

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT,)
HEAT AND POWER COMPANY TO ADJUST GAS) CASE NO. 92-346
RATES)

O R D E R

IT IS ORDERED that The Union Light, Heat and Power Company ("ULH&P") shall file the original and 15 copies of the following information with this 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 23, 1992.

1. The response to Item 1 of the October 21, 1992 Order was not adequate. As was stated in the October 21, 1992 Order, ULH&P had been instructed in its last gas rate case to undertake a comprehensive study to determine its optimal propane inventory level. This instruction envisioned a special study to be performed

by ULH&P. ULH&P's response to Item 1 implies that such a study has not been performed.

a. Has ULH&P or The Cincinnati Gas and Electric Company ("CG&E") undertaken a special study to determine its optimal propane inventory level?

b. If the study has been performed, provide copies of the study, as originally requested in Item 1. If the study has not been performed, explain in detail why ULH&P has not complied with the Commission's instructions.

2. Concerning the response to Item 4 of the October 21, 1992 Order, provide the following information:

a. Identify the account number(s) used by ULH&P to record the amortization expense for the gas rate case expense and the gas share of the management audit expense during the test year.

b. Explain why ULH&P did not propose similar rate base treatment for its unamortized balance of the gas portion of the management audit expense in its last gas rate case.

3. Concerning the response to Item 5 of the October 21, 1992 Order, provide the following information:

a. For both the electric and gas operations, Schedule C-3.3 from Case No. 90-041¹ shows the proposed one year amortization of total estimated rate case expenses of \$75,000. Does not the gas Schedule C-3.3 from Case No. 90-041 show rate case

¹ Case No. 90-041, An Adjustment of Gas and Electric Rates of The Union Light, Heat and Power Company, Order dated October 2, 1990.

expense representing 33.3 percent of the total estimated rate case expense?

b. The Commission's decision on the treatment of rate case expenses was discussed on page 25 of the October 2, 1990 Order in Case No. 90-041. Is it not correct that the only change the Commission made to ULH&P's proposed adjustment was to make the amortization period 3 years instead of 1 year?

c. Prepare the revision of WPB-6c as was originally requested in Item 5(b) of the October 21, 1992 Order.

4. The amortization of the rate case expense from Case No. 90-041 and the gas management audit expense will be completed by October 1993. Provide a detailed explanation as to why ULH&P should be allowed the possibility to recover the amortization expense beyond October 1993, as well as earn a return on the unamortized balance, which will be fully amortized in October 1993.

5. Concerning the response to Item 7(a) of the October 21, 1992 Order, if the proposed adjustment to depreciation expense is for book purposes, explain why it is not appropriate to reflect a corresponding adjustment to book income tax expense.

6. In Case No. 90-158² the Commission amortized downsizing costs which reflected an immediate cash outlay over 3 years, amortized qualified retirement plan and post-retirement hospitalization coverage costs which reflected accounting accruals

² Case No. 90-158, Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company, Rehearing Order dated September 30, 1991.

over 10 years, and did not include the unamortized balance of the downsizing costs in rate base. Provide a detailed explanation of why a similar amortization approach would not be appropriate for ULH&P's costs for the early retirement program and the involuntary separations.

7. Concerning the response to Item 11 of the October 21, 1992 Order, indicate whether Scott, Madden and Associates will be issuing any written reports and/or study results concerning the self-analysis study. If Scott, Madden and Associates do not issue a written report or written study results, prepare a summary of the recommendations and comments offered by these consultants.

8. Concerning the response to Item 13 of the October 21, 1992 Order, explain how the methodology used for the proposed adjustment to the Savings Incentive Plan and the Deferred Compensation and Investment Plan reflects test-year changes in the number of participating employees and the level of contributions made by those employees.

9. Concerning the response to Item 16 of the October 21, 1992 Order, provide the following information:

a. Supply the documentation and calculations which support the amounts shown on Sheet 1 of 1 for Non-Scheduled hours and Compensated hours.

b. Explain when and how Non-Scheduled hours are paid by ULH&P, considering these hours are identified as "hours worked - unpaid."

c. Supply copies of the Calendar Month Gross Earnings printouts for each month of the test year, except for May 1992. If these printouts cannot be provided, explain why this is the case.

10. Concerning the responses to Items 17 and 18 of the October 21, 1992 Order:

a. Provide an explanation of how the "Accounts Receivable" and "Accounts Payable" work hours are identified and/or determined in the ULH&P/CG&E payroll system.

b. Provide an explanation of why the hours billed as "Accounts Receivable" and "Accounts Payable" are not assigned at the individual labor group level.

