

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST RECOVERY)
FILING OF GASCO DISTRIBUTION SYSTEMS,) CASE NO. 2007-00421
INC.)

ORDER

On February 16, 1995,¹ the Commission approved rates for Gasco Distribution Systems, Inc. ("Gasco") and provided for their further adjustment on a quarterly basis in accordance with its Gas Cost Adjustment ("GCA") clause. On September 26, 2007, Gasco filed its GCA to be effective November 1, 2007. The Commission finds that, pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of the proposed GCA and that such proceedings cannot be completed prior to the proposed effective date.

IT IS THEREFORE ORDERED that:

1. The proposed rates are hereby suspended for a period of 5 months from November 1, 2007 to March 31, 2008.
2. a. Within 7 days of the date of this Order, Gasco shall file with the Commission the original and 5 copies of the information listed in Appendix A to this Order and shall serve a copy of this information upon all parties of record.

¹ Case No. 1994-00427, The Application of Gasco Distribution Systems, Inc. for a Certificate of Convenience and Necessity to Provide Local Gas Distribution Service to Albany, Ky. and for Transfer of the Albany Gas Utility Company (Ky. PSC Feb. 16, 1995).

b. Gasco's response to this Order shall be appropriately bound, tabbed, and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided.

c. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

d. Gasco shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

e. For any request to which Gasco fails or refuses to furnish all or part of the requested information, Gasco shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

f. Gasco shall give careful attention to copied material to ensure its legibility.

g. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

3. Nothing contained herein shall prevent the Commission from entering a final decision in this matter period to the completion of the suspension period.

Done at Frankfort, Kentucky, this 17th day of October, 2007.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2007-00421 DATED OCTOBER 17, 2007

1. Refer to the letter of September 25, 2007 from Kenneth D. Magyar, Gasco Vice-President of Marketing, to Beth O'Donnell, Commission Executive Director.

a. State whether Gasco's "lack of familiarity" was with Gas Cost Adjustment ("GCA") filings in general or with GCA filings specific to Kentucky.

b. Explain why Gordon R. Brother's departure from Gasco resulted in Gasco's failure to file GCA filings for 5 years.

c. Explain why Gasco did not request Commission assistance to prepare its GCA applications during the 5-year period.

2. Refer to Gasco's "Quarterly Report of Gas Cost Recovery Rate Calculation," Schedule IV. Between July 2002 and June 2007, the Commission authorized 3 different GCAs for Gasco.² Gasco, however, calculates its gas cost under-recovery for the period from July 2002 through June 2007 based only on the rate, including the Expected Gas Cost ("EGC"), that the Commission approved in Case No. 2002-00279 and that was in effect from August 2002 through December 2002. In his letter of September 25, 2007 to Ms. O'Donnell, Mr. Magyar indicates that Gasco charged customers this rate since August 2002 and has never charged the rate, including the EGC, approved in Case No. 2002-00426.

² Case No. 1994-00427-C, The Notice of Gas Cost Recovery Filing of Gasco Distribution Systems, Inc., (Ky. PSC July 30, 2001) (rates effective August 1, 2001); Case No. 2002-00279, The Notice of Gas Cost Recovery Filing of Gasco Distribution Systems, Inc. (Ky. PSC July 24, 2002) (rates effective August 1, 2002); Case No. 2002-00426, The Notice of Gas Cost Recovery Filing of Gasco Distribution Systems, Inc. (Ky. PSC Dec. 20, 2002) (rates effective January 1, 2003).

a. Explain why the appropriate comparison for purposes of calculating Gasco's Actual Adjustment ("AA") for this 60-month period is the rate that the Commission approved in Case No. 2002-00279 rather than the rate that the Commission approved in Case No. 2002-00426 and which KRS 278.160 required Gasco to charge, beginning January 1, 2003, for the final 54 of those 60 months.

b. Using the rate that the Commission approved in Case No. 2002-00279, Gasco's AA calculation results in a gas cost under-recovery of \$494,941 for the period July 2002 through June 2007. Explain how Gasco, with roughly 130 customers and annual revenues of approximately \$200,000, has been able to financially bear its ever-increasing level of unrecovered purchased gas expense for 5 years.

3. In Case No. 1994-00427-A,³ Gasco's initial GCA filing included an AA calculation covering a period of 65 months and an under-recovery amount of approximately \$220,000. In that proceeding, Gasco proposed to spread the AA recovery over a period of 120 months to mitigate the effect on customers.

a. In the present proceeding, Gasco proposes to recover approximately \$500,000 over 60 months. State whether Gasco is agreeable to a recovery period of up to 120 months to mitigate the effect on Gasco ratepayers.

b. State whether Gasco agrees that the magnitude of Gasco's gas cost under-recovery can be largely attributed to Gasco's failure to charge the higher rate approved in Case No. 2002-00426 and to make quarterly GCA filings as Gasco's GCA clause requires. If no, explain.

³ Case No. 1994-00427-A, The Notice of Gas Cost Recovery Filing of Gasco Distribution Systems, Inc. (Ky. PSC Dec. 12, 2000).

c. Explain why the proposed recovery of amounts that Gasco failed to properly bill its customers over a period of 5 years is not contrary to KRS 278.225.

d. Explain why, in light of Gasco's failure to properly bill its customers and to comply with the quarterly filing requirements of its GCA clause, Gasco's proposed recovery of 5 years of under-recovered gas costs in its current filing is reasonable and should be permitted.