

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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MAY 14 2004

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS)	
COMPANY, INC. FOR AN ADJUSTMENT)	CASE NO.
OF RATES)	2004-00067

**INITIAL REQUESTS FOR INFORMATION
OF THE ATTORNEY GENERAL TO
DELTA NATURAL GAS COMPANY, INC.**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office for Rate Intervention, and submits these Requests for Information to Delta Natural Gas Company, Inc. 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 company 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) If any request appears confusing, please request clarification directly from the Office of Attorney General.
- (5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company 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.

Respectfully submitted,



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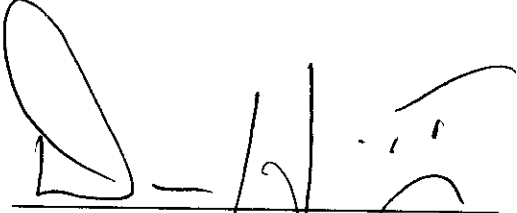
CERTIFICATE OF SERVICE AND NOTICE OF FILING

I give notice that this the 14th day of May, 2004, I have filed the original and seven true copies of the foregoing with the Executive Director of the Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601. I hereby certify that a true copy of the foregoing has been served on the following by mailing same, postage prepaid, to:

Leslye M. Bowman
Lexington-Fayette Urban County
Government
Department of Law
200 East Main Street
Lexington, KY 40507

John F. Hall
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391

Honorable Robert M. Watt, III
Stoll, Keenon & Park, LLP
300 West Vine Street
Suite 2100
Lexington, KY 40507-1801



Assistant Attorney General

DELTA NATURAL GAS COMPANY INC.
CASE NO. 2004-00067
ATTORNEY GENERAL'S INITIAL DATA REQUESTS

1. Please provide all workpapers in support of all filing schedules 1 through 9 under Tab 27.
2. Please provide a copy of the Trial balance requested in data request PSC-1(a).
3. With regard to the \$1,165,275 capital structure adjustment for the elimination of subsidiary equity investment, please provide the following information:
 - a. Provide a listing of the subsidiary investments involved and all calculations made to determine the equity adjustment of \$1,165,275, showing all calculation components, including account numbers.
 - b. Reconcile the information to be provided in response to part a to the 12/31/04 balance of \$697,847 in account 123.1 – Investments in Subsidiary Companies.
4. With regard to the Tranex and Mt. Olivet Plant Acquisition balances, please provide the following information:
 - a. Provide the investment components making up the negative Tranex Plant Acquisition balance of \$1,045,704 and the positive Mt Olivet Plant Acquisition balance of \$464,945. Explain how these balances were derived and why they are included in the regulated plant in service presentation.
 - b. Are these plant acquisition balances being amortized? If not, why not? If so, (1) what are the annual amortization costs, (2) what is the basis for the amortization period and has this annual amortization expense been approved for ratemaking purposes by the PSC, (3) are these amortization expenses being claimed for ratemaking purposes and, if so, how much of these expenses are included in the test year and where are they reflected in the filing schedules, and (4) when are the final expiration dates of these amortizations?
5. Please identify the portion of the claimed average test year prepayment balance of \$351,876 representing the prepaid KPSC assessments.
6. Please provide all amortization expenses included in the 2003 test year above-the-line operating results. In addition, for each amortization expense, provide the following information:
 - a. Approved or not approved for rate making purposes through prior PSC rulings.
 - b. Amortization period and whether this period was approved by the PSC.
 - c. Annual amortization amount.
 - d. Original amortization starting date and amortization expiration date.

7. Identify any information, as soon as it known, which would have a material effect on net operating income, rate base and cost of capital, which occurred after the preparation of Delta's filing and was not incorporated in the filed testimony, exhibits and filing requirements.
8. Please provide a listing (including associated dollar amounts) of all expenses and taxes other than income tax items that were booked in the 2003 test year but relate to prior periods. In addition, provide a brief description of each of such identified items.
9. Please provide a listing (including associated dollar amounts) of all expenses and taxes other than income tax items booked in the 2003 test year that represent abnormal bookings that are not typically booked on an annual recurring basis. In addition, provide a brief description of each of such identified items.
10. Please provide all non-recurring start-up expenses booked during 2003 associated with the implementation of major new programs. In addition, provide a brief description of each of such identified items.
11. Please provide a breakout of the 12/31/03 Miscellaneous Deferred Debit balance of \$51,333 in account 186. In addition, indicate whether this balance includes the claimed balance of \$30,133 for unrecovered FAS 143 costs. If not, indicate in which balance sheet account this latter deferred cost balance of \$30,133 is included.
12. Please explain why the annual ITC amortization changed from a level of \$71,000 in the prior Delta rate case to the lower level of \$39,200 in the current Delta rate case.
13. With regard to the Company's Kentucky Corporation Income Taxes, please provide the following information:
 - a. Is Delta eligible to file consolidated Kentucky Corporation Income Tax returns? Explain your response.
 - b. If the response to part a is in the affirmative, provide the effective Kentucky income tax rate applicable to Delta in 2003, 2002, 2001, 2000 and 1999.
14. With regard to the payroll tax adjustment information shown on Schedule 6, please provide the following information:
 - a. Reconcile the 2003 Direct Total Payroll amount of \$6,559,613 to the total 2003 salaries and wages of \$6,849,594 shown in the 2003 FERC Form 2 report, pages 355 and 356.
 - b. Are the unadjusted and adjusted test year Other Taxes amounts of \$1,521,230 and \$1,505,460 both "gross" tax amounts of which portions are charged to construction (capitalized) and other Delta affiliates? If so, explain what portion of these tax amounts are charged to construction and affiliates. In addition, provide the basis for these labor allocations to construction and affiliates.
15. With regard to the annualized salaries and wages of \$6,593,535 shown on Hall WP-4.1, please provide the following information:

- a. Workpapers containing all calculations and assumptions used in the derivation of the annualized salaries and wages of \$6,593,535.
 - b. The number of employees underlying the pro forma expense amount and a breakout of the total number of employees by employee category.
 - c. Does the pro forma salary and wage amount include the \$24,000 of loan forgiveness expense relating to Mr. Jennings? If not, is this \$24,000 expense elsewhere included in the test year and, if so, in which filing schedules and in which test year expense component?
 - d. How much of the pro forma test year salaries and wages represent bonus expenses and other type of incentive compensation expenses? In addition, provide a breakout of each of these incentive compensation expenses and provide a brief description of the underlying incentive compensation programs.
16. With regard to the pro forma capitalized wages and subsidiary allocation expense amount of \$1,788,914 shown on Hall WP-4.1, line 2, please provide the following information:
 - a. The basis for the allocation amount.
 - b. On a pro forma basis, the Company's assumed total capitalization and subsidiary allocation percentage is approximately 72.9%. What was the comparable percentage for the 2003 test year, and for the years 2002, 2001 and 2000?
17. What is the reason for the \$403,865 bonus exclusion for ratemaking purposes shown on Hall WP-4.1? In addition, explain whether there are still other bonus expenses included in the test year after the removal of the \$403,865. If so, quantify and describe these remaining test year bonus expenses.
18. Please reconcile the actual 2003 test year salary and wage expense of \$4,683,924 charged to O&M expense that is shown on line 4 of Hall WP-4.1 to the actual 2003 salary and wage expense charged to O&M of \$4,983,189 shown on page 355 of the Company's 2003 FERC Form 2.
19. With regard to the Officer's salary and other compensation data shown in the response to PSC-1-42, please provide the following information:
 - a. Explain the basis and justification for the large % increases in base salary in the test year as compared to 2002. In addition, provide any actual source documentation in support of these large increases.
 - b. Explain the nature of the Other Compensation and the reason for the fact that the total Other Compensation of \$188,789 for all 5 officers has more than doubled as compared to the total Other Compensation for 2002.
 - c. Explain whether the Other Compensation, either in whole or in part, is included in the test year expenses.
20. For each month of 2004 for which actual data is available, provide the actual total number of employees. In addition, provide the budgeted monthly employees for the remaining months of 2004.
21. Please provide a detailed breakout showing all of the components and associated dollar amounts for the (\$2,352,284) amount in A/C 1.922 Expenses Transferred.

22. Please provide the most recent executive compensation studies performed by or for Delta which would show that the total compensation paid by Delta to its executive officers is reasonable and comparable to the compensation levels paid to executives in comparable sized companies in comparable industries. Also specify the time period of the study period, the costs of the study and to what extent these study costs have been included in the test year.
23. In the same format and detail as per Hall WP-4.2, provide the actual rate case expenses incurred by Delta for its last rate case in Case No. 99-176.
24. Provide a breakout of the total account 928 – Regulatory Commission expenses for the test year as compared to 2002, 2001 and 2000.
25. Please provide a listing, associated dollar amounts and a description of all expenses incurred and/or proceeds received during 2003 relating to law suits, the settlement of law suits or other legal action and indicate in which account(s) these expenses and/or proceeds were recorded. In addition, indicate to what extent these expenses and/or proceeds have been incorporated into the above-the-line operating results for the test year.
26. Please provide a description and the associated dollar amounts of all expenses booked in 2003 (show account numbers) relating to:
 - a. employee gifts and award banquets
 - b. social events and parties
 - c. sports leagues
 - d. fines and penalties
27. Please provide a copy of the most recent actuary report regarding Delta's pensions expenses. In addition, indicate where in this report one can find Delta's actual pension expense liability.
28. In this case, the Company is proposing to charge the ratepayers with \$33,554 worth of customer deposit interest (Schedule 4), but is not proposing to treat the associated 12/31/03 customer deposit balance of \$559,231 as a rate base deduction or capital structure component. This is inconsistent and contrary to PSC policy as established on pages 9 and 17 of the PSC's Order in Delta's prior case, Case No. 99-176. Please confirm this. If you do not agree, explain your disagreement.
29. While the Company has proposed to increase rate base by \$30,133 for unrecovered FAS 143 costs, what FAS 143 impact has been reflected by the Company in the determination of the Company's test year net after-tax operating income? Please provide all details, including the income statement accounts impacted by FAS 143.
30. For each of the customer classes shown on Seelye Exhibit 8 (residential; small non-residential GS; large non-residential GS – retail; large non-residential GS – transportation; interruptible retail; interruptible transportation; and on system transportation Special), please provide the actual monthly number of customers from 12/31/98 through 12/31/03.