11. In the response to Item 20(c) of the October 21, 1992 Order, ULH&P has stated that the month of May labor distributions have been used to allocate wage normalizations in rate cases before this Commission, as well as the Ohio and Indiana commissions. For the two previous gas rate cases submitted in Ohio and Indiana, provide copies of any commission staff reports/evaluations or commission orders discussing the reasonableness of labor distributions used for wage normalizations.

12. ULH&P has indicated that it can determine for a test year the actual hours worked by ULH&P personnel for ULH&P activities and hours worked by ULH&P personnel for CG&E or CG&E affiliate activities; the actual hours billed by ULH&P as "Accounts Receivable"; and the actual hours billed to ULH&P as "Accounts Payable." Provide an explanation of why the labor distribution used for wage normalization purposes is not based on these actual

hours, rather than allocating the total hours based on a neutral month.

13. Concerning the response to Item 22 of the October 21, 1992 Order:

a. Regarding Item 22(a), provide an explanation as to what comparative analytical value statistics such as the "Ratio of O & M Dollars to Total Labor Dollars" have when the basis of the amounts used in the calculation of the ratio are not the same.

b. Regarding Item 22(b), provide a breakdown for each period shown of the total company wages net of billings to and from CG&E and CG&E affiliates between electric and gas operations. If such a breakdown is not possible, explain why this is the case.

14. For both the Employee Benefits and Payroll Taxes, provide the total company costs for the test-year net of the effects of billings to and from CG&E and CG&E affiliates. Also, breakdown the total company costs between electric and gas operations.

15. Concerning the response to Item 24(c) of the October 21, 1992 Order, provide the following information:

a. Explain how the early retirement program would not affect the time study prepared in October 1992, given the fact that the "window" for the program was open for the months of September and October of 1992.

b. Indicate the total number of employees who responded in the 1992 Administrative and General employee time study. Of

this total, indicate the number of employees who have elected to take the early retirement offer.

16. The response to Item 26 of the October 21, 1992 Order did not fully answer the question. Given certain assumptions and an example from Mr. Steffen's testimony, ULH&P was asked to provide a step-by-step calculation of the average hourly wage rate and the amounts charged to ULH&P capital and expense projects. While the assumptions included certain wage rates, the question was based on the assumption that the stated wage rates were the actual hourly wage rates for the three employees. ULH&P's response identifies these wage rates as "Average Hourly Wage." The original request assumed that the actual hourly wage rate was not the same as the average hourly wage rate. Provide the originally requested calculation of the average hourly wage rate.

17. Concerning the response to Item 29 of the October 21, 1992 Order, for each month of the test year provide the amount of FICA and Medicare payroll expense. In addition, explain how ULH&P determined that an adjustment to FICA expense would be minimal, given that the proposed wage and salary expense adjustment totals \$250,345.

18. Concerning the response to Item 30(c) of the October 21, 1992 Order, provide a detailed explanation of how the adjustment for the early retirement program and the involuntary separations, which are occurring in the last quarter of 1992, includes the impact of the meter reading workforce reduction which became effective October 1, 1991.

19. Concerning the response to Item 33(a), Sheet 6 of 6, of the October 21, 1992 Order, provide an explanation of why it is appropriate to use the annual average Consumer Price Index - Urban ("CPI-U") values for calendar years 1982 through 1991 instead of the CPI-U values for December of those calendar years.

20. Concerning the response to Item 36 of the October 21, 1992 Order, explain whether any of the expenses related to marketing which ULH&P proposed to remove from Account No. 4912 were related to an allocation of costs to both Account No. 4912 and Account No. 4908. For any marketing activity cost exceeding \$1,000 which was allocated between Account Nos. 4908 and 4912, prepare a schedule showing the vendor, document reference, total cost, and the amounts allocated to Account Nos. 4908 and 4912.

21. Concerning the response to Item 38 of the October 21, 1992 Order, ULH&P was requested to prepare a schedule for the 13 month period, in gallons, showing the beginning monthly balance of enricher liquid inventory, gallons added or withdrawn during the month, and the ending monthly balance of enricher liquid inventory. ULH&P's response did not provide the gallons added or withdrawn monthly during the 13 month period. Provide the originally requested information.

