

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter:

A FORMAL REVIEW OF WESTERN KENTUCKY	)	
GAS COMPANY S DECISION TO TERMINIATE	)	
A NATURAL GAS SALES, TRANSPORTATION	)	
AND STORAGE AGREEMENT WITH NORAM	)	CASE NO. 99-447
ENERGY SERVICES, INC. AND ENTER INTO	)	
A NATURAL GAS SALES, TRANSPORTATION	)	
AND STORAGE AGREEMENT WITH	)	
WOODWARD MARKETING, L.L.C.	)	

O R D E R

IT IS ORDERED that Western Kentucky Gas Company ( Western ) shall file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than December 13, 1999. 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 person 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.

1. Provide a detailed description of the issues and circumstances that led to Western s decision to terminate the Natural Gas Sales, Transportation and Storage

Agreement between it and Reliant Energy Services, formerly NorAm Energy Services, Inc. ( Reliant ).

2. Provide, in chronological order, all correspondence, telephone notes, electronic mail messages, and any other forms of communication between Western and Reliant that Western has in its possession that support the description of the circumstances outlined in the response to Item 1 of this request.

3. Identify and provide a detailed description of any other options that were considered by Western, under the circumstances described in response to Item 1 of this request, as an alternative to the decision to terminate the Reliant agreement.

4. Provide a detailed explanation of the analysis and reasoning that led Western to conclude that terminating its contract with Reliant and entering into a new contract with Woodward Marketing, L.L.C. ( Woodward ) was the best course of action it could take under the circumstances.

5. Explain whether Western considered requiring Reliant to comply with the terms of its contract with Western. If Western did not consider this option, explain why not. If this option was considered by Western, identify and explain the reasons that led Western to conclude that it was in the best interest of Western and its customers to terminate the Reliant contract.

6. Provide all the details, including financial arrangements, of the terms under which Western and Reliant agreed to the termination of their agreement.

7. Provide the calculations, along with a detailed narrative explanation, of any rate impact on Western's customers as a result of its decision to terminate the

Reliant agreement and enter into the new agreement with Woodward. Also identify and describe any impact on Western's earnings resulting from that decision.

8. Provide the Request for Proposals (RFP) that Western sent to prospective gas supply management firms in 1998 that resulted in its selection of Reliant as Western's gas supply manager and a list of the parties to which Western sent the RFP.

9. Provide all the responses Western received to the RFP referenced in Item 8 of this request.

10. Provide all bid tabulation sheets, references from other energy providers in support of any of the RFP respondents, Western's analyses of the experience and past performance of each RFP respondent in energy supply asset management, and all other analytical tools used by Western in the process that led it to select Reliant as its gas supply manager.

11. Explain in detail the basis for Western's decision to select Reliant as its energy supply manager.

12. Describe in detail Western's efforts to secure a replacement contract once it had determined that terminating the agreement with Reliant was in its customers' best interests.

13. Provide a detailed description of the corporate relationship between Western and Woodward.

a. Describe in detail the process undertaken by Western in determining that it should choose Woodward as its new gas supply manager.

b. Explain the basis for Western's decision to select Woodward as its new gas supply manager.

14. In Case No. 97-513<sup>1</sup> Western stated that it voluntarily followed a Code of Affiliate Conduct under which an affiliate operated in the state of Georgia. In its June 1, 1998 Order in that case approving Western's Performance-Based Rate-making plan, the Commission found that, pending its adoption of an appropriate code of conduct for affiliates, that Western should comply with every section of the Code of Affiliate Conduct which is required by the Georgia Public Service Commission.

a. Describe the manner in which Western complied with the restrictions included in the Standards of Conduct section of the Code of Affiliate Conduct that it submitted in Case No. 97-513 regarding preferences to marketing affiliates when it made its decision to select Woodward as its new gas supply manager.

b. Explain the manner in which Western made the terms of the Code of Affiliate Conduct under which it had committed to operate, and under which it had been required by the Commission to operate, available to the non-affiliated marketers which responded to the RFP referenced in Items 8 and 9 of this request.

15. Identify any local distribution companies with which Western is affiliated that have encountered a situation similar to what Western encountered under its contract with Reliant. If any of Western's affiliates experienced circumstances similar to

---

<sup>1</sup> Case No. 97-513, The Petition of Western Kentucky Gas Company, a Division of Atmos Energy Corporation (WKG), Gas Cost Adjustment, to Incorporate an Experimental Performance-Based Ratemaking Mechanism.

those outlined in Western s response to Item 1 of this request, describe the manner in which they dealt with that situation.

Done at Frankfort, Kentucky, this 23<sup>rd</sup> day of November, 1999.

By the Commission

ATTEST:

---

Executive Director