31. With regard to the response to PSC-1-44, please provide the following information:

- a. Confirm that the average number of customers for each year from 2000 through 2003 for residential and small commercials is as follows:

	<u>Residential</u>	<u>Small Commercial</u>
2000 (12-month average) ¹	33,609	4,386
2001 (13-month average)	33,696	4,437
2002 (13-month average)	33,756	4,458
2003 (13-month average)	33,759	4,491

- b. Confirm that there was growth in the average number of residential customers in 2001 as compared to 2000 even though the actual 12/31/01 residential customers of 4,536 were lower than the actual 12/31/00 residential customers of 4,618.
- c. Confirm that there was growth in the 13-month average number of residential and small commercial customers in 2003 as compared to 2002 even though the actual 12/31/03 number of residential and small commercial customers were lower than those at 12/31/02.
- d. The customer data on PSC-1-44 indicate that on 12/31/03 the Company had 818 large commercial and 63 industrial customers for a total of 881 customers. Please reconcile this number to the 12/31/03 customer numbers shown on Seelye Exhibit 8.
- e. Expand the response to PSC-1-44 by providing actual monthly customer data for the year 1999 and December 1998.

32. In the prior case, Case No. 99-176, the Company proposed a test year-end customer growth revenue annualization adjustment, sponsored by Company witness Walker. This adjustment was described on pages 7-8 of Mr. Walker's testimony in that case. In this regard, please provide the following information:

- a. On page 7, lines 14-18, Mr. Walker stated in support of this revenue adjustment: "The numbers of customers served at the end of the test period were greater than the average of the 12-month period. The purpose of this adjustment is to give recognition to the additional deliveries and revenue that would have been expected assuming that the year-end numbers of customers had been served for the entire test period." Please confirm this. If you don't agree, explain your disagreement.
- b. In accordance with the theory expressed in part a above, the Company then calculated the test year-end revenue annualization adjustment in Case No. 99-176 based on customer growth derived by comparing the test year-end number of customers to the average test year number of customers for the corresponding customer class, as shown on Walker Exhibit 5. Please confirm this. If you don't agree, explain your disagreement.
- c. The revenue annualization method proposed by Delta in Case No. 99-176 that is described in parts a and b above, was adopted by the Commission in Case No. 99-176, as described on page 13 of the PSC's Order in the prior rate case. Please confirm this. If you don't agree, explain your disagreement.

¹ Data to calculate the 13-month average for 2000 were not available. Please provide these 13-month average customer levels for 2000 in your response.

- d. The response to PSC-1-44 in the current case shows the following test year customer growth data:

	<u>12/31/03</u>	<u>13-month avg.</u>	<u>Growth</u>
Residential	34,100	33,759	341
Small Commercial	4,629	4,491	138
Large Commercial	818	815	3
Industrial	63	62	1

Please confirm this. If you don't agree, explain your disagreement.

- e. In the exact same format and detail as presented on Walker Exhibit 5 in the Company's prior case, please calculate the test year-end customer growth revenue annualization adjustment based on the difference between the 12/31/03 and 13-month average test year customer numbers for the following customer classes: (1) residential, (2) small non-residential GS- retail, (3) large non-residential GS – transportation, (4) interruptible – retail, (5) interruptible transportation, and (6) on-system transportation special.
- f. Provide the expense adjustment associated with the revenue annualization adjustment to be provided in response to part e. The expense adjustment should include the expense components allowed by the Commission in Delta's prior rate case, Case No. 99-176, as described on page 14 of the PSC Order in that case.
33. The data in columns (2) and (3) of Seelye Exhibit 6 do not appear to be correct. Please provide a corrected version of Seelye Exhibit 6.
34. With regard to Off System Transportation services, please provide the following information:
- A description of these services.
 - Actual MCF sales volumes for the test year and the 4 years prior to the test year.
 - Using the actual test year MCF sales volume and the current (average) rate per MCF, provide a workpaper showing the derivation of the test year revenue amount of \$1,808,801.
 - Explanation why the Company's temperature normalization adjustment does not include these sales. In addition, in the same format and detail as per Seelye Exhibit 6, show what the revenue adjustment would be if one were to temperature-normalize the test year Off System Transportation services.
35. With regard to the On-System Transportation Special sales and revenues, please provide the following information:
- Average number of customers for the test year and the 4 years prior to the test year.
 - Actual MCF sales volumes for the test year and the 4 years prior to the test year.
 - Using the actual test year MCF sales volume and the current (average) rate per MCF, provide a workpaper showing the derivation of the test year revenue amount of \$631,225.
 - Explanation why the Company's temperature normalization adjustment does not include these sales. In addition, in the same format and detail as per Seelye Exhibit 6, show what the revenue adjustment would be if one were to temperature-normalize the test year On System Transportation Special services.

36. With regard to Mr. Hall's proposal for the GTIR&D tariff of \$0.003 per Mcf described on page 3 of his testimony, please provide the following information:
- a. Provide a description and quantification of the annual benefits derived by Delta's ratepayers from the GTIR&D efforts.
 - b. In which account is the \$12,347 GTIR&D test year charge reflected? Is this charge included in Delta's pro forma test year expenses? If not, how and where has it been removed? If so, should it be removed from the test year expenses?
 - c. Why is the Company proposing to charge this tariff only to its retail customers and not to its transportation customers?
37. Filing Schedule 4 and Hall WP-4.3 indicate that the Company has removed total lobbying expenses of \$16,063 (\$15,280 + \$783). Please reconcile this to the response to PSC-1-30 which shows that the test year expenses include \$16,821 for lobbying expenses.
38. The Company's Directors Fees and Expenses in account 1.930.010 were \$88,800 in 1998, \$87,460 in 1999, \$120,317 in 2000, \$157,746 in 2001, \$165,979 in 2002 and \$225,369 in the 2003 test year. In this regard, please provide the following information:
- a. For each of the years 1998 through 2003, provide a breakout of the various expense types making up the total Directors Fees and Expense amounts listed above (e.g., annual fees, insurance, committee expenses, etc.). In addition, for each year indicate the number and names of the directors.
 - b. Give a detailed explanation why the expenses in this account more than doubled from 1999 to the test year.
39. With regard to American Gas Association expenses, please provide the following information:
- a. Provide all expenses included in the test year associated with the American Gas Association (AGA).
 - b. Provide a cost benefit analysis that quantifies the benefits of the AGA membership for ratepayers and demonstrate that the benefits are greater than the reported costs.
 - c. Please indicate what approximate percentage of AGA's activities are dedicated to (1) legislative advocacy, (2) regulatory advocacy, (3) legislative and regulatory policy research, (4) advertising, marketing and public relations. In addition, identify the source of this breakout.
40. Provide the same information as requested in the previous data request, but applying to the Southern Gas Association and Kentucky Gas Association expenses.
41. With regard to the account 930.030 – Convention/Meeting expense breakout shown on page 8 of 25 of the response to PSC-1-27, please provide a description of the nature and purpose of the following expense items:
- a. \$225 and \$350 for Homebuilders Convention
 - b. \$400 NARUC Winter (line 178)
 - c. \$400 NARUC Winter (line 180)