22. The response to Item 44(a) of the October 21, 1992 Order was not adequate. ULH&P was requested to provide a schedule of the various demand side management ("DSM") programs reflected in the test year expenses. This request envisioned a schedule of the test year transactions which listed the vendor/supplier, the document

reference, the amount of the transaction, and a description of the transaction. Given this clarification, provide a schedule of the DSM transactions recorded in Account No. 4908-54, with the level of detail identified above.

23. Concerning the response to Item 48 of the October 21, 1992 Order, provide the workpapers and documentation which support the approximate annual cost of pipeline demand cost of \$12,137,370 and the dekatherms of peak day capacity of 117,000 Dth.

24. Concerning the response to Item 51 of the October 21, 1992 Order:

a. Is it not correct that the Commission has in prior Orders allocated capitalization based on the ratio of jurisdictional rate base to total rate base, rather than on plant?

b. If ULH&P's capitalization includes the capital which supports the investment in facilities devoted to other than Kentucky customers, provide a detailed explanation of how the Commission's previous practice of capitalization allocation properly adjusts the capitalization for the removal from rate base of facilities devoted to other than Kentucky customers.

25. Concerning the response to Item 52 of the October 21, 1992 Order, on page 6, line 22, of Mr. Marshall's testimony he states, "In May 1992, the Company stopped all overtime work, except for emergencies, most travel was canceled and a new hiring freeze was adopted. These actions currently continue."

a. Schedule C-11.1 shows test year overtime labor dollars (line 13) to be \$1,398,872. WPC-3.2a shows a proposed

reduction in overtime of \$90,000. Given Mr. Marshall's statement on page 6 of his testimony, provide an explanation of why the proposed overtime reduction of \$90,000 is believed to adequately estimate the impact of lower levels of overtime work.

b. Provide the test-year total gas expense for employee travel.

c. Given that ULH&P's proposed adjustment on WPC-3.2a for travel is a reduction of \$8,000, provide an explanation of why the proposed travel reduction is believed to adequately estimate the impact of smaller levels of travel expense.

26. Concerning Construction Work In Progress ("CWIP"), in previous ULH&P rate case Orders, the Commission has included the total CWIP balance as of test-year end in ULH&P's rate base. In this rate case, ULH&P has included its test-year end balance of CWIP in its proposed rate base. According to information on Schedule B-4, approximately 87 percent of the test-year end CWIP is subject to Allowance for Funds Used During Construction ("AFUDC") treatment. Given this information:

a. Provide a detailed explanation of why ULH&P should be allowed to earn a return on the CWIP included in rate base without recognizing some offset for AFUDC, even though a significant portion of the CWIP earning a return in rate base is subject to AFUDC.

b. Provide a detailed explanation of how Mr. Lonneman's suggestion to include in rate base that amount of CWIP completed prior to the hearing eliminates the need for an AFUDC offset, since

a significant portion of that completed CWIP would have been subject to AFUDC treatment.

27. The response to Item 58(a) of the October 21, 1992 Order was not adequate. ULH&P was requested to provide copies of authoritative writings and/or decisions by other regulatory bodies which support Mr. Lonneman's recommendation on page 20 of his testimony. In the response, ULH&P made reference to an Indiana commission ruling, but did not provide copies of the ruling or copies of any authoritative writings which support Mr. Lonneman's recommendation. Provide the originally requested information.

28. Concerning the response to Item 59 of the October 21, 1992 Order, provide a detailed explanation of why it is inappropriate to reflect the adjustment to depreciation expense in the balance of accumulated depreciation included in rate base when, in computing the cash working capital allowance, 1/8th of the adjusted operating and maintenance expenses less gas expenses are used.

29. Concerning the response to Item 60 of the October 21, 1992 Order:

a. Explain whether ULH&P's charges to Account No. 4926-160 during the test year are based on a pay-as-you-go approach, the requirements of Financial Accounting Standards Board ("FASB") Opinion No. 106, or some other methodology.

b. Provide a detailed explanation of why ULH&P believes there needs to be a rate base reduction related to the amounts

accumulated in Account No. 4926-160 since ULH&P's last gas rate case.

c. Identify the corresponding liability account used to record the amounts included in Account No. 4926-160.

d. Provide the accounting entries currently prepared by ULH&P to record the expenditures charged to Account No. 4926-160, as well as any other related accounting entries prepared during the test year.

30. Included on Schedule B-6 is \$291,760 identified as Account No. 190 - Deferred Income Taxes, Post Retirement Benefits. Provide all workpapers, calculations, assumptions, and other documentation which show how this deferred income tax amount was determined. Provide the same information for the determination of this deferred income tax for calendar years 1990 and 1991.

