

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

ARK. PUBLIC SERV. COMM.  
MELBA K. WILSON  
CHIEF OF COMM.

2002 FEB 12 P 2: 35

FILED

IN THE MATTER OF THE )  
APPLICATION OF ARKANSAS OKLAHOMA )  
GAS CORPORATION FOR APPROVAL )  
OF A GENERAL CHANGE IN )  
RATES AND TARIFFS )

DOCKET NO. 02-024-U

APPLICATION

COMES ARKANSAS OKLAHOMA GAS CORPORATION ("AOG" or "Company"), and hereby applies to the Arkansas Public Service Commission ("Commission"), pursuant to its authority under Ark. Code Ann. §23-4-201, for approval of a general change in rates and tariffs, and in support of its Application respectfully states as follows:

1. AOG is a corporation organized and operating under the laws of the state of Arkansas, and is a public utility as defined by Ark. Code Ann. §23-1-101 *et seq.* The Company's principal office is located at 115 North 12th Street, P.O. Box 17004, Fort Smith, Arkansas 72917. A copy of AOG's Articles of Incorporation has previously been filed with the Commission and is hereby incorporated by reference.

2. On November 15, 2001 the Company filed with the Commission, pursuant to the provisions of Ark. Code Ann. §23-4-401, a notice of its intention to seek a general change in its rates and tariffs. This Application is filed pursuant to Ark. Code Ann. §23-4-402 *et seq.* and the Commission's Rules of Practice and Procedure 4 and 9.



3. AOG is a natural gas company operating approximately 1300 miles of distribution main and other facilities. The Company is engaged in the production, gathering, transmission and distribution of gas to approximately 62,500 total customers, with approximately 47,000 of those customers living in the State of Arkansas. The Company's books and records are kept in accordance with the Uniform System of Accounts, pursuant to the rules and regulations of the Commission and of the Federal Energy Regulatory Commission. All utility plant accounts are stated at original cost. With this application, AOG is submitting schedules called for by the Commission Rules of Practice and Procedure supporting its proposed changes to its rates and tariffs. Changes to the Company's rates and tariffs will go into effect in thirty (30) days unless the Commission suspends the tariffs pursuant to Ark. Code Ann. §23-4-407. In such event, it is anticipated that new rates and tariffs will become effective no later than ten (10) months from the date of this filing.

4. AOG's last application for a general change in rates was filed on November 27, 1996. Since that time, AOG has experienced increased costs for its materials and supplies, labor, taxes, insurance and benefits packages. Additionally, the Company has continued to make a substantial investment in utility plant and facilities. The Company's growth and cost-cutting measures, while successful in their own right, have simply not been adequate to equalize operating cost increases. The Company finds itself in the position of needing increased revenue through revised rates and tariffs in order for it to be provided a reasonable opportunity to earn sufficient revenue to

cover its cost of service, with a fair return on investment to its stockholders. Therefore, it is necessary that the rates of AOG be increased by \$7,236,716 annually in order to maintain quality service to its customers and earn a just and reasonable return.

5. The rates requested by AOG are designed to reflect the cost of service to the various customer classes.

6. In determining the appropriate amount of working capital, AOG has utilized the modified balance sheet approach.

7. In preparing the Schedules attached hereto, pursuant to the Commission's Rules of Practice and Procedure, AOG has used a historical test year of June 30, 2001, with pro forma adjustments made through June 30, 2002.

8. Through its proposed revised rate schedules and riders, the Company seeks the opportunity to earn a just and reasonable return of 7.74% on its investment.

9. AOG, in this filing, is proposing a revision of its temperature normalization calculation as well as a temperature normalization rider. The Company is proposing a sliding scale rate mechanism which would allow for an automatic adjustment to charges for utility service when certain identifiable and measurable costs outside the Company's control increase or decrease. The Company is also proposing a

revision to the computation for lost and unaccounted for gas.

10. AOG has proposed policies and tariffs that are applicable to all services which are essentially the same as those currently on file with the Commission, with the exception of changes necessitated by proposed changes to rate schedules and riders as described in the testimony of Company witnesses.