- d. \$425 for SEARUC 2003
 - e. \$1,525 for National City conference attended by Messrs Hazelrigg and Jennings
 - f. \$2,605 for "Incentives" associated with KGA, LG&E and Bankcard.
42. Please provide the nature and purpose of all account 1.930.090 Customer and Public Information expenses listed on pages 12-14 of the response to PSC-1-27. Also, indicate the nature and purpose of the \$250 charge for KIDC – Summer Meeting. In addition, to the extent that these account 1.930.090 expenses include any institutional and/or promotional type expenses, please identify and quantify these expenses.
43. With regard to the \$44,200 test year expenses in account 930.110 – Conservation Program expenses, please provide the following information:
- a. Description of the nature and purpose of all of the "Incentives" expenses adding to \$44,200 that are listed on pages 20-23 of the response to PSC-1-27.
 - b. In the prior case, Delta itself proposed to exclude the test year account 930.110 – Conservation Program expenses for ratemaking purposes in that case and the PSC accepted that proposed expense adjustment (see pages 15-16 of PSC Order in Case 99-176.) The Commission also disallowed similar account 930.110 – Conservation Program expenses for ratemaking purposes in Delta's prior Case No. 97-066 rate case. Please explain why the Company has not removed these expenses for ratemaking purposes in the instant proceeding.
44. Please quantify and describe all employee spousal related expenses included in the test year.
45. In the same format and detail as per the responses to AG-1-56, 1-57 and 1-58 in the prior Delta rate case, please provide a detailed listing and description of all of the expense items making up the total test year expense amounts in the following expense accounts:
- a. 921.070 – Employee memberships (\$4,879)
 - b. All Travel Etc. expenses in accounts 921.110 through 921.260 (\$50,179). In addition, identify all spousal travel expenses.
 - c. 921.290 – Company business meals and entertainment
 - d. 926.080 -- Employee recreation & social.
46. With regard to the response to PSC-1-32 concerning the Company's uncollectible accounts, please provide the following information:
- a. Provide the same uncollectible account information for the years 1998 and 1999.
 - b. What is the Company's policy regarding the level of uncollectible account reserve balances to be maintained and what is the basis for this policy?
 - c. Explain all of the reasons for the substantial increases in the Company's net write-offs starting in 2001 through 2003.
 - d. If the Company believes that the actual test year uncollectible write-offs of \$547,437 and associated uncollectible expense provision of \$478,567 can be considered representative for ratemaking purposes in this case, please provide all reasons to justify this opinion.

- e. Is the Company implementing programs to contain and reduce its revenue charge offs? If not, why not? If so, provide all details of these programs, e.g, (1) when the implementation started; (2) when it will be fully in effect; (3) whether the impact of such programs have been fully reflected in the 2003 test year and, if not, what the estimated impact would be on annual revenue write offs assuming that such write off reducing programs had been in effect for the full test year.
47. With regard to the accounting expense details in account 923.02 shown in the response to PSC-1-28, please confirm that the 2003 test year expenses include \$5,750 and \$1,800 for audit expenses associated with 2002 benefit plans and income taxes. Also, explain why these expenses should not be considered "out of period" costs.
48. The total 2003 accounting expenses shown in the response to PSC-1-28 appear to include approximately \$241,000 for Sarbane/Oxley related consulting expenses. In this regard, please provide the following information:
- a. Provide a description of the nature and purpose of each of the 16 Sarbane/Oxley expense items listed. In addition, indicate as to whether or not the particular expense is annually recurring.
 - b. Indicate to which extent the total 2003 accounting expense of \$343,748 is annually recurring and to which extent this expense total includes items that do not recur on an annual basis (e.g., installation and implementation costs, etc.)
49. The Other Outside Services expenses in account 923.040 for which the detailed components are shown in the response to PSC-1-28 show that the test year expenses include consulting fees amounting to \$12,253 for Thomas A. Kohnle, \$4,900 for Nancy C. Lethgo, and \$8,400 for Eunice Yarber. In this regard, please provide the following information:
- a. Provide the nature and purpose of each of these three consulting contracts and explain how these consulting contracts were caused to be let.
 - b. When did these consulting contracts start and when will they expire?
50. Please provide the name, company and position of the person(s) who prepared the Delta Natural Gas Company ("Delta") Depreciation Study (Seelye Exhibit 7).
51. Please explain how and why 06/30/2002 was selected as the study date.
52. Please provide hard copies of all workpapers underlying the Delta Depreciation Study.
53. Please provide on diskette or CD all tabulations included in the Depreciation Study and all data necessary to recreate, in their entirety, all analyses and calculations performed for the preparation of the study. Please provide this and all electronic data in Excel (or .txt format if appropriate), with all formulae intact. Please provide any record layouts necessary to interpret the data. Please include in the response electronic spreadsheet copies of all of the tables included in the Depreciation Study, with all formulae intact.

