



*Legal Counsel.*

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August 10, 2012

**VIA HAND DELIVERY**

Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd  
P.O. Box 615  
Frankfort, KY 40602-0615

RECEIVED

AUG 10 2012

**Re: *Johnson County Gas Company – Application for Rate Adjustment – PSC Case No. 2012-00140***

PUBLIC SERVICE  
COMMISSION

Dear Mr. Derouen:

Enclosed for filing in the above-referenced case, please find one original and five (5) copies of Johnson County Gas Company’s revised attachments to its application to adjust rates and charges for natural gas service. These revised attachments are submitted to cure the deficiencies in the following attachments to Johnson County Gas Company’s original ARF Form 1 application dated April 12, 2012:

- “Billing Analysis” Attachment
- “Revenue Requirements Calculation” Attachment
- “Statement of Adjusted Operations” Attachment
- “Current and Proposed Rates” Attachment
- Customer Notice of Proposed Rate Adjustment
- Depreciation Schedule
- Outstanding Debt Instruments/Debt Amortization Schedule

Many of the revised attachments contain confidential and proprietary information and have therefore been redacted. Accordingly, also enclosed for filing in the above-referenced case are one original and ten (10) copies of Johnson County Gas Company’s supplemental petition for confidential treatment of certain information contained in the revised attachments.

A confidential, unredacted version of these documents is also being submitted in a sealed envelope.

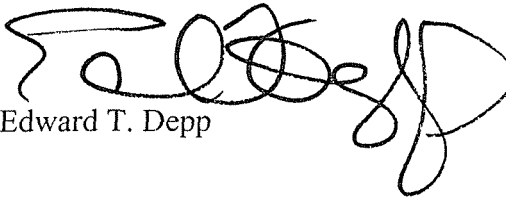
Jeff Derouen, Executive Director  
August 10, 2012  
Page 2

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Please file-stamp one copy of the revised attachments and one copy of the petition for confidential treatment and return them to our delivery person.

Thank you, and if you have any questions, please call me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Edward T. Depp', with a large, stylized flourish at the end.

Edward T. Depp

Enclosures

cc: Mr. Bud Rife (w/ enclosures)  
Office of the Kentucky Attorney General (w/enclosures)  
Rate Intervention Department

71448-1  
LOUIS/942775.1

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 10 2012

PUBLIC SERVICE  
COMMISSION

In the Matter of:

JOHNSON COUNTY GAS )  
COMPANY, INC. APPLICATION )  
FOR RATE ADJUSTMENT )

Case No. 2012-00140

**SUPPLEMENTAL PETITION FOR CONFIDENTIAL TREATMENT OF CERTAIN  
INFORMATION IN JOHNSON COUNTY GAS COMPANY, INC.’S APPLICATION  
FOR RATE ADJUSTMENT**

Johnson County Gas Company, Inc. (“Johnson County Gas”), by counsel, pursuant to 807 KAR 5:001 §7 and KRS 61.878(1)(c), requests that the Public Service Commission of Kentucky (“the Commission”) accord confidential treatment to: the revised “Billing Analysis,” “Revenue Requirements Calculation,” “Statement of Adjusted Operations” and “Depreciation Schedule” attachments to Johnson County Gas’ application for rate adjustment (the “Rate Application”) submitted to the Commission on August 8, 2012 (collectively, the “Information”).<sup>1</sup> In support of its motion, Johnson County Gas states as follows.

**I. Applicable Law.**

807 KAR 5:001 §7(2) sets forth a procedure by which certain information filed with the Commission may be treated as confidential. Specifically, the party seeking such confidential treatment of certain information must “[set] forth specific grounds pursuant to KRS 61.870 et seq., the Kentucky Open Records Act, upon which the commission should classify that material as confidential.” 807 KAR 5:001 §7(2)(a)(1).

<sup>1</sup> Pursuant to 807 KAR 5:001 §7(2)(a)(2), a copy of the Information, highlighted in transparent ink, is attached to the original (only) of this motion.

Additionally, Johnson County Gas incorporates by reference the Petition for Confidential Treatment submitted to the Commission on May 18, 2012.