11. Pursuant to the provisions of Rule 2.03 of the Commissions Rules of Practice and Procedure, all correspondence in this docket should be addressed to:

Michael C. Carter, President  
Arkansas Oklahoma Gas Corporation  
P.O. Box 17004  
Fort Smith, AR 72917

Michael Callan, Vice President & General Counsel  
Arkansas Oklahoma Gas Corporation  
P.O. Box 17004  
Fort Smith, AR 72917

and

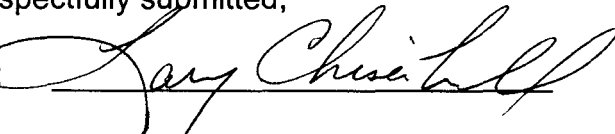
Lawrence E. Chisenhall, Jr.  
Chisenhall, Nestrud & Julian, P.A.  
400 West Capitol, Suite 2840  
Little Rock, AR 72201

12. Notice, pursuant to Rule 3.03(b)(1) of the Commission's Rules of Practice and Procedure, will be promptly published and proof thereof will be filed with the Commission promptly after publication is completed.

WHEREFORE, in consideration of the foregoing, Arkansas Oklahoma Gas Corporation prays that its application for a general change or modification in the rates, charges and tariffs for its Arkansas customers be approved and for all other appropriate relief.

Respectfully submitted,

By:



Lawrence E. Chisenhall, Jr.

CHISENHALL, NESTRUD & JULIAN, P.A.

400 West Capitol, Suite 2840

Little Rock, AR 72201

Attorneys for Arkansas Oklahoma Gas Corporation

# ARKANSAS OKLAHOMA GAS CORPORATION

## INDEX OF APPLICATION SECTIONS

Section	Description
A	Summary Schedules
B	Rate Base Schedules
C	Test Year Income Statements
D	Cost of Capital
E	Financial Statements and Statistical Schedules
F	Depreciation Information
G	Cost of Service Analyses
H	Effect of Proposed Tariff Schedules
T	Tariffs

## INDEX OF SCHEDULES

### **A. SUMMARY SCHEDULES**

Schedule	Description
A-1	Calculation of Requested Increase in Revenue Requirement

**ARKANSAS OKLAHOMA GAS CORPORATION**  
**Test Year Ending June 30, 2001**

**Schedule: A-1**

TITLE: Calculation of Requested  
Increase In Revenue  
Requirement

Amounts in Dollars

Line No.	Line Item Description	Arkansas Jurisdiction
1	Adjusted Rate Base ( a )	68,371,020
2	Adjusted Operating Revenues ( b )	65,821,330
	Adjusted Operating Expenses ( b )	
3	Operating Expenses	61,760,996
4	Depreciation Expenses	2,801,574
5	Taxes Other Income Taxes	1,083,142
6	Income Tax Expenses	-703,807
		64,941,905
7	Adjusted Operating Income ( b )	879,425
8	Current Rate of Return ( L.7 / L.1 )	1.2863%
9	Required Rate of Return ( c )	7.7347%
10	Required Operating Income ( L.1 x L.9 )	5,288,293
11	Operating Income Deficiency ( L.10 - L.7 )	4,408,868
12	Revenue Conversion Factor ( d )	1.64140
13	Revenue Deficiency ( L.11 x L.12 )	7,236,716
14	Total Revenue Requirement ( L.2 + L.13 )	73,058,046
15	Adjusted Revenues Other than Rate Schedule Revenue ( b )	924,265
16	Rate Schedule Revenue Requirement ( L.14 - L.15 )	72,133,781

Supporting Schedules

- ( a ) G-2
- ( b ) G-3
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## INDEX OF SCHEDULES

### **B. RATE BASE SCHEDULES**

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B-1B	Detail of Adjustments to Original Cost Plant (5 Pages)
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B-3	Adjustments Necessary to Achieve Projected Original Cost Rate Base (2 Pages)
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B-8	Construction Work-In-Progress (107) (1 Page)
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B-13A	Reclassify Arkansas and Oklahoma Gathering and Transmission Plant to Common Gas Supply Plant (2 Pages)
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B-14B	Allocate Accumulated Depreciation on Common Gas Supply Plant to Arkansas and Oklahoma (2 Pages)
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B-15B	Allocate Accumulated Depreciation on System Common Plant to Arkansas and Oklahoma (2 Pages)
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B-17	Retirement Work-in-Progress (120) by Operating Division (1 Page)