54. For all accounts for which a remaining life was selected without being based on the results of the SPR analysis, please provide the rationale behind the selection of that remaining life.
55. Please refer to Appendix B of the Depreciation Study. For all accounts for which only a rate is given, and the underlying parameters (dispersion, ASL, remaining life, net salvage ratio) are not shown, please show the parameters underlying the proposed rate.
56. Please refer to Appendix B of the Depreciation Study. Please provide the depreciation book reserve as of June 30, 2002 for each of the accounts for which it is not already shown.
57. If not provided elsewhere, please provide Hall WP-5.1, which supports Schedule 5 of the response to Filing Requirement 807 KAR 5:001 Section 10(6)(h), in electronic format (Excel) with all formulae intact.
58. Is amortization accounting being proposed for any accounts? If so, please list the accounts.
59. Please identify any plant tours taken during the preparation of the Depreciation Study.
 - a. Identify those in attendance and their titles and job descriptions.
 - b. Provide all conversation notes taken during the tour.
 - c. Provide all photographs and images taken during the tour.
60. Is the Company proposing to use the life span method for any accounts? If so, please identify and provide the final retirement dates for all accounts and locations for which the life span method is being proposed. Include the original source documentation for these final retirement dates. Also, please provide the installation date for each location.
61. Was the life span methodology utilized in the prior study? If so, please provide a comparison, by account and location, of the probable retirement year forecasted in the prior study, with the probable retirement year forecasted in the March 2004 study.
62. If applicable, please provide the specific calculation of each probable retirement year in the Depreciation Study.
63. For all accounts and locations for which the Company is proposing the life span method, provide the following information to support the final retirement dates. Please respond to each item.
 - a. Economic studies. (NARUC, p. 146)
 - b. Retirement plans. (NARUC, p. 146)
 - c. Forecasts. (NARUC, p. 146)
 - d. Studies of technological obsolescence. (NARUC, p. 146)
 - e. Studies of adequacy of capacity. (NARUC, p. 146)
 - f. Studies of competitive pressure. (NARUC, p. 146)
 - g. Relationship of type of construction to remaining life span.
 - h. Relationship of attained age to remaining life span.

- i. Relationship of observed features and conditions at the time of field visits to remaining life span.
 - j. Relationship of specific plans of management to remaining life span.
64. If life span analyses were used, do they include interim additions? If so, please provide a detailed explanation of how and why interim additions are included.
65. Please provide annual additions, retirements, adjustments, and transfers and end of year balances for each plant account from the inception of the account. Provide in both hard copy and electronic format (Excel or .txt). Please provide any record layouts necessary to interpret the data.
66. Please provide the following annual amounts for all plant accounts for the last 20 years (up to, and including, 2003). If the requested data is not available for the last 20 years, please provide the data for as many years as are available. Please provide data in both hard copy and electronic format (Excel or .txt).
 - a. Beginning and ending reserve balances,
 - b. Annual depreciation expense,
 - c. Annual retirements,
 - d. Annual cost of removal and gross salvage,
 - e. Annual third party reimbursements.
67. Does the Company maintain its book reserve by plant account? If not, please explain why not.
68. If the Company does not maintain its book reserve by plant account, please provide the calculation of the book reserve shown in the depreciation study.
69. Please provide a copy of the most recent prior study and the Order(s) establishing the present depreciation rates.
70. Identify and explain all changes between the current study and the most recent prior study.
71. Please provide the derivation of the present depreciation rates.
72. Please provide a comparison of the existing depreciation parameters (including survivor curve, probable retirement year and interim survivor curve), rates and expense to the proposed depreciation parameters, rates and expense. Please include the actual calculation of the existing depreciation rates and expense.
73. Please provide a table summarizing separately by account the depreciation expense changes caused by life changes, net salvage changes, and other changes. Please provide additional explanations of the "other changes."
74. Please explain why SPR was used instead of the Retirement Rate Method.

75. Which accounting method is reflected in the life study “location-life” or “cradle-to-grave”?
76. What is the impact of the accounting method used, i.e., “location-life or “cradle-to-grave” on the lives calculated in the Depreciation Study?
77. Did Delta use reciprocal, harmonic, or ELG weighting in any of the Depreciation Study calculations? If yes, please provide all calculations using direct weighting. Also, provide this in hardcopy and on diskette.
78. Please provide sample copies of the Continuing Property Records from which the plant data used in the study were drawn. Please provide a sample for each account in the study.
79. Please provide the following information for all final retirements for the last 15 years. If requested data is not available for the last 15 years, please provide the data for as many years as are available.
 - a. Date of retirement
 - b. Amount of retirement
 - c. Account
 - d. Reason for retirement
 - e. Whether or not retirement was excluded from historical interim retirement rate studies.
80. Please provide the Company’s retirement unit list.
81. Please explain, and provide examples of, the Company’s retirement unit cost procedures for each account. Identify all changes to retirement unit costs which have occurred over the years.
82. Were any retirements, classified as sales or reimbursements, excluded to the extent to which the salvage receipt represents recovery of original cost? If yes:
 - a. Please provide, by account, the annual retirements and the related salvage that has been excluded for the 10 years ending 2003.
 - b. Please provide the Commission Orders and Decisions approving this practice.
 - c. Please demonstrate that the retirements were excluded from the life studies.
83. Please explain the Company’s procedures for gross salvage and cost of removal. Also, please explain how cost of removal relating to replacements is allocated between cost of removal and new additions. Provide copies of actual source documents showing this allocation.
84. Please provide narrative explanations of the Company’s aging and pricing procedures.

