COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE IMPACT OF THE FEDERAL ENERGY REGULATORY COMMISSION'S ORDER 636 ON KENTUCKY CONSUMERS AND SUPPLIERS OF NATURAL GAS	)	ADMINISTRATIVE CASE NO. 346

O R D E R

IT IS ORDERED that the original and 12 copies of the following information shall be filed by the indicated parties with this Commission no later than 20 days from the date of this Order, with a copy to all parties of record. If the information cannot be provided by the stated date, a motion for an extension of time should be submitted stating the reason a delay is necessary and a date by which the information will be furnished. Such a motion will be considered by the Commission.

Unless the question expressly states otherwise, the following questions shall be answered by Columbia Gas of Kentucky, Inc. ("Columbia"); The Union Light, Heat and Power Company ("Union"); Western Kentucky Gas Company ("Western"); Louisville Gas and Electric Company ("LG&E"); and Delta Natural Gas Company, Inc. ("Delta"). Other parties to this proceeding who wish to do so may provide answers to any of the following questions.

1. To what extent on a real-time basis, and in what manner, can the local distribution company ("LDC") effectively curtail service to a gas transportation customer?

2. How does the LDC verify that an interruptible gas customer, whether a sales or transportation customer, has complied with an order to stop taking gas?

3. Once the interstate pipelines implement Order 636, does the LDC anticipate increased difficulties or costs to curtail service to an interruptible customer and to verify that the customer has in fact stopped taking gas? If yes, explain in detail.

4. To what extent has the LDC encountered problems with a gas transportation customer which has refused to voluntarily interrupt its gas supply?

5. During 1991, 1992, and 1993, for each interruptible gas tariff, how many customers have been interrupted?

6. How does the LDC presently address imbalances which occur on its system due to differences between a gas transportation customer's deliveries and its actual takes?

a. Does the LDC anticipate a need to alter this procedure due to Order 636?

b. To the extent that additional metering would eliminate imbalance problems, has the LDC considered requiring transportation customers to purchase their own meters?

7. Upon implementation of Order 636, should the LDC's interruptible gas transportation customers be required to purchase standby service from the LDC?

8. Do gas transportation customers have a "right" to transport gas on an interruptible basis without standby service?

9. Does the LDC currently provide standby service? If it does:

a. Does the LDC intend to provide standby service in the future?

b. How does the LDC intend to provide it in the future?

c. At what cost to the utility and customer will standby service be provided?

d. Is it possible that the provision of standby service will not be feasible?

10. What percentage of existing gas transportation customers arrange for their own gas supply or have a party other than the LDC do so?

a. Are such customers also responsible for arranging the necessary capacity on the appropriate pipelines to assure delivery of their gas to the LDC's system?

b. With implementation of Order 636, does the LDC expect this percentage of customers to increase? If not, why?

c. What percentage of the total capacity presently assigned to the LDC from any interstate pipeline is needed for this group of customers?

11. If an LDC's gas transportation customers arrange their capacity on pipelines to have gas delivered to the LDC's system, why would an LDC, upon implementation of Order 636, need to maintain or acquire its own capacity on the same pipelines for such customers?

12. How many of its industrial end-users does the LDC consider to be bypass candidates and on what basis does the utility conclude that bypass for such customers is feasible? What are the volumes involved with each of these customers?

13. To what extent and in what manner has the LDC used marginal cost information to evaluate a potential bypass by one of its industrial customers?

a. If the potential bypass customer's costs to bypass are less than the LDC's tariff rate, what options exist for the LDC?

b. If the utility elects to offer a special contract rate, should the rate be the LDC's marginal cost to deliver gas to the customer?

c. What alternative rate design, specifically for transportation-only customers, would assist the LDC in competing in potential bypass situations?

14. Of the capacity assigned to the LDC by each of the interstate pipelines to which it is interconnected, what percentage of each pipeline's capacity was not used during the months of January 1992 through March 1993?

a. Why was this capacity not used?

b. Did the LDC pay demand or other charges to the pipeline(s) to maintain this capacity?

c. Following implementation of Order 636, would the LDC, when capacity is not used but demand charges have been paid to secure it, release such capacity under the pipeline's capacity release program? If not, why?

15. In the LDC's gas purchasing strategies, how important are flexible receipt and delivery points in acquiring a reliable and reasonably priced gas supply? Does the LDC have sufficient access to such points?

16. Describe the requirements the LDC has on receipt and delivery points for gas which existing transportation customers deliver to the LDC's system. Will these requirements change once Order 636 is implemented? If yes, why and in what manner?

17. If the LDC purchased some of its 1992 supply directly from local production in Kentucky, will such purchases increase due to Order 636?

a. Do any factors prohibit the LDC from increasing the amount of such purchases?

b. If interstate pipelines utilize straight fixed variable ("SFV") rate design causing the costs for system supply deliveries via such pipelines to increase, would additional purchases of Kentucky produced gas decrease such costs? Explain.

c. If local production prices have been tied to pipeline rates, how and when will the related volumes be repriced?

