

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF GAS RATES FOR THE)
UNION LIGHT, HEAT, AND POWER COMPANY) CASE NO. 92-346

O R D E R

IT IS ORDERED that the Attorney General, by and through his Utility and Rate Intervention Division ("AG"), shall file the original and 12 copies of the following information with the Commission with a copy to all parties of record no later than January 12, 1993. The AG shall furnish with each response the name of the witness who will be available to respond to questions concerning each item of information requested should a public hearing be scheduled.

Refer to Mr. Kinloch's prefiled testimony:

1. On page 11 of the testimony, give the citation from the AGA's Gas Rate Fundamentals text citation where it is "clear that interruptable customers are to be included and to be assigned costs under the non-coincident peak methodology."

2. On pages 11-13 of the testimony, some of the shortcomings of the Peak and Average Method and the benefits of using peak and noncoincident peak methods are discussed.

a. Why not simply apply ULH&P's K203 allocator derived by the Peak and Average method to both CP and NCP cost areas, rather than apply separate CP and NCP allocators to specific cost areas? Explain.

b. ULH&P's Peak and Average Methodology is very closely related to the Average and Excess Method, as discussed in the Gas Rate Fundamentals 4th edition text, pages 144-146. If non-coincident peak data is available, why not use this method of allocation?

c. From your discussion on page 12, you seem to reject the use of a compromise allocator altogether. In the absence of load research data and using monthly billing data to construct peak and noncoincident peak demands, is there ever any reason to use a compromise allocator? Explain.

3. On page 14-15 of the testimony, you discuss problems with ULH&P's K415 allocator. Although an adjustment with an adjusted K203 is made, an additional adjustment is made in order to account for a failure to accurately consider pipe sizes in the zero-intercept regression. However, instead of recalculating the allocator using the zero-intercept method, the minimum or zero size method is used.

a. Explain why a different methodology is used to calculate the customer/demand components after you have noted what appears to be a data problem.

b. Explain why the zero-intercept method will not yield acceptable allocation between the customer and demand components.

c. Provide the documentation showing that the NARUC Gas Distribution Rate Design Manual "recommends the use of the minimum size method," rather than alternate methods.

4. On pages 18-19 in the testimony, there is some discussion of the additional risk associated with the GS Industrial and Transportation classes.

a. Has any research been conducted to support the statement on page 19 (line 21) that 1/2 percent, the change in return on common equity, is a good compromise which both recognizes this additional industrial risk, but without placing too much additional burden on the industrial class? If so, provide all workpapers and documentation.

b. If you are concerned about industrial bypass, how does imposing the costs of this additional risk on the industrials lessen this risk and benefit other ratepayers, i.e. if bypass occurs then aren't there additional costs that will be shifted to the remaining ratepayers? Explain.

Done at Frankfort, Kentucky, this 22nd day of December, 1992.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:



Executive Director