

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DELTA NATURAL GAS COMPANY, INC. ) CASE NO.  
EXPERIMENTAL ALTERNATIVE REGULATION PLAN ) 99-046

ORDER

IT IS ORDERED that Delta Natural Gas Company ("Delta") shall file the original and 8 copies of the following information with the Commission no later than July 16, 1999, with a copy to all parties of record. Each copy of the information 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 its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this Order. When applicable, the requested information should be provided for total company operations and jurisdictional operations, separately.

1. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 1(a). Identify the portions of Delta's Response to the Attorney General's Data Request, Item 93, that address why Delta has been unable to earn its authorized rate of return over the last 10 years.

2. In its Response to the Commission's Order of June 4, 1999, Item 1(a), Delta stated that Delta has not performed any formal analyses of its finances and operations to determine why Delta has been unable to earn its authorized rate of return over the last 10 years. Why have no analyses been performed?

3. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 2. Provide references to the line items contained on Delta's Federal Energy Regulatory Commission (FERC) Form 2 financial statements that support the earned rate of return calculation contained in Delta's response. If the information necessary to calculate the earned rate of return is not segregated on these financial statements, provide the detailed information for each year listed in Delta's Response.

4. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 3.

a. Describe how the amount in column (I), estimated marginal cost per customer was determined. Provide the workpapers and supporting documents used to determine column I.

b. Explain the differences between the marginal cost per customer and the net distribution plant increase per customer.

5. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 4.

a. (1) Provide all cost-benefit analyses on the installation of electronic reading transmitters (ERTS) that Delta performed or commissioned.

(2) If no cost-benefit analyses were performed, explain why not?

- b. (1) What benefits does Delta receive from ERTS meter installation?
- (2) What benefits do Delta customers receive from ERTS meter installation?
- c. Provide the number of customers that are currently on ERTS meters.
- d. Does Delta plan to install this type of metering for all customers?
- e. (1) Describe Delta's current policy on service line installations.
- (2) When was this policy implemented?
- (3) What effect has this policy had on the embedded cost per customer over the time period in which it has been in effect?

6. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 11.

- a. Describe the review process that would be available to the Commission.
- b. What time limitations, if any, would be placed on conducting the review under the proposed mechanism?

7. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 13.

- a. How much time would the Commission have to conduct the review anticipated by Delta under the proposed mechanism?
- b. Mr. Seelye states that the Commission would not have to review pro-forma adjustments in the annual review proceeding. What type of support would

Delta supply for the budgeted amounts contained in the Annual Adjustment Component?

c. What financial information should Delta submit to enable the Commission to review Delta's actual historical costs to determine whether these costs were reasonable and whether previously disallowed costs had been excluded from budgeted or historical costs?

8. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 17. What is the source of the Current Estimated Cost for competing energy sources other than Kentucky Utilities Company?

9. Explain why the provisions of the Alabama Gas Corporation's Rate Stabilization and Equalization Plan relating to monitoring were not included in Delta's proposal.

10. In its Response to the Commission's Order of June 4, 1999, Item 32, Delta failed to discuss differences between its proposed mechanism and the Alabama Gas Corporation's Rate Stabilization and Equalization Plan relating to the provision of company financial information to the regulatory commission and to audits and inspections by the regulatory commission.

a. (1) Why does Delta's proposed mechanism not require Delta to file all of the documents that are set forth in Alabama Gas Corporation's Second Revised Sheet No. 51 ( Exhibit A Special Rules Governing Operation of RSE )?

(2) Should the Commission condition the establishment of any alternative rate mechanism upon Delta's provision of the documents listed in Alabama

Gas Corporation's Second Revised Sheet No. 51 and upon the same reporting requirements? Explain.

b. Why does Delta's proposed mechanism not provide for periodic auditing and inspection by the Commission as Alabama Gas Corporation's Rate Stabilization and Equalization Plan does?

11. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 20.

a. Describe in detail each type of audit performed by the Alabama Public Service Commission in connection with Alabama Gas Corporation's Rate Stabilization and Equalization Plan.

b. (1) Does the staff of the Alabama Public Service Commission perform periodic audits of Alabama Gas Corporation's financial records to monitor Alabama Gas Corporation's RSE Plan?

(2) If yes, do such periodic audits enhance the program by providing greater assurance that the rates resulting from the plan are fair, just, and reasonable?

c. Should the Commission condition the establishment of any alternative rate mechanism upon periodic audits of Delta's financial records by Commission Staff or an independent auditor? Explain.

12. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 20. As part of its RSE Plan, Alabama Gas Corporation agreed to the use of the Uniform System of Accounts ( USoA ) for the RSE and agreed to bear the burden of

proof as to the amount and verification of expenditures and conformity with the UseA in any limited complaint proceeding on computation of the RSE.

a. Why did Delta exclude these provisions from its proposed tariff?

b. Should the Commission condition the establishment of any alternative rate mechanism upon inclusions of such provisions?

13. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 21. As Delta's proposal assumes a thorough and accurate budgeting process, additional information regarding this process is necessary.

a. If no written procedures, guidelines, internal standards, rules, policies and regulations regarding the preparation of Delta's budget exist, provide a thorough description of the process. This description shall address, at a minimum, reporting centers (responsible to officers), source documents and analyses used in Delta's budget preparation process and pertinent factors used to develop Delta's budget.

b. Should Delta's budgetary guidelines and process not be documented in writing since its budget is the proposed starting point for any adjustment under the proposed alternative rate mechanism? Explain.

14. a. Did Delta considering proposing the establishment of a weather normalization adjustment ( WNA ) to stabilize its earnings?

b. If not, why not?

15. Would the establishment of a WNA in combination with the ability to file a future test year rate proceeding accomplish some measure of the rate and earnings stabilization contemplated in Delta's alternative regulation filing? Explain.

Done at Frankfort, Kentucky, this 2<sup>nd</sup> day of July, 1999.

By the Commission

ATTEST:

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Executive Director