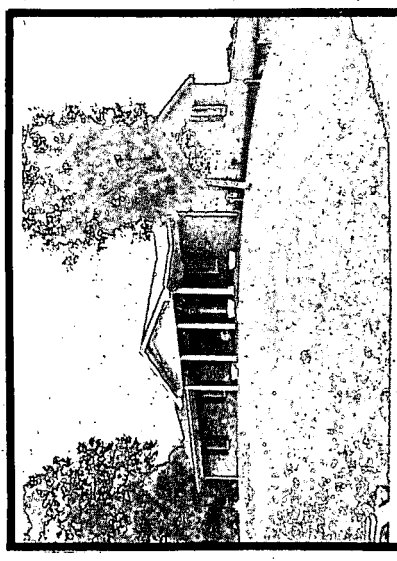
I, Robert Smith, Editor of the Three Forks Tradition, paper of general circulation, printed and published at Beattyville, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Three Forks Tradition on October 13, 1999.

Robert Smith  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 26 day of Oct, 1999.  
My Commission expires: 3-17-2001

Rinda Smil  
Notary Public



# FOR SALE BY OWNER

10 acres, more or less, located 1 mile from Beatyville with 2 houses and large garage.  
 1st house-3600 square feet brick with 4 bedrooms, 3 full baths, completely finished basement with 2 large dens, central air and heat, natural gas, city water, black top driveway, with pool, hot tub, 2 large decks and 2 car carport.  
 2nd house-small frame white house with 1 bedroom and 1 bathroom.  
 Separate garage-1500 square feet.  
**\$137,500**  
 Call after 5:30 p.m.  
**606-464-3669**



# REDUCED

Brick Ranch on 5 acres near golf course, 409 Possum Hollow Road. Full Basement, formal living room, and dining room, 3 bedrooms, 3 full baths, built-in bookshelves, gas logs, whirlpool tub, 2 fireplaces, gas heat/central-air. **\$149,000.**  
 Call today for viewing of this spacious home in private setting.  
**(606)544-3152**  
**Delima Peercy Re/Max Realty**  
**Richmond, KY**

**FINANCED!**  
 Call For Pre-Approval Today! We At Affordable Housing Mart have 15 Years Of Experience In Helping Customers Get New And Pre-Owned Fleetwood Double And Single Wides!! Call 606-624-0200 or **800-755-5360**  
 AH

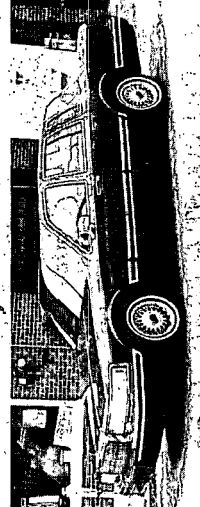
**NATIONS LARGEST**  
 Fall fever close-out Sale. All 1999's must go, new 2000 models arriving daily. Payments as low as \$199 per month, only \$499 down  
**606-623-1121**  
 OK

**NEW DOUBLEWIDE**  
 Large kitchen & living room. ONLY \$237/per month! Call **1-800-320-0670**  
 NW

Lee Adjustment Center, (606)464-2866 or fax resumes to (606)464-9654.  
**CCA IS AN EQUAL OPPORTUNITY EMPLOYER**


**NEW HOME-ON 1 ACRE**  
 Ready to move in, only \$379 per month! Call **1-800-320-0670**  
 NW

**NOTICE OF HEARING**  
 NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9 a.m., Eastern Time, October 28, 1999, in the Commission's offices, Hearing Room 1, 730 Schenkel Lane, Frankfort, KY, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.



**CAR FOR SALE**  
**1994 Lincoln Town Car**  
 Signature Series, all options available, one of a kind condition, can be seen at Don Begley Auto Sales or call 464-2961 or 464-2927.

**FOR SALE - Westinghouse** frost free refrigerator, 6 color, works great. Call 464-9333.

Affiliated Computer Services is in search of the following positions:  
**DATA ENTRY OPERATORS**  
 Full-time Regular  
 2nd Shift  
 Must be able to type 40-50 wpm with 97% accuracy. No computer experience necessary.  
 Apply from 9:00 AM - 3:00 PM at  
  
 Hwy 11 South  
 Beatyville  
 or call 1-606-464-3645 for further information.

**WOW!**  
 16X80 3 BR/2 BATH  
 \$19,997.00 delivered and set. CALL **1-800-320-0670**  
 NW

**HUGE**  
 5 bdrm/3 bath: OVER 2,000 sq. ft.  
 \$359 per month!  
 Call for details **1-800-320-0670**  
 NW

**University of Kentucky Chandler/Medical Center**  
**COMMUNITY ENCOURAGER - JOB #SM20628**  
 Lee County Community Initiated Decision Making Project  
 Lee County Center for Rural Health

Seeking a full-time individual with extensive knowledge of Lee County to serve as a liaison between local health care providers and community residents. The position will assist in educating the community and developing a community-based plan to improve local health care. Minimum qualifications are Bachelor's degree in Communications, Journalism, Social Work, Education or a related field and one year of related experience or the equivalent. Applicants should have strong leadership abilities, excellent communication, listening and organizational skills. Experience in the fields of program planning, public relations, public policy, public speaking or health care is a plus. Documentation of local community involvement, public relations activities and other activities to improve the quality of life in the community is desirable.

