

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST RECOVERY)
FILING OF GASCO DISTRIBUTION SYSTEMS,) CASE NO. 2007-00421
Inc.)

APPENDIX A
QUESTIONS DATED OCTOBER 17, 2007

1. Refer to the letter of September 25, 2007 from Kenneth D. Magyar, Gasco Vice-President of Marketing, to Beth O'Donnell, Commission Executive Director.

a. State whether Gasco's "lack of familiarity" was with Gas Cost Adjustment ("GCA") filings in general or with GCA filings specific to Kentucky.

Gasco's GCA filing specific to Kentucky.

b. Explain why Gordon R. Brother's departure from Gasco resulted in Gasco's failure to file GCA filings for 5 years.

Because of the amount of work Gordon R. Brothers did and the small size of the staff the Gasco Kentucky filing was overlooked and because of the limited size of the Gasco staff the work was not completed.

c. Explain why Gasco did not request Commission assistance to prepare its GCA applications during the 5 year period.

It was an oversight by Gasco, Gasco was not aware that it had not been done.

- 2. Refer to Gasco's "Quarterly Report of Gas Cost Recovery Rate Calculation," Schedule IV. Between July 2002 and June 2007, The Commission authorized 3 different GCAs for Gasco. Gasco, however, calculates its gas cost under-recovery for the period from July 2002 through June 2007 based only on the rate, including the Expected Gas Cost ("EGC"), that the Commission approved in Case No. 2002-00279 and that was in effect from August 2002 through December 2002. In his letter of September 25, 2007 to Ms. O'Donnell, Mr. Magyar indicates that Gasco charged customers this rate since August 2002 and has never charged the rate, including the EGC, approved in Case No. 2002-00426.**
- a. Explain why the appropriate comparison for purposes of calculating Gasco's Actual Adjustment ("AA") for this 60-month period is the rate that the Commission approved in Case No. 2002-00279 rather than the rate that the Commission approved in Case No. 2002-00426 and which KRS 278.160 required Gasco to charge, beginning January 1, 2003, for the final 54 of those 60 months.**

Gasco did not have a copy of the approved Commission Order No. 2002-00426 in our office files. Gasco utilized the last Commission approved rate that Gasco had in its files for the filing of this PGA for the 60 month period.

- b. Using the rate that the Commission approved in Case No. 2002-00279, Gasco's AA calculation results in a gas costs under-recovery of \$494,941 for the period July 2002 through June 2007. Explain how Gasco, with roughly 130 customers and revenues of approximately \$200,000, has been able to financially bear its ever-increasing level of unrecovered purchased gas expense for 5 years.**

Gasco Kentucky Division has been subsidized by the other Divisions of Gasco during the period of time the \$494,491 was accruing from July 2002 through June 2007.

- 3. In Case No. 1994-00427-A, Gasco's initial GCA filing included an AA calculation covering a period of 65 months and an under-recovery amount of approximately \$220,000. In that proceeding, Gasco proposed to spread AA recovery over a period of 120 months to mitigate the effect on customers.**
- a. In the present proceeding, Gasco proposes to recover approximately \$500,000 over 60 months. State whether Gasco is agreeable to a recovery period of up to 120 months to mitigate the effect on customers.**

Gasco would agree to a recovery period of up to 120 months.

- b. State whether Gasco agrees that the magnitude of Gasco's gas cost under-recovery can be largely attributed to Gasco's failure to charge the higher rate approved in Case No. 2002-00426 and make quarterly GCA filings as Gasco's GCA clause requires. If no, explain.**

Yes the magnitude of Gasco's gas cost under-recovery can be attributed to Gasco not billing the higher rate approved in Case No. 2002-00426.

- c. Explain why the proposed recovery of amounts that Gasco failed to properly bill its customers over a period of 5 years is not contrary to KRS 278.225.**

This is not a billing issue but rather a gas recovery issue which the company is entitled to recovery its gas cost.

- d. Explain why, in light of Gasco's failure to properly bill its customers and to comply with the quarterly filing requirements of its GCA clause, Gasco's proposed recovery of the 5 years of under-recovered gas costs in its current filing is reasonable and should be permitted.**

Without the ability to recover its natural gas costs the financial viability of Gasco will be severely impaired to the point of jeopardizing its continued ability to serve the customers in its Kentucky Division.

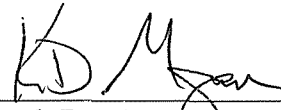
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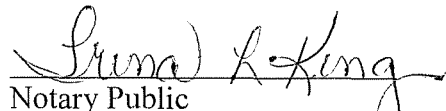
State of Ohio

County of Muskingum

I, Kenneth D. Magyar, Vice-President Marketing after being sworn, state that these responses to these requested questions of the Public Service Commission of Kentucky for Case No. 2007-00421 on behalf of Gasco Distribution Systems, Inc. are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.

Sworn to before me by Kenneth D. Magyar on this 2nd day of November, 2007.



Kenneth D. Magyar

Notary Public

Trina L. King
Notary Public, State of Ohio
My Commission Expires 8-8-2012