85. Please identify and explain the Company's expectations with respect to future removal requirements and markets for retired equipment and materials. Please provide the basis for these expectations.
86. Please provide a summary of annual maintenance expense by USOA account for the last 20 years. If the requested data is not available for the last 20 years, please provide the data for as many years as are available. Please provide data in both hard copy and electronic format.
87. Please provide the Company's capital budget for the next five years. Please identify all retirements, replacements, new additions and cost of removal reflected in this budget. Please provide by account where available and explain how the cost estimates are derived for these items.
88. Please provide the retirements cost of removal reflected in the Company's construction budget for the years 2004-2008 inclusive. Provide by account.
89. Please provide explanatory examples of the debits and credits relating to customer advances and contributions-in-aid of construction.
90. Please provide explanatory examples of the debits and credits relating to the accounts for which depreciation is charged to clearing accounts.
91. Please explain how the Company accounts for third party reimbursements and how they are reflected in the depreciation study.
92. If third-party reimbursements were excluded from any net salvage studies done to support the depreciation study, were the related retirements also excluded from the life studies?
93. Please provide a copy of the Company's capitalization policy.
94. Identify and explain all Company programs which might affect plant lives.
95. Please provide all internal life extension studies prepared by the Company. Life extension refers to any program, maintenance of capital, designed to extend lives and/or increase capacity of its existing plants.
96. Provide all internal and external audit reports, management letters, consultants' reports etc. which address in any way, the Company's property accounting and/or depreciation practices.
97. If the preparer of the depreciation study is an outside consultant, please provide all correspondence between that person(s) and the Company which deals in any way with the depreciation study and/or retirement unit costs.
98. Please provide copies of all Board of Director's minutes and internal management meeting minutes in which the subject of the Company's depreciation rates or retirement unit costs were discussed.

99. Please provide copies of all internal correspondence which deals in any way with the Company's retirement unit costs, gas depreciation rates, and/or the depreciation study.
100. Please provide copies of any and all actuarial and semi-actuarial studies prepared by the Company since the last depreciation study.
101. Please provide the Company's FERC Form 2 reports for the years 1999 - 2002.
102. Please provide depreciation studies submitted to FERC during the last 10 years and all related correspondence including any approvals and disapprovals.
103. Please identify and provide the parameters, methods, procedures and techniques that underlie the depreciation rates the company uses for FERC reporting and ratemaking versus those used for intrastate reporting and ratemaking. Also, provide a comparison of the actual calculation of the depreciation rates used for FERC ratemaking and reporting versus those used for intrastate ratemaking and reporting.
104. Please provide a comparison by plant account of the annual FERC versus intrastate depreciation rates for the last 30 years.
105. Provide all FERC audit reports and the Company's responses thereto during the last 10 years.
106. Please provide copies of all correspondence between the Company and the FERC concerning any life extension plan or maintenance program, or any request to treat retirement units or minor items of property differently than as prescribed by the FERC USOA.
107. Please provide the Company's most recent Integrated Resource Plan dealing with plant lives.
108. Please identify all Kentucky statutes specifying or addressing depreciation practices in Kentucky with which Delta must comply.
109. Please provide copies of all industry statistics available to the Company and the preparer of the depreciation study relating to gas company depreciation rates.
110. Please identify all industry statistics relied upon in formulating the depreciation proposals. Please include the statistics related to "other gas distribution utilities in the region" as referred to in the depreciation study.
111. Please refer to the response to First PSC Data Request, Question 50. Please provide all workpapers explaining and supporting the calculation of the four amounts shown in part b of the response (the accounting entries). Please provide these workpapers in both hard copy and electronic format (Excel), with all formulae intact.

112. Please provide any and all internal studies and correspondence concerning the Company's implementation of FASB Statement No. 143, the FERC NOPR and Order No. 631 in RM-02-7-000, and the current draft AICPA Statement of Position on Property, Plant and Equipment (SOP-PPE).
113. Please provide complete copies of all correspondence with the following parties regarding the Company's implementation of FASB Statement No. 143 the FERC NOPR and Order 631 in RM02-7-000, and the current draft AICPA Statement of Position on Property, Plant and Equipment (SOP-PPE):
 - a. External auditors and other public accounting firms
 - b. Consultants
 - c. External counsel
 - d. Federal and State regulatory agencies
 - e. Internal Revenue Service.
114. Regarding FASB Statement No. 143 and the FERC NOPR and Order No. 631 in Docket No. RM02-7-000, on a plant account-by-plant account basis, please identify any and all "legal obligations" associated with the retirement of the assets contained in the account that result from the acquisition, construction, development and (or) the normal operation of the assets in the account. For the purposes of this question, please use the definition of a "legal obligation" provided in FASB Statement No. 143: "an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of promissory estoppel."
115. For any asset retirement obligations identified above, please provide the "fair value" of the obligation. For the purposes of the question, fair value means "the amount at which that liability could be settled in a current [not future] transaction between willing parties, that is, other than in a forced or liquidation transaction." Please provide all assumptions and calculations underlying these amounts.
116. Please provide complete copies of all Board of Director's minutes and internal management meeting minutes during the past five years in which any or all of the following subjects were discussed: the Company's gas plant depreciation rates; retirement unit costs; SFAS No. 143; FERC RM02-7-000; and, the AICPA SOP on PPE.
117. The response to First PSC Data Request, Question 50 (c) states that "Prior to adoption of SFAS 143, tank removal costs were expensed when incurred."
 - a. Why were tank removal costs expensed when incurred?
 - b. Do the existing depreciation rates for this plant include a provision for net salvage?
 - c. Does the Company expense all removal costs when incurred?
 - d. If Delta does not expense all removal costs when incurred, please list the accounts for which this is the policy. Also, please explain why this is done for some accounts and not others.
 - e. If Delta does expense all removal costs when incurred, is the Company proposing to change that policy if the depreciation rates proposed in the study are accepted?