31. Based on the employment levels and the post retirement benefits offered as of test-year end, provide the following information related to the implementation of FASB Opinion No. 106:

a. The transition obligation of ULH&P in total and for its gas operations.

b. The annual on-going obligation of ULH&P in total and for its gas operations.

c. Any other amounts related to the implementation of FASB Opinion No. 106.

In addition, provide all workpapers, calculations, assumptions, and other documentation which support the responses to parts (a) through (c). Include the accounting entries ULH&P would make to

record these transactions. Also provide this same information, as soon as it is known but no later than January 19, 1993, based on the employment levels and the post retirement benefits offered by ULH&P as of January 1, 1993.

32. Concerning the response to Item 63 of the October 21, 1992 Order, the reason given for the inclusion of these transactions for rate-making purposes is not adequate. For each of the listed transactions, provide specific reasons related to each transaction explaining why the transaction should be included for rate-making purposes.

33. Concerning the response to Item 64 of the October 21, 1992 Order, the description of the service(s) provided in the test year and the reason given for the inclusion of these expenses for rate-making purposes are not adequate. For each of the listed organizations, provide a specific description of the service(s) provided during the test year and provide specific reasons related to each organization explaining why the transaction should be included for rate-making purposes.

34. Provide the following information for each employee benefit identified in Items 44(a) through 44(s) of the September 16, 1992 Order:

a. The total number of ULH&P employees eligible for the benefit as of test-year end.

b. The total number of ULH&P employees who were actually participating in or receiving the benefit as of test-year end.

c. The total expense of the benefit incurred or allocated to ULH&P during the test year.

d. A description of the allocation method(s) used in assigning expenses to ULH&P.

e. The total expense of the benefit allocated between ULH&P's gas and electric operations during the test year.

The information requested above should be provided in a format similar to that used by ULH&P in its response to Item 58(a) through 58(f) of the December 17, 1991 Order in Case No. 91-370.³

35. Concerning the response to Item 68 of the October 21, 1992 Order:

a. Provide the return on equity goals for fiscal year 1992 which were not included in the response to Item 68(a)(2), Sheets 16 through 18 of 24.

b. Provide the customer acceptance rating goals for fiscal year 1992 which were not included in the response to Item 68(a)(2), Sheet 18 of 24.

c. Provide an explanation of why a company-wide goal relating to employee morale was removed from the fiscal year 1992 goals.

d. Provide an explanation of why a company-wide goal relating to shareholder value was added to the fiscal year 1992 goals.

³ Case No. 91-370, Application of The Union Light, Heat and Power Company to Adjust Electric Rates, Order dated December 17, 1991, Item 58.

e. Provide an explanation of why the evaluated time period for the relative electric and gas rate modifiers were changed for fiscal year 1992.

36. Provide the test year ULH&P gas operation's expense for the Key Employee Annual Incentive Plan.

37. Concerning the response to Item 69 of the October 21, 1992 Order, provide the supporting documentation for the rate case expenses relating to cash voucher numbers 9-184-1, Sales Tax, and 9-440-1, Company Vehicle.

38. Concerning the response to Item 70 of the October 21, 1992 Order, the Commission will expect ULH&P to provide the rate case information it has available on the three due dates of November 30, 1992, January 19, 1993, and 20 calendar days after the end of the public hearing. Provide ULH&P's best estimate of when it would expect to know the total costs incurred for this rate case through the end of the public hearing, assuming the public hearing concluded on January 29, 1993.

39. On page 76 of the May 5, 1992 Order in Case No. 91-370, the Commission stated, "To ensure that customers, as well as owners, receive the benefits of implemented recommendations, the Commission, in future rate proceedings, will require ULH&P to provide appropriate detailed information of costs, benefits, and or costs avoided as a result of its related efforts regardless of the accounting or reporting mechanisms now in place." ULH&P was requested in Items 71(b) and (d) of the October 21, 1992 Order to identify the total recommendation cost or savings which was or

should be allocated to ULH&P gas operations. In its responses, ULH&P stated that it had not attempted to quantify the cost or savings of the various programs to ULH&P gas operations.

a. Given the Commission's statement in Case No. 91-370 and the response to Item 71, provide a detailed explanation as to why ULH&P cannot quantify the impact of implemented management audit recommendations on its gas operations.

b. Prepare a schedule based on ULH&P's September 1, 1992 Status Report showing identified costs, savings, or costs avoided. Include a breakdown of these items between CG&E and ULH&P and an allocation of the ULH&P amounts between electric and gas operations.

