

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

RATE APPLICATION OF WESTERN KENTUCKY)
GAS COMPANY) CASE NO. 95-010

O R D E R

IT IS ORDERED that the Attorney General, by and through his Public Service Litigation Branch ("AG") and Commonwealth Energy Services ("CES"), Intervenors in this matter, shall file the original and 12 copies of the following information with the Commission by June 13, 1995, with a copy to all parties of record. 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.

Questions for AG

1. Supply all calculations and analyses supporting the proposed 11 percent return on equity.
2. Refer to Schedule 18 of the Direct Testimony of Thomas C. DeWard.
 - a. Explain his proposal to base the adjustment on Atmos's total test-year supplemental retirement plan costs instead of basing it upon the level of expense allocated to Western Kentucky Gas Company ("Western").
 - b. Explain why it is preferable to use a capitalization ratio based upon total overhead capitalized to total operations

expense instead of upon a ratio of direct operations and maintenance expense to total payroll.

c. Why is the contribution to income the appropriate gauge for allocating general office costs?

3. Refer to page 39 of Mr. DeWard's Direct Testimony. Provide citations or case numbers where Supplemental Executive Retirement Plan expense has been excluded from a utility's allowable revenue requirements.

4. Refer to Schedule 16 of Mr. DeWard's Direct Testimony.

a. Explain the benefit of assigning a weighting factor to each operating division and the subsidiaries group instead of using the actual percentage of income contribution of each category.

b. Is the negative \$1,917,920 Administrative and General expenses transferred reflected in the total direct charges shown on Schedule 16-1?

5. Refer to page 18 of Mr. DeWard's Direct Testimony. Why is it appropriate to include only a few selected accounts as an adjustment to rate base and not all accounts which would normally be a part of a lead lag study?

6. Refer to page 21 of Mr. DeWard's Direct Testimony. Since Allowance for Funds Used During Construction ("AFUDC") is currently taxable (1986 Tax Act), should income tax expense be adjusted to reflect tax impact?

7. Are there differences in the methodology used to calculate AFUDC for book purposes and for tax purposes? If so, provide a detailed explanation for those differences.

8. What additional proof should the company be required to provide to support the inclusion of CWIP in rate base?

9. Refer to page 22 of Mr. DeWard's Direct Testimony. Has he performed a lead lag study for Western's operations as of the end of the test year? If so, provide a copy of the study.

10. Refer to page 25 of Mr. Deward's Direct Testimony. Why should the deferred tax impact of the acquisition adjustment be reinstated when he has not proposed to include the acquisition adjustment in rate base?

11. Refer to page 26 of Mr. Deward's Direct Testimony. Provide the tax code citation which prohibits deduction of Supplemental Executive Retirement Plan ("SERP") accruals for federal income tax purposes.

12. Refer to page 41 of Mr. DeWard's Direct Testimony. Explain why it is appropriate to adjust test year wages and salaries for changes in employee jobs and salaries that occurred 4 months outside the test year.

13. Refer to page 43 of Mr. DeWard's Direct Testimony. Provide documentation to support the statement that, ". . . To the extent that gas is used in Company operations, the gas purchase accounts are generally credited and the various expenses accounts are charged."

14. Refer to page 44 of Mr. DeWard's Direct Testimony. Provide support for his proposal to reduce expenses incurred in processing this rate case to "reasonable levels."

15. Refer to page 48 of Mr. DeWard's Direct Testimony. Does he believe that Western will not incur costs associated with matters at the Federal Energy Regulatory Commission ("FERC") on a regular basis?

16. Refer to page 51 of Mr. DeWard's Direct Testimony. Provide the basis for his proposal to increase bad debt expense over the prior years' level by 10 percent. State why test year actual bad debts expense should not be reduced by 20 percent to recognize the savings the company anticipates it will achieve with the implementation of its new system.

17. Refer to page 52 of Mr. DeWard's Direct Testimony. Provide justification for the proposal to limit the increase in rental costs to 10 percent.

18. Refer to page 52 of Mr. DeWard's Direct Testimony. Why is it appropriate to remove 50 percent of the charges reflected in the three selected accounts.

19. Refer to Schedule 42 of Mr. DeWard's Direct Testimony.

a. Explain why the costs of research and experiment should not be included in the revenue requirements of Western.

b. Provide support for your contention that all of the expenditures made by the American Gas Association are not the types of expenses which are appropriate for ratemaking purposes.

20. Refer to page 19 of Mr. DeWard's Direct Testimony. Is he recommending that rate base be reduced by the test year OPEB expense minus the test year pay-as-you-go amount minus the amount Western intends to fund? If no, explain his recommendation.

21. On page 46 of Mr. DeWard's Direct Testimony, he proposes reducing pension and SFAS 106 expense to the most up-to-date expense levels. Cite any Commission cases in which this methodology was used for pension or SFAS 106 expense where a historic test year was used.

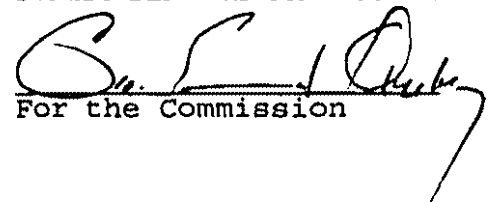
Questions for CES

1. Is it CES's opinion that only unbundled LDC services should be reflected in future options available to industrial customers? Is this the opinion of CES's customers as well?

2. Is a bundled LDC sales service that affords a cost savings to industrial customers inappropriate? Does the addition of bundled sales services provide more or fewer options?

Done at Frankfort, Kentucky, this 6th day of June, 1995.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director