118. Please provide all manuals, guidelines, memoranda or other documentation that deals with the Company's policies with regard to the physical removal of retired mains and, separately, services from the ground as opposed to capping these pipes and leaving them in place.
119. Please explain the process by which the labor associated with Mains and Services replacement projects is split between the new asset and cost of removal.
120. Please provide a summary of the last 20 years of Mains and Services additions. Identify on a year-by-year basis the new additions vs. replacement additions. Please explain any anticipated changes to these proportions.
121. Please identify and explain the three largest Mains and Services replacement projects currently taking place.
122. Please identify and explain the three smallest Mains and Services replacement projects currently taking place.
123. Please provide a summary of all Main and Service Replacement projects during 2002. Separately identify all major costs, including the removal of the existing Main and/or Service.
124. Please provide a narrative explanation of a typical Main and Service replacement project.
125. Please identify all Main and Service additions during 2002, and indicate whether they were replacements, new additions or other. Please explain the "other" category.
126. Please provide a sample work order showing the retirement of a gas main.
127. Please provide the annual reports filed by Delta with the Kentucky public service Commission for the years 1999 through 2003.
128. Please provide all workpapers prepared by or for witness Martin Blake in this case.
129. Please provide copies of all documents used by or referred to by Dr. Blake in his testimony.
130. Please provide the calculations underlying the 34 percent equity for Delta cited in Exhibit MJB-2.
131. Please provide the Commission orders in Case Nos. 97-066 and 99-046 referred to on page 8 of Dr. Blake's testimony.
132. Please provide transcripts of any presentations that Delta's executives have made to investment analysts during the past three years.

133. Please provide any investment analysts' reports on Delta that have been issued within the past three years.
134. Please identify the ratings of Delta's debt by any bond rating agencies, along with accompanying reports or commentaries by those agencies.
135. Please identify the interest coverage thresholds or other metrics required by Delta's bond indenture. Show Delta's actual performance.
136. Please provide a legible copy of Exhibit MJB-6, along with the underlying data.
137. Please provide a record of quarterly over and under-recoveries of gas costs under the Gas Cost Recovery mechanism since the beginning of 2001.
138. PSC Staff Data Request No. 9 sought financial schedules separated by total company and gas operations. The response has only one set of schedules, suggesting that there is no difference between the gas operations and the total company balance sheets, income statements, and cash flow statements. The Company's response to PSC Data Request No. 10 states that the results for the total company are the same as those for gas operations. Yet the response to PSC Staff Data Request No. 2 shows that there are two unregulated subsidiaries, Delgasco, Inc, and Enpro, Inc., in addition to Delta Resources, Inc. Response to PSC Staff Data Request No. 31 shows the balance sheet and income data for these subsidiaries.
 - a) Please provide schedules submitted in response to PSC Staff Data Request No. 9 exclusive of the assets, liabilities, revenues, expenses and cash flows of the subsidiaries.
 - b) Describe the activities of the two subsidiaries.
 - c) State whether any of these activities are subject to the jurisdiction of the KPSC.
139. With respect to the Company's response to PSC Staff Data Request No. 31,
 - a) Provide a breakdown of the items in "Payable to Parent" and "Payable to Others."
 - b) State whether these payables represent funds generated by short-term or long-term borrowing by the parent company.
 - c) State whether the equity in these subsidiaries is incorporated into the equity of the parent company on its balance sheet.
140. The Company's response to PSC Staff Data Request No. 34 states that the Company has no non-utility property. Yet, the response to PSC Staff Data Request No. 31 shows \$1,165,275 in net plant investment in the two subsidiaries.
 - a) Please describe the net plant of the subsidiaries.

- b) State whether that plant is utility plant subject to regulation.
 - c) If the answer to (b) is no, reconcile that answer with the response to PSC Staff Data Request No. 34.
- 141. Please provide the percentage of net operating income to net plant in the same format as the Company's response to PSC Staff Data Request No. 35.
- 142. Delta has proposed to increase the monthly customer charge for residential customers from \$8.00 to \$12.50. Please provide all calculations, assumptions and workpapers used to calculate this proposed increase.
- 143. Delta has proposed to increase the monthly customer charge for small non-residential customers from \$17.00 to \$22.00. Please provide all calculations, assumptions and workpapers used to calculate this proposed increase.
- 144. Delta has proposed to increase the monthly customer charge for large non-residential customers from \$50.00 to \$80.00. Please provide all calculations, assumptions and workpapers used to calculate this proposed increase.
- 145. Delta has proposed to increase the reconnection charge from \$40.00 to \$48.00. Please provide all calculations, assumptions and workpapers used to calculate this proposed increase.
- 146. For each of the last 5 years, please provide the following information:
 - a) Number of disconnects for non-payment
 - b) Number of customers disconnected for non-payment that were reconnected.
- 147. Please provide all calculations of the amount of revenues that will be collected as a result of the proposed increase in the reconnection charge.
- 148. In this application, Delta has proposed a new rider to collect money for the Gas Technology Institute Research and Development. With respect to this proposal, please provide the following information:
 - a) Will this rider be applied to all customer classes, including off-system transportation and interruptible customers?
 - b) Why is this to be a rider instead a cost in base rates?
 - c) Please provide the names of other gas utilities within Kentucky that have a similar rider for this research and development.
 - d) If this transportation charge is ending for all utilities, are other utilities intending to continue to collect this fee? If so, how? If not, why not?
 - e) Please provide a complete description for what this money is used.
 - f) Please provide a cost/benefit analysis that quantifies the benefit ratepayers will receive from this rider.