**ARKANSAS OKLAHOMA GAS CORPORATION**  
**Test Year Ending June 30, 2001**

**Schedule B - 1 ( Page 1 of 2 )**

TITLE: Derivation of Total Company Test Year Rate Base  
and Calculation of Original Cost or Projected  
Original Cost Rate Base

Amounts in Dollars

Line No.	Description	Actual Amount per Financial Statement @ June 30, 2001	Projected Adjustment to Achieve Projected Amount at End of Test Year (a)	Total Test Year (Col 1 + Col 2)	Pro Forma Adjustments (b)	Adjusted Test Year (Col 3 + Col 4) (A)
		(1)	(2)	(3)	(4)	(5)
<b>Gross Utility Plant in Service at Original Cost</b>						
1	Intangible Plant	9,588	0	9,588	0	9,588
2	Production & Gathering Plant	7,847,994	71,412	7,919,406	(491,247)	7,428,159
3	Transmission Plant	34,320,297	735,268	35,055,565	0	35,055,565
4	Distribution Plant	58,906,175	1,285,562	60,191,737	0	60,191,737
5	General Plant	13,194,266	761,479	13,955,745	(56,346)	13,899,399
6	<b>Gross Utility Plant in Service at Original Cost (c)</b>	<b>\$114,278,320</b>	<b>\$2,853,721</b>	<b>\$117,132,041</b>	<b>(\$547,593)</b>	<b>\$116,584,448</b>
<b>Less: Accumulated Depreciation (d)</b>						
7	Intangible Plant	3,167	0	3,167	0	3,167
8	Production & Gathering Plant	2,808,684	790	2,809,474	(346,747)	2,462,727
9	Transmission Plant	12,640,771	10,314	12,651,085	22,207	12,673,292
10	Distribution Plant	25,780,362	19,700	25,800,062	35,364	25,835,426
11	General Plant	6,130,646	34,503	6,165,149	(10,872)	6,154,277
12	<b>Less: Accumulated Depreciation (d)</b>	<b>47,363,630</b>	<b>65,307</b>	<b>47,428,937</b>	<b>(300,048)</b>	<b>47,128,889</b>
13	<b>Net Utility Plant in Service</b>	<b>66,914,690</b>	<b>2,788,414</b>	<b>69,703,104</b>	<b>(247,545)</b>	<b>69,455,559</b>
14	<b>Plant Held for Future Use (e)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Construction Work-in-Progress (f)</b>						
15	Production & Gathering Plant	8		8		8
16	Transmission Plant	82,832		82,832		82,832
17	Distribution Plant	392,512		392,512	(392,512)	0
18	General Plant	54,019		54,019		54,019
19	<b>Construction Work-in-Progress (f)</b>	<b>529,371</b>	<b>0</b>	<b>529,371</b>	<b>(392,512)</b>	<b>136,859</b>
<b>Retirement Work-in-Progress (g)</b>						
20	Production & Gathering Plant	1,045		1,045		1,045
21	Transmission Plant	33		33		33
22	Distribution Plant	6,972		6,972		6,972
23	General Plant	14,065		14,065		14,065
24	<b>Retirement Work-in-Progress (g)</b>	<b>22,115</b>	<b>0</b>	<b>22,115</b>	<b>0</b>	<b>22,115</b>

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**ARKANSAS OKLAHOMA GAS CORPORATION**  
**Test Year Ending June 30, 2001**

**Schedule B - 1 ( Page 2 of 2 )**

TITLE: Derivation of Total Company Test Year Rate Base  
and Calculation of Original Cost or Projected  
Original Cost Rate Base

