

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST )  
RECOVERY FILING OF GASCO )  
DISTRIBUTION SYSTEMS, INC. )

CASE NO. 2007-00421

RECEIVED  
NOV 05 2007  
PUBLIC SERVICE  
COMMISSION

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky ("Attorney General"), by and through his Office of Rate Intervention, and submits this Initial Request for Information to Gasco Distribution Systems, Inc. ("Gasco") to be answered in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the witness who will be prepared to answer questions concerning each request.
- (3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (4) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be

accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(5) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(6) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(7) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(8) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(9) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

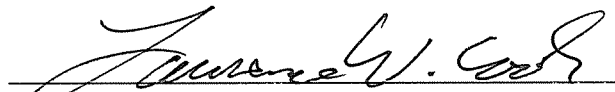
(10) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the

destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(11) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

Respectfully submitted,

GREGORY D. STUMBO  
ATTORNEY GENERAL



---


DENNIS G. HOWARD, II  
LAWRENCE W. COOK  
ASSISTANT ATTORNEYS GENERAL  
1024 CAPITAL CENTER DRIVE,  
SUITE 200  
FRANKFORT KY 40601-8204  
(502) 696-5453  
FAX: (502) 573-8315

*Certificate of Service and Filing*

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Kenneth D. Magyar  
Vice President Marketing  
Gasco Distribution Systems, Inc.  
4435 East Pike  
Zanesville, OH 43701

this 5<sup>th</sup> day of November, 2007

  
Assistant Attorney General

**ATTORNEY GENERAL'S INITIAL  
REQUEST FOR INFORMATION  
TO GASCO DISTRIBUTION SYSTEMS, INC.  
Case No. 2007-00421**

1. Identify any and all qualifications Gasco has to engage in the gas LDC industry in the Commonwealth of Kentucky, exclusive of the fact that Kentucky Public Service Commission previously authorized Gasco to operate in the Commonwealth.
  - (a) Does Gasco operate under any other assumed names?
  - (b) Does Gasco have any affiliates or subsidiaries?
  
2. State how many employees Gasco currently has (both those devoted to its Kentucky-based operations and its operations in other jurisdictions), and its total employee count for each of the past ten (10) years.
  - (a) For each of the past ten (10) years, how many Gasco employees have been responsible for working on Gasco's Kentucky business operations?
  - (b) For each of the past ten (10) years, identify by name those employees who have been responsible for working on Kentucky business operations.
  - (c) With regard to each employee responsible for working on Gasco's Kentucky business operations, identify any and all qualifications each such employee possesses, including any and all job-specific training each such employee has undertaken and accomplished.
  
3. In what other jurisdictions does Gasco currently operate? If it does operate in other jurisdictions, provide full details as to any and all customer under-billings and /or over-billings for the past ten (10) years, including the amount, and the disposition of each such instance of under or over billings.
  - (a) On August 31, 2005 the Consumer Advocate of the Commonwealth of Pennsylvania filed a complaint with that state's Public Utility Commission (Docket No. R-00085624, copy attached hereto) regarding a filing submitted by Gasco seeking a rate increase. Since Gasco was able to submit filings regarding its Pennsylvania customers, explain why it was not able to do so for its Kentucky-based customers.

**ATTORNEY GENERAL'S INITIAL  
REQUEST FOR INFORMATION  
TO GASCO DISTRIBUTION SYSTEMS, INC.  
Case No. 2007-00421**

- (b) Regarding the above-referenced complaint filed on August 31, 2005, the Pennsylvania Consumer Advocate alleged in a Formal Complaint that that state's Bureau of Audits recommended more than \$108,189 in total adjustments to Gasco's E-factor in its 2005 filing to address understated GCR revenues, clerical errors, overstated gas costs, incorrect billings, rate charges and "negligent" reporting of pipeline refunds (Docket No. 03GCR025), and that based on that filing, the Advocate was concerned that the Company was not engaging in sufficient price risk management by entering into fixed price contracts for natural gas supplies, which would help to reduce price volatility. Provide the disposition of Pennsylvania Complaint case R-00085624.
  - (c) Provide full details of any and all regulatory penalties and fines Gasco incurred in its West Virginia-based operations. Explain fully why Gasco did not appear at a formal hearing held on January 21, 2004 by the Public Service Commission of West Virginia (Case No. 03-1281-G-SC) regarding the company's failure to file its annual report. Explain the disposition of this administrative case.
  - (d) Has Gasco fully complied with filing procedures in West Virginia since the date of the above-referenced case?
4. Provide details of the qualifications of Mr. Gordon R. Brother possessed to engage in and be responsible for Gasco's Kentucky business operations. Include in your response the number of years of his experience in the gas LDC industry, the number of years Gasco employed him, and any and all job-specific training he has undertaken and accomplished.
5. Please specify the exact date of Mr. Brother's departure, and any and all circumstances surrounding his departure. Also, please answer the following:
- (a) Was Mr. Brother terminated? If so, did the reason(s) for his termination include any misfeasance and / or malfeasance with regard to the company's Kentucky business operations?