149. The proposed rates in Tab 26 (Section 10(6)(g)), sponsored by Mr. Seelye are different from the proposed rates in Mr. Hall's Tab 8 and Mr. Seelye's Exhibit 11. Please reconcile these differences or provide a revised Tab 26 if these rates are in error.
150. On page 3 of his testimony, Mr. Hall explains Tab 24. Tab 24 contains a line with a 10.22% increase for "On-System Transportation", yet this category is not listed in Tab 8, Tab 26, or Seelye Exhibit 11. Please explain what this category is and where in the application this increase is calculated.
151. Please provide in an electronic format (on CD or diskette) the following exhibits:
- a) Seelye Exhibit 1
 - b) Seelye Exhibit 2
 - c) Seelye Exhibit 3
 - d) Seelye Exhibit 4
 - e) Seelye Exhibit 5
 - f) Seelye Exhibit 6
 - g) Seelye Exhibit 8
 - h) Seelye Exhibit 9
 - i) Seelye Exhibit 10
 - j) Seelye Exhibit 11
 - k) Seelye Exhibit 12.
152. Please provide all calculations, assumptions, and workpapers not already provided that were used to produce the cost of service study.
153. Page 3 of 3 of Seelye Exhibit 11 was missing from our application. Please provide this page.
154. On page 6 of his testimony, Mr. Seelye states that he produced the Cost of Service Study filed by Delta in its last case, Case No. 99-176.
- a) Please provide a copy of the Cost of Service Study filed by Delta in Case No. 99-176.
 - b) Please provide a list of all differences between the study done by Mr. Seelye in Case No. 99-176 and the study he has done in this case.
155. On page 15 of his testimony, Mr. Seelye states that he used a weighted regression analysis instead of a standard least-square analysis.
- a) Mr. Seelye states that Delta is "Like most gas distribution systems" in that the number of feet of each pipe size is not uniform. If most gas distribution systems have this characteristic, please explain why Mr. Seelye used a least square analysis for other gas companies but did not use it for Delta.
 - b) Please provide a least square analysis for the Delta pipe data used in this case.

156. Please provide all calculations, assumptions and workpapers used to perform the zero-intercept analysis on the gas distribution main system.
157. On page 16 of his testimony, Mr. Seelye states that he used the zero-intercept method in LG&E's last two cases (Case No. 2000-080 and Case No. 90-158). Please provide a copy of Mr. Seelye's zero-intercept analysis that he performed in each of these two cases, along with all associated calculations and workpapers.
158. On page 17 of his testimony, Mr. Seelye states that the zero-intercept method was used in Union Light Heat and Power's recent gas base rate case (Case No. 2001-00092). Please provide a copy of the zero-intercept analysis Mr. Seelye referred to in his testimony.
159. Please provide a copy the analysis filed by Delta in each of its last two rate cases, used to determine the demand/customer split of the distribution plant. Please also provide all calculations, assumptions and workpapers associated with the analysis.
160. If Delta used the "minimum system" method to divide the distribution plant in cost of service studies used in previous cases, please state why the Company is now proposing instead to use the zero-intercept method.
161. Please provide a list of each of Delta's distribution mains. For each main, please provide the following information:
 - a) Diameter of main
 - b) Type of Main (Steel, plastic, etc.)
 - c) Length of main
 - d) Year installed
 - e) Original cost of main
 - f) Depreciated cost of main included in this case.
162. On page 18 of Mr. Seelye's testimony, he refers to bringing the residential class within 1.7% of the overall return in the case. Please describe how being within 1.7% was selected and from all associated calculations, assumptions and workpapers used to develop the 1.7% differential.
163. On page 25 of his testimony, Mr. Seelye states that special contract customers received no increase, even though this class's return was low, because these customers are on fixed price contracts. Please provide the fixed contract contracts referred to, and state were in the contract it is stated that the customers are not subject to rate increases ordered by the Kentucky Public Service Commission.
164. On page 26 of his testimony, Mr. Seelye states that commercial and industrial customers are more sensitive to competition from other fuels than residential customers.
 - a) Does Mr. Seelye disagree with Mr. Jennings testimony, page 5, line 4, that there is competition for Delta's residential customers from electricity, coal, oil wood, and propane, and that residential customers in eastern Kentucky have plenty of other heating options?

- b) Seelye Exhibit 8 shows that most losses in customers were residential customers.
- i. Please provide a explanation as to why Delta has lost so many customers.
 - ii. Why is Mr. Seelye more concerned with the loss of larger customers, when this exhibit clearly shows that Delta's loss of customers is primarily small customers, not large customers.

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