Amounts in Dollars

Line No.	Description	Actual Amount per Financial Statement @ June 30, 2001	Projected Adjustment to Achieve Projected Amount at End of Test Year (a)	Total Test Year (Col 1 + Col 2)	Pro Forma Adjustments (b)	Adjusted Test Year (Col 3 + Col 4) (A)
		(1)	(2)	(3)	(4)	(5)
	<b>Working Capital Assets</b>					
1	Other Investments	6,450		6,450	(6,450)	0
2	Cash	818,838		818,838	(818,838)	0
3	Working Funds	(3,981)		(3,981)	3,981	0
4	Temporary Cash Investments	0		0		0
5	Notes Receivable	5,523		5,523	(5,523)	0
6	Customer Accounts Receivable - Gas	6,118,537		6,118,537	12,086	6,130,623
7	Customer Accounts Receivable - Unbilled	8,131,728		8,131,728		8,131,728
8	Accounts Receivable - Other	1,064,327		1,064,327		1,064,327
9	Accumulated Provision for Uncollectible Accounts	(278,686)		(278,686)	2,112	(276,574)
10	Accounts Receivable from Associated Companies	186,861		186,861		186,861
11	Plant Materials and Operating Supplies Inventory	1,453,998		1,453,998		1,453,998
12	Merchandise Inventory	63,906		63,906	(63,906)	0
13	Prepayments	639,527		639,527		639,527
14	Transportation Gas Receivable	1,008,517		1,008,517		1,008,517
15	<b>Working Capital Assets (h)</b>	<b>19,215,545</b>	<b>0</b>	<b>19,215,545</b>	<b>(876,538)</b>	<b>18,339,007</b>
	<b>Other Items:</b>					
16	Non-Utility Property (i)	0		0	0	0
17	Entertainment Facilities (j)	0		0	0	0
18	Acquisition Adjustments (k)	0		0	0	0
19	Customers Advances for Construction and Contributions in Aid of Construction (l)	(21,530)		(21,530)	0	(21,530)
20	<b>Total Rate Base</b>	<b>\$86,660,191</b>	<b>\$2,788,414</b>	<b>\$89,448,605</b>	<b>(\$1,516,595)</b>	<b>\$87,932,010</b>

Supporting Schedules:

- (a) B - 3 & B - 1B
- (b) B - 2 & B - 1B
- (c) B - 12A

- (d) B - 12B
- (e) B - 7
- (f) B - 8

- (g) B - 9
- (h) B - 4
- (i) B - 6

- (j) B - 6
- (k) B - 10
- (l) D - 7

Recap Schedule:

- (A) G - 2

**ARKANSAS OKLAHOMA GAS CORPORATION**  
**Test Year Ending June 30, 2001**

**Schedule B - 1A ( Page 1 of 2 )**

TITLE: Derivation of Total ARKANSAS Test Year Rate Base  
and Calculation of Original Cost or Projected  
Original Cost Rate Base

Amounts in Dollars

Line No.	Description	Actual Amount per Financial Statement @ June 30, 2001	Projected Adjustment to Achieve Projected Amount at End of Test Year ( a )	Total Test Year (Col 1 + Col 2)	Pro Forma Adjustments ( b )	Adjusted Test Year (Col 3 + Col 4) (A)
		(1)	(2)	(3)	(4)	(5)
	<b>Gross Utility Plant in Service at Original Cost</b>					
1	Intangible Plant	5,784	0	5,784	0	5,784
2	Production & Gathering Plant	6,602,497	59,322	6,661,819	(491,247)	6,170,572
3	Transmission Plant	28,509,870	610,788	29,120,658	0	29,120,658
4	Distribution Plant	42,314,416	666,146	42,980,562	0	42,980,562
5	General Plant	9,076,256	575,240	9,651,496	(56,346)	9,595,150
6	<b>Gross Utility Plant in Service at Original Cost (c)</b>	<b>\$86,508,823</b>	<b>\$1,911,496</b>	<b>\$88,420,319</b>	<b>(\$547,593)</b>	<b>\$87,872,726</b>
	<b>Less: Accumulated Depreciation (d)</b>					
7	Intangible Plant	497	0	497	0	497
8	Production & Gathering Plant	2,391,099	656	2,391,755	(345,968)	2,045,787
9	Transmission Plant	10,500,688	8,568	10,509,256	18,447	10,527,703
10	Distribution Plant	18,395,483	10,043	18,405,526	29,133	18,434,659
11	General Plant	4,292,010	26,146	4,318,156	(15,919)	4,302,237
12	<b>Less: Accumulated Depreciation (d)</b>	<b>35,579,777</b>	<b>45,413</b>	<b>35,625,190</b>	<b>(314,307)</b>	<b>35,310,883</b>
13	<b>Net Utility Plant in Service</b>	<b>50,929,046</b>	<b>1,866,083</b>	<b>52,795,129</b>	<b>(233,286)</b>	<b>52,561,843</b>
14	<b>Plant Held for Future Use ( e )</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
	<b>Construction Work-in-Progress ( f )</b>					
15	Production & Gathering Plant	7		7		7
16	Transmission Plant	68,809		68,809		68,809
17	Distribution Plant	334,610		334,610	(334,610)	0
18	General Plant	40,892		40,892		40,892
19	<b>Construction Work-in-Progress ( f )</b>	<b>444,318</b>	<b>0</b>	<b>444,318</b>	<b>(334,610)</b>	<b>109,708</b>
	<b>Retirement Work-in-Progress ( g )</b>					
20	Production & Gathering Plant	868		868		868
21	Transmission Plant	27		27		27
22	Distribution Plant	3,420		3,420		3,420
23	General Plant	10,504		10,504		10,504
24	<b>Retirement Work-in-Progress ( g )</b>	<b>14,819</b>	<b>0</b>	<b>14,819</b>	<b>0</b>	<b>14,819</b>