To apply, please send your resume to: Job #SM20628, HR/ Employment, 112 Scovell Hall, Lexington, KY 40506-0064, FAX (606) 257-1736 or come to our office to complete an application. If you have credentials already on file with the University of Kentucky, you may nominate by calling the CA Staffs Connection at (606) 257-3841. Please include the specific job number listed. Deadline for receipt of credentials/nominations is October 21, 1999, but may be extended if additional candidates are needed.

**UK**  
 Equal Opportunity Employer  
 Minorities and women encouraged to apply  
 Visit our website - <http://www.uk.edu/HR/StaffsConnection>

**AFFIDAVIT OF PUBLICATION**

I, Brenda Chism, ~~Editor~~ of the Times Tribune, paper of general circulation, printed and published at Corbin, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc. , attached hereto, was published in the Times Tribune on October 12, 1999.

Brenda Chism  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 14<sup>th</sup> day of October, 1999.

My Commission expires: \_\_\_\_\_

RENEE SMITH  
Notary Public  
State at Large  
Kentucky  
My Commission Expires Apr 07, 2001

Renee Smith  
Notary Public







RECEIVED  
OCT 19 1999

**AFFIDAVIT OF PUBLICATION**

I, Don ESTEP, Editor of the Whitley Republican News Journal, paper of general circulation, printed and published at Williamsburg, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Whitley Republican News Journal on October 13, 1999.

Don Estep  
Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 18th day of October, 1999.  
My Commission expires: 1-11-01.

Janice M. [Signature]  
Notary Public

# TO LAM

Imagine if you could teach your savings to protect itself from inflation. Now you can with the new Series I Bond from the U.S. Treasury. It protects your investment from inflation, no matter what happens.

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**We Believe: Fitness is for everyone**

**We Believe: It's never too late to start**

**We Believe: It's what is in your heart that counts**

AT JANGLEWOOD DRIVE  
P.O. DRAWER 724  
CORBIN, KENTUCKY  
40702-(606) 528-7177  
41-3-B

**NOTICE OF HEARING**  
NOTICE is hereby given that the Public Service Commission of the Commonwealth of Kentucky has scheduled a hearing on the Application of Delta Natural Gas Company, Inc. for an Adjustment of its Rates and to Establish an Experimental Alternative Regulation Plan for 9:00 a.m., Eastern Time, October 28, 1999, in the Commission's offices, Hearing Room 1, 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses and presentation of rebuttal testimony, if any.

**NOTICE OF INTENTION TO MINE**  
PURSUANT TO APPLICATION  
NUMBER 861-8009  
MAJOR REVISION #1

1) In accordance with the provisions of KRS 350.070, notice is hereby given that GATLIFF COAL COMPANY, P.O. BOX 39, NEVISDALE, KENTUCKY 40754, has applied for a major revision to an existing coal processing facility. The operation will

98-CI-00615  
VERNON DAVID PAYNE, PETITIONER, -VS- JUANITA ROSE PAYNE, RESPONDENT.

**NOTICE OF COMMISSIONER'S SALE**  
Pursuant to a Decree of Dissolution of Marriage entered by the Whitley Circuit

**F&M REALTY**  
Johnny Macomber  
Broker/Appraiser  
REG. 5287082  
5TH & MAIN STREET CO  
http://www.2geto



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This attractive brick ranch features 4 bedrooms, 2 baths, central heat and air conditioning, fireplace, large kitchen and utility room, formal living room, attached garage and more on approx. 1.6 acres by deed. Call for your showing of this charming home!

#100

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OCT 15 1999

**AFFIDAVIT OF PUBLICATION**

I, ANN LAURENCE <sup>ADVERTISING DIRECTOR</sup> ~~Editor~~ of the Winchester Sun, paper of general circulation, printed and published at Winchester, Kentucky, do solemnly swear that from my own personal knowledge and reference to the files of said publication, that a Notice of Hearing for an Adjustment of Rates and to Establish an Experimental Alternative Regulation Plan for Delta Natural Gas Company, Inc., attached hereto, was published in the Winchester Sun on October 13, 1999.

*Ann Laurence*

Signature

**NOTARY PUBLIC**

Subscribed and sworn to before me this 13th day of October, 1999.

My Commission expires: \_\_\_\_\_

MY COMMISSION  
EXPIRES: 9-11-2002

*Stella K Johnson*

Notary Public

**Public Notice**

**LEGAL  
PUBLIC  
NOTICE  
OF HEARING**

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October 13, 1999

NOV 22 1999  
PUBLIC SERVICE COMMISSION

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October 13, 1999

MA COMMISSION  
EXHIBIT 01-1000