40. Concerning the response to Item 35 of the Attorney General's October 21, 1992 Request for Information, provide a detailed explanation as to why ULH&P or CG&E did not perform a cost/benefit analysis related to the early retirement program. If such an analysis does exist, provide copies of the analysis.

41. In Case No. 91-460,⁴ the Commission indicated it would review ULH&P's policies pertaining to contributions in aid of construction and the impact on ratepayers in this proceeding.

⁴ Case No. 91-460, The Application of The Union Light, Heat and Power Company for Authorization to Amend Gas Main Extension Policy, Order dated October 29, 1992.

a. Provide copies of ULH&P's policies concerning contributions in aid of construction relating to gas main extensions.

b. For the test year, provide the total number of gas main extensions made by ULH&P, the total footage for each extension, the total cost of each extension, the number of customers affected by the extension, and the total contributions in aid of construction received for each extension.

c. For the test year, provide the per foot amount collected by ULH&P for each extension, as required by its current policy in effect during the test year.

d. For the test year, provide a calculation of the actual average cost per foot for each extension. Include all workpapers, calculations, assumptions, and other documentation which support each actual average cost per foot.

42. Provide a thorough discussion of the impact FASB Opinion No. 109 will have on ULH&P, in total and for gas operations. Include with this discussion the expected dollar impact on the balance sheet and income statement. Indicate when ULH&P began following FASB Opinion No. 109.

43. The response to Item 73 of the October 21, 1992 Order indicates there was a misunderstanding between ULH&P witnesses concerning whether a year-end customer adjustment was included in the normalization of revenues.

a. Was a year-end customer adjustment included in the adjustments in ULH&P's most recent rate case, Case No. 91-3707

b. Why were revenues in this case calculated based on average customers rather than on year-end customers?

44. The response to Item 75 of the October 21, 1992 Order discusses the proposed competitive flexibility provision for Rate IT.

a. Part (a) of the response refers to the proposed minimum rate of \$0.30 and indicates the minimum rate was increased in line with the overall requested increase. What is the current minimum rate and where is it shown in the current tariff?

b. Part (d) of the response indicates that it is CG&E customers, not ULH&P customers, that have switched from gas rather than subject themselves to market-based rates for an extended period of time. Explain whether ULH&P is advocating that this Commission approve changes in ULH&P's tariff based on the experience of CG&E under a tariff neither reviewed nor approved by this Commission.

c. Part (e) of the response indicates that ULH&P's customers want market-based, flexible rates only when such rates are below the fixed tariff rates. This approach would insulate customers from the full impact of changes in the market. Explain why ULH&P is proposing to accommodate its customers in this manner.

45. The response to Item 76 of the October 21, 1992 Order discusses the proposed tariff for Rate ICT.

a. Part (a) of the response explains the two-thirds and one-third split for deriving the commodity charge and system utilization ("fixed") charge and indicates the intent was to not

make the fixed charge so high that customers are discouraged from accepting the tariff. Isn't the attractiveness of the tariff, at any rate, dependent on the customer's prospects for growth? Explain.

b. What reasons might a customer facing no growth or negative growth have for switching to Rate ICT? Explain in detail.

c. Would a customer with prospects for positive growth be more attracted to a tariff with a lower commodity charge for new or increased loads? Explain in detail.

d. Part (e) of the response addresses the difference between the 1.5 percent late payment charge proposed for Rate ICT and the existing 5 percent late payment charge on ULH&P's other rate schedules, including Rate IT. The response says the charge was inadvertently changed to 5 percent and the 1.5 percent rate should remain intact. Clarify this response by specifying which charge was changed to 5 percent and explaining why Rate ICT and its alternative, Rate IT, should have different late payment charges.

46. The response to Item 77 of the October 21, 1992 Order discusses the proposed Rider WNA.

a. Parts (a) and (b) of the response discuss the reasons for using the period from November through May for determining and applying the proposed WNA. Was this approach developed in-house by ULH&P or was it patterned after another utility's tariff (if applicable, name the utility and the jurisdiction in which it operates)?

b. Part (c) of the response provides sample WNA calculations for the past 5 heating seasons which show actual metered sales were less than weather normalized sales in each heating season. For each season's WNA, provide a calculation of the related impact on revenues and net operating income.

c. For each of the past 5 heating seasons, actual sales have been less than weather normalized sales. If available, provide actual and weather normalized sales for each of the previous 15 heating seasons, beginning with the November 1972 through May 1973 season.