The Kentucky Open Records Act, KRS 61.870 et seq., exempts certain records from the requirement of public inspection. *See* KRS 61.878. In particular, KRS 61.878 provides as follows:

- (1) The following public records are excluded from the application of [the Open Records Act] and shall be subject to inspection only upon order of a court of competent jurisdiction:

[...]

- (c) 1. Upon and after July 15, 1992, records confidentially disclosed to an agency or required by an agency to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records.

*Id.*

## **II. The Information Should Be Classified Confidential.**

Read in conjunction, 807 KAR 5:001 §7(2)(a)(1) and KRS 61.878(1) provide that the Commission may classify the Information as confidential if the open disclosure of the Information to the general public is prohibited by federal law or “would permit an unfair commercial advantage to competitors of the entity that disclosed the records.” *See* KRS 61.878(1)(k); KRS 61.878(1)(c)(1). For the reasons set forth below, the disclosure of the Information to the general public is prohibited by federal law and “would permit an unfair commercial advantage to competitors of [Johnson County Gas].” *See* KRS 61.878(1)(c)(1). Accordingly, the Information should be classified as confidential.

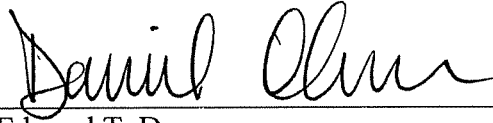
In its August 8, 2012 supplemental filing related to its Rate Application, Johnson County Gas included revised “Billing Analysis,” “Revenue Requirements Calculation,” “Statement of Adjusted Operations” and “Depreciation Schedule” attachments. Johnson County Gas believes

that the disclosure of this Information to the general public would permit Johnson County Gas' competitors and potential competitors, while investing only minimal amounts of their own time and resources, to use Johnson County Gas' billing analysis data to reverse-engineer their own rate structure and business development strategy. Additionally, the disclosure of the Information would provide competitors, and potential competitors, with confidential information regarding the financial conditions of Johnson County Gas. Ultimately, competitors' access to such cost data and financial condition information would provide them a blueprint by which they could exploit the Information to gain an unfair competitive advantage and undercut Johnson County Gas. If, however, the Commission classifies the Information as confidential, competitors will be rightly forced to bear their own cost of perpetuating or starting-up their own competitive ventures and developing their own rate structure.

### **III. Conclusion.**

807 KAR 5:001 §7(2)(a)(1) and KRS 61.878(1) expressly authorize the Commission to classify the Information as confidential (and thereby restrict public access to the Information) because the disclosure of the Information to the public would permit an unfair competitive advantage to competitors of Johnson County Gas. For the reasons set forth above, the disclosure of the Information will provide competitors with an unfair competitive advantage over Johnson County Gas. Accordingly, the Commission should classify the Information as confidential pursuant to 807 KAR 5:001 §7 and KRS 61.878(1) and prevent the public disclosure of the Information.

Respectfully submitted,



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Edward T. Depp

Daniel J. O'Gara

**DINSMORE & SHOHL LLP**

2500 National City Tower

101 South Fifth Street

Louisville, Kentucky 40202

(502) 540-2300 (tel.)

(502) 585-2207 (fax)

*Counsel to Johnson County*

*Gas Company, Inc.*

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AUG 10 2012

PUBLIC SERVICE  
COMMISSION

“Billing Analysis” Attachment

REDACTED

Revenue from Present/Proposed Rates  
Test Period from 01-01-11 to 12-31-11

**USAGE TABLE**  
Usage by Rate Increment

Class: Commercial

(1)	(2) Bills	(3) Gallons/Mcf	(4)	(5)	(6)	(7)	(8)	(9) Total
<u>All mcf</u>								
Totals								

**REVENUE TABLE**  
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
<u>All mcf</u>			<u>6.3042 /mcf</u>	
Totals				

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.