**ATTORNEY GENERAL'S INITIAL  
REQUEST FOR INFORMATION  
TO GASCO DISTRIBUTION SYSTEMS, INC.  
Case No. 2007-00421**

- (b) Was Mr. Brother given any financial incentives to leave the company? If so, provide details.
  - (c) Who replaced Mr. Brother as company treasurer, and when?
  - (d) Was the person who replaced Mr. Brother responsible for Kentucky filings? If not, who became responsible for such filings?
  - (e) Identify the company personnel responsible for billing Kentucky customers from January 1, 2002 up through and including the present date.
  - (f) Reference Mr. Magyar's letter to Ms. O'Donnell dated Sept. 25, 2007. Identify the person(s) responsible for the billing error referenced in the next to last paragraph.
6. Identify any and all measures Gasco took following Mr. Brother's departure to insure that all of the company's Kentucky business operations, including filings, were being overseen by qualified personnel.
7. Identify, with specificity, any and all measures Gasco has in place to insure the safety of its Kentucky-based LDC system both before and after Mr. Brother's departure. Include in your response the number of employees devoted to safety and repair issues, their names and titles, and the qualifications and experience of each such employee.
8. Did Mr. Brother's responsibilities include jurisdictions other than the Commonwealth of Kentucky? Identify which jurisdictions. Also, please answer the following:
- (a) Did Mr. Brother's departure disrupt Gasco's operations in any other jurisdiction? If so, state with specificity exactly how, and any and all measures Gasco took to minimize any such disruptions.
  - (b) If Mr. Brother was responsible for filings in other jurisdictions, state how long it took for the company to find qualified personnel to handle filings in each such jurisdiction.
9. Provide Gasco's website address.

**ATTORNEY GENERAL'S INITIAL  
REQUEST FOR INFORMATION  
TO GASCO DISTRIBUTION SYSTEMS, INC.  
Case No. 2007-00421**

- (a) State the rate applicable to Kentucky customers that was advertised on this web site, how long it was advertised, and any and all changes in the advertised rate since the date the rate was first advertised.
  - (b) Reference Gasco's website. Explain why there is no information regarding "Call Before You Dig" for the company's Kentucky-based customers.
  - (c) If Kentucky customers were to call the listed emergency contact number, would that number direct the caller to company personnel who could adequately address an emergency in Kentucky? Provide specific details in your response.
10. In Kentucky Public Service Commission Case No. 2000-084, Gasco was identified as the recipient of a loan guaranteed by Titan Energy Group, Inc. and made by the Enron Finance Corp. Provide an update on the status of this loan, and any and all other details relevant to that case.
11. On May 5, 2000 the Kentucky Public Service Commission in Case No. 2000-147 issued an order scheduling a hearing regarding a safety-related complaint. Explain the disposition of this matter.
12. Reference Commission data request 3 (c). In the event the Commission, pursuant to KRS 278.225 limits Gasco's recovery to the two year period set forth in that statute, how does Gasco intend to survive financially?
- (a) Will the company have to file for bankruptcy?
  - (b) Does the company have any plans to do so?
13. Is there any affiliation of any type or sort between Gasco and Titan Energy Corp. ("Titan")?
- (a) Do any of Gasco's principles have any financial interest of any type or sort with Titan?
  - (b) Does Gasco have any suppliers other than Titan?
  - (c) Has Titan made any demands upon Gasco for amounts due? If so, explain in detail and provide any relevant documentation.



**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Formal Complaint**

**1. CUSTOMER NAME (COMPLAINANT)**

Irwin A. Popowsky, Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923  
Dauphin County  
(717) 783-5048

**2. UTILITY NAME (RESPONDENT)**

Gasco Distribution Systems, Inc. - Kane Division

**3. TYPE OF UTILITY**

Gas

**4. COMPLAINT**

A. On or about August 4, 2005, Gasco Distribution Systems, Inc. - Kane Division (Gasco or Company) filed its annual gas cost rate (GCR) filing, pursuant to Section 1307(a) of the Public Utility Code, 66 Pa.C.S. § 1307(a), to be effective September 1, 2005. On August 12, 2005, Gasco filed a Revised Final filing, seeking Commission approval to set the GCR at \$1.86340 per Mcf with a base cost of gas of \$10.9850. This is a net increase of \$3.4399 per Mcf from the current GCR of \$1.25350 with a base cost of gas of \$8.1550 per Mcf.

B. On August 25, 2005, the Commission approved the proposed total gas costs, subject to continuous Commission review and audit. The PUC directed Gasco to file tariff supplements reflecting the new rates. According to the Company's filing, under the new rates, the bill for an average residential heating customer using 125.4 Mcf/year will increase by \$431.30.