47. The response to Item 78 of the October 21, 1992 Order shows the derivation of the cost incurred by ULH&P for processing bad checks.

a. Part (a) of the response shows the processing fees charged by two banks for the first pass and the second pass. Explain the terms first pass and second pass and describe the sequence of events involving ULH&P, the customer, and the bank when a customer issues a bad check.

b. Part (b) of the response indicates that 73 percent of the returned checks for the 6 months ended June 30, 1992 were from Fifth-Third Bank. For the entire test year, provide: (1) the number of checks returned from Fifth-Third Bank; (2) the number of checks returned from Star Bank; (3) for each bank the number of checks that went through the first pass only; and (4) indicate at what point in the process ULH&P expends the 15 minutes for internal handling.

48. The response to Item 79 of the October 21, 1992 Order discusses measures ULH&P is taking, or considering, to reduce its design day demand. Part (a) references Item 48 of the response which indicates, based on ULH&P's current GCA, the annual cost to meet design day, or peak day, demand is \$103/Dth.

a. Mr. Ginn's testimony, at page 18, indicates that ULH&P's design day plan provides for meeting customers' firm requirements at temperatures down to minus 45 degrees wind chill factor. Going back as many years as ULH&P has record of, how many times has ULH&P actually reached its design day demand?

b. Part (c) of the response indicates that ULH&P has considered using its rate design as a means of encouraging conservation that could reduce design day demand. Describe in detail the rate design measures that ULH&P has considered.

c. Describe any analysis ULH&P has done on the potential implementation and impacts of inclining block rates or seasonal rates for firm requirements customers.

49. Referring to Item 90 of ULH&P's response to the October 21, 1992 Order, the weighting factor for K403 is obtained by dividing each average category by \$413.61. The weighting factor for K405 is obtained by taking the average dollar per account for each consumer class as a percentage of the sum total of the average dollar per account of all consumer classes.

a. Why is there a difference in methodology?

b. Why have the weights been rounded?

c. For K405, explain the rationale for rounding the weighting factor for the industrial category from 2.3 to 4.0.

d. For K405, is the "other" category included in the "commercial" category and the "transportation" category with the "industrial" category?

50. The response to Item 90(b) of the October 21, 1992 Order states, "The customer component percentage equals the customer component dollars of \$7,112,649 divided by the total dollars of \$43,617,883 or 16 percent. The Company based on judgement and experience from prior cases rounded the customer component up to 20 percent." If ULH&P was going to use past experience as its guide, then why did you go to the time, effort, and expense of conducting a study only to ignore the results?

51. Referring to Item 91 of ULH&P's response to the October 21, 1992 Order:

a. Does CG&E use this same methodology (regression versus metered load research data) in any other of its affiliated service areas?

b. If metered data does exist from CG&E or any of its affiliate service areas, provide a side-by-side comparison of the two methodologies.

52. Referring to Item 92 of ULH&P's response to the October 21, 1992 Order:

a. Why is ULH&P not using the most current edition of Gas Rate Fundamentals?

b. In the third edition of this same book on page 162, section (c), the section title reads "Average and Excess Demand (sometimes called the Used and Unused Capacity) Method" and not "Peak and Average Demand (sometimes called Used and Unused) Method". In the footnote at the bottom of page 162, unused capacity is defined as the difference between average (used) capacity and peak capacity. Also, at the top of page 163 in footnote a to the table, unused capacity is obtained by subtracting used (average) capacity from maximum capacity. Maximum capacity is defined as the total of the noncoincident demands for each consumer class. Finally, referring to the sentence beginning at the bottom of page 163, "[T]otal excess demand is the difference between system coincident maximum daily demand and average demand. Excess demand for each class is determined by apportioning the total excess demand on the unused capacity." From schedule 14 page 5 of 11, it appears that the excess column is what the explanation refers to as "unused" capacity, since it is the difference between peak day and average (used) capacity.

(1) Explain the apparent discrepancies between your methodology and the methodology, which is summarized above from the 3rd. edition of Gas Rate Fundamentals.

(2) Provide an answer for the original questions as asked in Item 92 of the October 21, 1992 Order.

53. Referring to Item 93 of ULH&P's response to the October 21, 1992 Order:

a. Why has the data not been adjusted to conform to the test year period, since that is the purpose of having a test-year period?

b. If the data is not on the same basis as the test year and does not reflect test-year experience, why is it appropriate to use it in this cost-of-service study? Explain.

Done at Frankfort, Kentucky, this 13th day of November, 1992.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director