18. Are there regulatory disincentives to an LDC entering into a long-term gas supply contract?

19. Should a large volume end-user, who arranges for 100 percent of its own supply of gas and uses an LDC's facilities only for transportation purposes, be restricted from sales service for some period of time? Would such a requirement help the LDC in its gas supply planning under Order 636?

20. Up to the present time, has the LDC utilized the gas futures market in its gas supply activities?

a. Will the LDC's use of the gas futures market increase due to the impact of Order 636?

b. How does utilization of the gas futures market help the LDC reduce costs or minimize risk?

21. Does the LDC have an established "over-coverage" or safety margin above its peak day requirement to ensure that it has the best opportunity of meeting its obligation to serve?

22. If implementation of Order 636 causes LDCs to face greater competition for large volume customers, what changes are needed in transportation rate design to meet increased competition?

23. If the LDC continues to use interstate pipelines for delivery of its gas, does it anticipate using storage service on such pipelines? If yes, will the LDC incur an additional cost not previously included in its cost of gas?

24. If the LDC has gas storage fields in Kentucky, owned by it or an affiliate, provide the following information:

a. List each storage field by name and location (county), and for each month of calendar years 1991 and 1992 the Mcfs of gas injected and withdrawn.

b. What is the working capacity (total storage capacity less base gas) for each field?

c. Describe how each storage field is used, including the extent to which each is used for purposes other than the LDC's system supply needs for its sales customers.

d. On what basis will the LDC's storage be used or provided as a service in the future?

e. For calendar year 1992, what was the cost (per Mcf) to operate and maintain each storage field? How does this cost compare to the expected cost (per Mcf) to utilize storage service on each of the pipelines to which the utility is interconnected?

f. Have transportation-only customers of the LDC requested access to the LDC's storage fields? Should LDCs with storage fields be required to provide access to end-users or other parties? Why or why not?

25. Of the transportation services available from pipelines, which service or services does the LDC anticipate using? When are contracts for these services anticipated?

26. Summarize each interstate pipeline's proposed capacity assignment as filed in compliance with Order 636.

27. Describe how each pipeline's proposed capacity assignment will affect the LDC's retention of sufficient firm capacity to serve its heat-sensitive load.

28. Is additional firm capacity available to the LDC from each pipeline?

29. What impact will the capacity the pipelines propose to assign to the LDC, the costs to maintain this capacity, and the manner in which additional capacity will be acquired under Order 636, have on the LDC's ability to expand its facilities (mains) to provide service to new customers, particularly additional heat-sensitive load?

30. Could lack of available firm capacity result in a curtailment of new service connections?

31. Of the capacity to be assigned by the pipeline(s), what percentage is required for the LDC's residential and small commercial customers (heat-sensitive load)?

32. Of the LDC's total throughput for calendar year 1992, what percentage was delivered via each pipeline to which the LDC is interconnected?

a. Of the total throughput, what percentage was customer-owned gas delivered via each interstate pipeline?

b. What percentage of customer-owned gas was delivered on a firm basis?

c. After implementation of Order 636, will the percentage of the LDC's throughput delivered via each pipeline represented by firm and interruptible transportation change?

33. Will the LDC continue to need all the capacity assigned from interstate pipelines after implementation of Order 636? Will

the costs to the LDC to maintain this amount of capacity increase under Order 636?

34. Describe each pipeline's proposed balancing requirements and penalties under Order 636.

35. What additional costs have the LDC incurred from each pipeline due to imbalances on the pipeline's system attributable to the LDC?

a. For each calendar year 1988-1992 inclusive, provide the amount of costs incurred.

b. Does the LDC expect to incur more such costs due to implementation of Order 636?

36. Describe the capacity release program proposed by each pipeline. Does the LDC anticipate using capacity release and under what conditions?

37. Will implementation of a pipeline's capacity release program increase the level of competition the LDC faces to provide service to its large volume end-users?

a. How does the LDC plan to meet increased competition?

b. Do specific regulatory provisions hamper the LDC from competing?

38. Describe the no-notice service proposed by each pipeline serving the LDC.

a. Does the LDC plan to use no-notice service? To what extent? At what cost?

b. Will no-notice service allow the LDC to provide reliable service at a reasonable price to existing customers and meet future increases in demand?

c. What amount of gas is available under no-notice service and how does it compare to the LDC's normal winter day and peak winter day requirements?

d. In conjunction with no-notice service, does the LDC have access to the pipeline's gas storage facilities and the ability to inject and withdraw its own gas in and from the pipeline's storage facilities?

39. What pipelines are within reasonable proximity to the LDC to which the LDC is not currently directly connected?

40. It has been suggested that a monthly purchased gas adjustment ("PGA") mechanism might be superior to the quarterly mechanism currently in place. What benefits and problems (30-day notice requirement, rate volatility, etc.) would be caused by a monthly adjustment in rates? To the extent that there are problems, how might they be solved?

41. To assess the reasonableness of an LDC's purchasing practices, should the Commission implement a generic reliability standard?

42. What data does the LDC currently maintain to document its purchasing practices? If a PGA review encompassed a more rigorous

examination of purchasing options and choices, what is the full array of data that the LDC could maintain to document its purchasing practices?