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**ARKANSAS OKLAHOMA GAS CORPORATION**  
**Test Year Ending June 30, 2001**

**Schedule B - 1A ( Page 2 of 2 )**

TITLE: Derivation of Total ARKANSAS Test Year Rate Base  
and Calculation of Original Cost or Projected  
Original Cost Rate Base

Amounts in Dollars

Line No.	Description	Actual Amount per Financial Statement @June 30, 2001 (1)	Projected Adjustment to Achieve Projected Amount at End of Test Year (a) (2)	Total Test Year (Col 1 + Col 2) (3)	Pro Forma Adjustments (b) (4)	Adjusted Test Year (Col 3 + Col 4) (A) (5)
<b>Working Capital Assets</b>						
1	Other Investments	0		0		0
2	Cash	658,591		658,591	(658,591)	0
3	Working Funds	(3,202)		(3,202)	3,202	0
4	Temporary Cash Investments	0		0		0
5	Notes Receivable	0		0		0
Customer Accounts						
6	Receivable - Gas	5,148,982		5,148,982	77,774	5,226,756
Customer Accounts						
7	Receivable - Unbilled	7,264,552		7,264,552		7,264,552
8	Accounts Receivable - Other	805,696		805,696		805,696
Accumulated Provision for						
9	Uncollectible Accounts	(206,169)		(206,169)		(206,169)
Accounts Receivable from						
10	Associated Companies	150,292		150,292		150,292
Plant Materials and Operating						
11	Supplies Inventory	1,100,676		1,100,676		1,100,676
12	Merchandise Inventory	0		0		0
13	Prepayments	514,372		514,372		514,372
14	Transportation Gas Receivable	837,775		837,775		837,775
15	<b>Working Capital Assets ( h )</b>	<b>16,271,565</b>	<b>0</b>	<b>16,271,565</b>	<b>(577,615)</b>	<b>15,693,950</b>
<b>Other Items:</b>						
16	Non-Utility Property ( i )	0		0	0	0
17	Entertainment Facilities ( j )	0		0	0	0
18	Acquisition Adjustments ( k )	0		0	0	0
Customers Advances for						
Construction and Con-						
tributions in Aid of Con-						
19	struction ( l )	(9,300)		(9,300)	0	(9,300)
20	<b>Total Rate Base</b>	<b>\$67,650,448</b>	<b>\$1,866,083</b>	<b>\$69,516,531</b>	<b>(\$1,145,511)</b>	<b>\$68,371,020</b>

Supporting Schedules:

( a ) B - 3 & B - 1B  
(b) B - 2 & B - 1B  
(c) B - 15A

( d ) B - 15B  
(e) B - 7  
(f) B - 16

( g ) B - 17  
(h) B - 4A  
(i) B - 6

( j ) B - 6  
(k) B - 10  
(l) D - 7

Recap Schedule:

( A ) G - 2