

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF) CASE NO.
EQUITABLE GAS COMPANY, INC.) 92-326

O R D E R

IT IS ORDERED that Equitable Gas Company, Inc. ("Equitable") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than November 4, 1992.

1. Refer to Equitable's response to Item 1 of the Commission's September 23, 1992 Order.

a. Reconcile the adjustment to Account No. 913 as shown in Item 1, Sheet 4 of 8, with the adjustment shown on Statement D, Sheet 2 of 5, of the application.

b. Reconcile the adjustment to Account No. 930 as shown in Item 1, Sheet 5 of 8, with the adjustment shown on Statement D, Sheet 2 of 5, of the application.

c. Reconcile the adjustments to Account No. 926 as shown in Item 1, Sheet 6 of 8, with the adjustments shown on Statement D, Sheet 2 of 5, of the application.

d. Provide all supporting documents and calculations used in deriving the test year percentages used in computing the adjustment to Account 926 as shown in the response to Item 1 sheet 6 of 8.

e. Reconcile the adjustment to Account 408 as shown in Item 1, Sheet 6 of 8, with the adjustment shown on Statement D, Sheet 2 of 5, of the application.

f. Provide a detailed narrative explanation for the use of the CPI Index in projecting future costs in an historic test-period rate proceeding.

2. Refer to Equitable's response to Item 1 of the Commission's September 23, 1992 Order, Sheet 3 of 8.

a. Provide an annualization of the labor charges based on the test-year-end levels of wages and salaries.

b. Provide an annualization of the related employee pensions and benefits and payroll taxes based on the annualized wages and salaries requested in part (a) above. This information should be provided in the same format as prepared in Equitable's response to Item 1 sheet 6 of 8 of the Commission's September 23, 1992 Order.

3. For each expense item allocated to Kentucky jurisdictional operations, provide the allocation rate, the basis for the rate, and all workpapers that support the rate. In addition, state which of the allocation rates have changed since Equitable's last rate proceeding and the basis and support for any such changes.

4. Refer to Equitable's response to Item 5 of the Commission's September 23, 1992 Order, Attachment A, Sheet 1 of 4.

a. Provide the total allocated cost of annual audit for calendar years 1989, 1990, 1991 and the estimated total allocated cost of the annual audit for 1992.

b. Provide a detailed narrative description of the nature of the services provided by Allegheny Personnel Services and the benefit of the services to the Kentucky jurisdictional customers.

c. For both the financial audit and the personnel services, provide the allocation factors used to allocate the associated cost, the basis for the allocation factor and the most recent date the provided service was bid by other service providers.

5. Refer to Equitable's response to Item 7 of the Commission's September 23, 1992 Order, Attachment A. Provide a breakdown of the test-year allocated American Gas Association dues among the four categories or benefits listed in the Note to Attachment A.

6. The Uniform System of Accounts ("USOA") prescribed for gas utilities states that Account No. 913 "shall include the cost

of labor, materials used and expenses incurred in advertising designed to promote or retain the use of utility service, except advertising the sale of merchandise by the utility". 807 KAR 5:016, Section 4, states that "Advertising expenditures for political, promotional, and institutional advertising by gas utilities shall not be considered as producing a material benefit to the ratepayers and, as such, those expenditures are expressly disallowed for rate-making purposes". Given this regulation, provide a detailed explanation as to why any amounts recorded in Account No. 913 should be included for rate-making purposes.

7. Refer to Equitable's response to Item 8 of the Commission's September 23, 1992 Order.

a. Provide the names of the associations that Equitable pays dues to that are recorded in this account. For each association, state the purpose of the association and the benefits to the ratepayers that result from such affiliations.

b. Explain in detail the nature of the institutional advertising recorded in this account. In addition, provide a detailed narrative explanation of the benefits to the ratepayers that result from such advertising.

c. Provide a detailed explanation of the nature of the costs recorded as Miscellaneous - Public Relations.

8. Refer to Equitable's response to Item 17 of the Commission's September 23, 1992 Order. For each of the following expenses provide a detailed narrative explanation for the increases in the expenses from the prior year to the test year as shown on Attachment B.

- a. Account No. 913, Advertising Expenses
- b. Account No. 923, Outside Services Employed
- c. Account No. 930.1, Advertising Expenses
- d. Account No. 931, Rents

9. State whether Equitable has adopted Statement of Financial Accounting Standard No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106") for either financial or regulatory accounting purposes.

10. If SFAS 106 has been adopted for either financial or regulatory purposes, provide the following information:

- a. State the date the adoption took place.
- b. State whether a regulatory asset was created to recognize any differences that may have resulted from adopting the standard for financial purposes and not for regulatory purposes.
- c. State the impact the adoption had on earnings.
- d. State the amount of SFAS 106 expenses that were allocated to Kentucky jurisdictional operations during the test year.

11. Refer to the direct testimony of T. L. Jones. Provide a detailed narrative explanation and all supporting workpapers for the use of a weighted average state income tax rate as stated on lines 3 thru 6 of page 3.

12. Refer to Statement D, Sheet 1 of 5 of the application. Provide all workpapers, calculations, assumptions, and other documentation which support the following expense increases:

- a. \$2,024, operating expenses.
- b. \$82,631, income taxes.

13. Refer to Statement E, page 2 of 5. Show the calculation of the annual bills at present and proposed rates.

14. Refer to Statement E, pages 4 and 5. Explain the discrepancy between Mcf sales of 502,541 on page 4 and cumulative Mcf of 474,428.7 on page 5.

15. Refer to Statement D, page 1 of 5. Explain what composes miscellaneous revenues of \$1,481.

16. Refer to Statement D, page 2 of 5. Show how purchased gas expense of \$1,367,917 was calculated.

17. Refer to Statement D, page 2 of 5. Has Equitable experienced an increase in the number of customers, some increase in labor expense, or some other change that would justify an increased allocation to meter reading expense?

18. What is Equitable's most current number of customers?

19. Refer to the testimony of John R. Yacko, page 4. What cost-of-service considerations caused the allocation of lesser increases to the higher consumption blocks?

20. Concerning the direct testimony of Mr. Piskurich:

a. Specify the issues on which you have testified previously in Kentucky and Pennsylvania.

b. Will the rate-of-return witness engaged in this request present testimony? If no, are you the witness sponsoring the 12.75 percent proposed return on common equity?

c. What analysis was used in arriving at the 12.75 percent proposed return on common equity? Explain and provide workpapers and calculations.

Done at Frankfort, Kentucky, this 21st day of October, 1992.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director