43. What information will the LDC require from potential suppliers (i.e., quantity of proven reserves, reliability history, credit reference, etc.)?

44. Has the LDC developed a gas procurement manual or policy? If so, provide a copy to the Commission.

45. Is the LDC considering curtailment criteria other than end-use?

46. Explain the impact of property taxes on gas in storage on the cost to LDCs of purchasing gas. Will this affect all LDCs equally? How does the LDC propose to recover these costs?

47. How will FERC Order 636 affect the need for LDCs to engage in integrated resource planning?

48. Explain whether LDCs should be engaging in an integrated resource planning process, which considers all feasible demand-side management options, weighs these options against supply-side options, and then determines the most cost-effective strategies for meeting the future gas requirements of customers.

49. Describe the characteristics of an integrated resource planning process that would best meet the needs and requirements of the LDCs and their customers.

50. Describe the extent to which integrated resource planning and demand-side management have already been implemented by the LDCs.

The following questions shall be answered by Columbia:

51. How much of the firm capacity allocated to Columbia by Columbia Gas Transmission Corporation ("TCO") is attributable to intrastate utility service ("IUS") customers?

a. Which customers, either current or former, are represented by the aforementioned allocation? What is the volume per customer?

b. What options can Columbia offer these customers if they elect to purchase their own gas?

c. Can firm capacity attributable to these customers be released to these customers if they so desire? Would Columbia object to doing this? If so, on what basis?

52. In its response to Item 13 of the Commission's January 29, 1993 Order, Columbia states that it will bear its proportionate share of the cost Columbia Gas Distribution Companies ("CDC") incurs in hiring additional personnel. Could the related benefits accruing to Kentucky ratepayers from CDC's systemwide gas procurement efforts be less than would accrue to them if there were gas procurement staff working solely on their behalf? Explain.

53. In the same response on pages 2 and 3 and in the second paragraph of page 1, is "Columbia" a reference to Columbia Gas of Kentucky or to CDC?

54. What is the estimated cost to Columbia of the new SCADA system?

The following questions shall be answered by Western:

55. Does Western's parent company, Atmos Energy Corporation ("Atmos"), purchase its gas on a systemwide basis or does Western purchase its own gas exclusively? If purchasing is on a systemwide basis, could the related proportionate benefits accruing to Kentucky ratepayers from Atmos's systemwide gas procurement efforts be less than would accrue to them if there were gas procurement staff working solely on their behalf? How will the cost of additional personnel and equipment be shared?

56. In response to Item 3 of the Commission's January 29, 1993 Order, Western provided information which shows that four of its firm gas transportation contracts with Texas Gas Transmission Company ("Texas Gas") "terminate with the service agreement." Three of these contracts are for firm standby.

a. Does this mean the firm standby capacity in these three contracts will no longer be available from Texas Gas subsequent to implementation of Order 636?

b. What alternative arrangements need to be made to assure continued deliveries of the amount of gas represented by these three contracts?

57. In response to Item 4 of the Commission's January 29, 1993 Order, Western states that its sales and transportation customers are limited in delivery points to a single interstate pipeline, either Texas Gas or Tennessee Gas Pipeline Company ("Tennessee Gas").

a. Both American Natural Resources ("ANR") and Midwestern Gas Transmission ("Midwestern") have interstate pipelines which pass through a part of Western's system, as well as crossing either Texas Gas's or Tennessee Gas's pipeline. Don't these pipelines represent potential delivery points both for Western and some of its transportation-only customers? If not, why?

b. Describe what efforts Western has made to determine the feasibility of using either the ANR or Midwestern pipeline for system supply needs.

c. Upon implementation of Order 636, could Western interconnect with either pipeline (assuming any federal approval which either ANR or Midwestern may require)?

d. Would such interconnects on additional interstate pipelines benefit Western and its ratepayers by providing increased competition to the interstate pipelines with which Western interconnects?

58. Also in response to Item 4, Western states that its storage capabilities, in conjunction with firm sales and transportation contracts with Texas Gas and Tennessee Gas, are sufficient for Western's firm customers' peak day demand. How much of Western's storage gas (identified as 17.6 percent of Western's system supply purchases for January 1993) was delivered via Texas

Gas and the transportation contracts which "terminate with the service agreement"?

59. Western states that 33 percent of its gas supply comes from "non-pipeline" sources.

a. What percent of this gas is delivered via one of Texas Gas's "unbundled" standby transportation service contracts?

b. Will Western need to replace this capacity upon Order 636 implementation? If yes, how does it plan to do so?

The following questions shall be answered by Delta:

60. In response to Item 4 of the Commission's January 29, 1993 Order, Delta states that its purchasing practices for the northern division of its system will change due to Order 636 in that it will contract for storage capacity and transportation to end-users from storage.

a. Which pipelines does Delta anticipate using for storage?

b. Does Delta anticipate developing or expanding its own gas storage?

Done at Frankfort, Kentucky, this 8th day of June, 1993.

PUBLIC SERVICE COMMISSION

Robert M. Davis

For the Commission

ATTEST:

Don Mills

Executive Director