- C. Gasco provides service to approximately 3,370 customers in the Kane and Mount Jewett boroughs and several surrounding townships in McKean County.
- D. The Consumer Advocate is empowered to represent the interests of Pennsylvania consumers before the Pennsylvania Public Utility Commission, pursuant to Act 1976-161 of the General Assembly, as amended, 71 Pa. Stat. Ann. §§ 309-1 et seq.
- E. The Public Utility Code provides that all rates must be just and reasonable and in conformity with regulations and orders of the Commission. Further, no rates of a natural gas distribution utility are just and reasonable unless the utility is pursuing a least cost fuel procurement policy, consistent with the utility's obligation to provide safe, adequate and reliable service to customers. 66 Pa.C.S. § 1318. The Commission must find, among other things, that the utility has (1) taken all prudent steps to negotiate favorable gas supply contracts and to relieve its obligations under contracts that may be adverse to ratepayer interests and (2) taken all reasonable steps to obtain lower cost gas supplies both within and outside of Pennsylvania. 66 Pa. C.S. § 1318.
- F. After review of Gasco's filing information, the OCA avers that the Company's rates may be unjust or unreasonable, in violation of Sections 1301 and 1318 of the Public Utility Code, 66 Pa. C.S. §§ 1301, 1318. The Consumer Advocate files this Formal Complaint in order to ensure that the Company's GCR is consistent with a least cost fuel procurement policy and does not result in rates and charges that are excessive, unjust or unreasonable, or otherwise contrary to Commission regulation or policy. In a Report released on December 3, 2004, the Bureau of Audits recommended more than \$108,189 in total adjustments to Gasco's E-factor in its 2005 filing to address understated GCR revenues, clerical errors, overstated gas costs, incorrect

billings, rate charges and "negligent" reporting of pipeline refunds. Docket No. 03GCR025. Based on the information provided in the filing, the OCA is also concerned that the Company is not engaging in sufficient price risk management by entering into fixed price contracts for natural gas supplies, which would help to reduce price volatility.

**5. RELIEF**

The Consumer Advocate respectfully requests that Your Honorable Commission take the following actions:

- A. Hold evidentiary hearings;
- B. Consolidate all complaints filed against the rates to be effective September 1, 2005;
- C. Hold at least one public input hearing in the Gasco-Kane Division service territory if there is sufficient public interest in holding one;
- D. Deny any rates or tariff which is not the result of a least cost fuel procurement policy as defined by the standards set forth in Section 1318 of the Public Utility Code, and as defined by other applicable ratemaking standards;
- E. Deny any rates or tariff that is unjust, unreasonable or contrary to sound ratemaking principles; and
- F. Grant such other relief which the Commission may deem to be necessary and proper.

6. VERIFICATION AND SIGNATURE

*Verification:*

*I, Irwin A. Popowsky, Consumer Advocate, hereby state that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).*

\_\_\_\_\_  
(Signature)

August 31, 2005

(Date)

7. LEGAL REPRESENTATION

Erin L. Gannon, Assistant Consumer Advocate  
Darryl A. Lawrence, Assistant Consumer Advocate  
Stephen J. Keene, Sr. Asst. Consumer Advocate

555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923  
Dauphin County  
(717) 783-5048

PUBLIC STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE  
PURSUANT TO 71 P.S. SECTION 309-4(e)

Act 161 of the Pennsylvania General Assembly, 71 P.S. §309-2, as enacted July 9, 1976, authorizes the Consumer Advocate to represent the interests of consumers before the Pennsylvania Public Utility Commission (PUC). In accordance with Act 161, and for the following reasons, the Consumer Advocate determined to file a Formal Complaint and to participate in proceedings before the PUC involving the Gas Cost Rate (GCR) approved by the PUC effective September 1, 2005 for Gasco Distribution Systems, Inc. - Kane Division. (Gasco or Company).

On August 12, 2005, the Company filed a revised GCR filing requesting a net increase of \$3.4399 per Mcf in its gas costs. Gasco provides service to approximately 3,370 customers in the Kane and Mount Jewett boroughs and several surrounding townships in McKean County.

The Consumer Advocate has filed this Complaint with the PUC to ensure that the Company's purchased gas cost rates are consistent with ratemaking principles and a least cost fuel procurement policy. A thorough analysis and review are appropriate because Section 1301 of the Public Utility Code requires that all rates be just, reasonable and in conformity with regulations or orders of the PUC. Section 1318 of the Public Utility Code further mandates that purchased gas costs cannot be determined to be just and reasonable unless such rates result from a least cost fuel procurement policy. The OCA, therefore, seeks to insure that only those purchased gas costs which meet Section 1301 and 1318 requirements will be paid by the Company's ratepayers.