Revenue from Present/Proposed Rates  
 Test Period from 01-01-11 to 12-31-11

REDACTED

**USAGE TABLE**  
Usage by Rate Increment

Class: Commercial

(1)	(2) Bills	(3) Gallons/Mcf	(4)	(5)	(6)	(7)	(8)	(9) Total
All Mcf								
Totals								

**REVENUE TABLE**  
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
All Mcf			\$7.5942/mcf	
Totals				

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

REDACTED

Revenue from ~~Present~~ Proposed Rates  
 Test Period from 01-01-11 to 12-31-11

**USAGE TABLE**  
 Usage by Rate Increment

Class: Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) 1 Mcf	(5) over 1 mcf	(6)	(7)	(8)	(9) Total
First 1 Mcf <sup>Min</sup> bill								
All over 1 mcf								
Totals								

**REVENUE TABLE**  
 Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 1 Mcf			6.9542 / mcf	
over 1 mcf			5.9542 / mcf	
Totals				

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Revenue from Present Proposed Rates  
 Test Period from 01-01-11 to 12-31-11

REDACTED

**USAGE TABLE**  
 Usage by Rate Increment

Class: Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) 2 mcf	(5) over 2 mcf	(6)	(7)	(8)	(9) Total
First 2 mcf Bill								
All over 2 mcf								
Totals								

**REVENUE TABLE**  
 Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 2 mcf			8.2442/mcf	2 mcf min =
			7.2442/mcf	
Totals				

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

“Revenue Requirements Calculation”  
Attachment

**REVENUE REQUIREMENT CALCULATION - OPERATING RATIO METHOD**

(This method is commonly used by investor owned utilities as well as non-profit entities that do not have long-term debts outstanding.)

Pro forma Operating Expenses Before Income Taxes	(less cost of natural gas per footnote 1. See Exhibit 1 to JCG's bankruptcy plan.)	[REDACTED]
Operating Ratio		0.88
Sub-Total		[REDACTED]
Less: Pro forma Operating Expenses Before Income Taxes		[REDACTED]
Net Income Allowable		[REDACTED]
Add: Provision for State and Federal Income Taxes, if Applicable (see footnote)		[REDACTED]
Interest Expense		[REDACTED]
Pro forma Operating Expenses Before Taxes	(including cost of natural gas per footnote 1. See "Other Gas Supply Expenses" item in JCG's form SAO-G)	[REDACTED]
Total Revenue Requirement		[REDACTED]
Less: Other Operating Revenue		[REDACTED]
Non-operating Revenue		[REDACTED]
Interest Income		[REDACTED]
Total Revenue Required from Rates for Service		[REDACTED]
Less: Revenue from Sales at Present Rates		[REDACTED]
Required Revenue Increase		[REDACTED]
Required Revenue Increase stated as a Percentage of Revenue at Present Rates		[REDACTED]

**Provision for Income Taxes - Calculation of Tax Gross-Up Factor**

Revenue	1
Less: 5% State Tax	-0.05
Sub-Total	0.95
Less: Federal Tax, 15% of Sub-Total	-0.1425
Percent Change in NOI	0.8075
Factor (Revenue of 1 divided by change in NOI)	1.23839
Times: Allowable Net Income	[REDACTED]
Net Income Before Taxes	[REDACTED]
Difference Equals Provision for State and Federal Income Taxes	[REDACTED]

Notes: (1) Natural gas utilities should deduct their cost of natural gas from pro forma operating expenses before performing the operating ratio calculation. The cost of natural gas should be added back and included in pro forma operating expenses when determining the total revenue requirement. (2) A provision for state and federal income taxes should only be included in the calculation of revenue requirements for utilities that file income tax returns and are liable for the payment of state and federal income taxes. Utilities whose income flows through to its owner's income tax returns for tax purposes should not include a provision for income taxes. (3) The conversion factor above is calculated using the minimum federal tax rate. Adjustment may be warranted where the actual federal tax rate exceeds the minimum federal tax rate.

**“Statement of Adjusted Operations”  
Attachment**

REDACTED

**SCHEDULE OF ADJUSTED OPERATIONS - GAS UTILITY**

TYE 12/31/20 11

	Test Year	Adjustment	Ref.	Pro Forma
<u>Operating Revenues</u>				
Sales of Gas				
Residential	237,183.00		1	
Commercial & Industrial	13,054.00		2	
Interdepartmental				0.00
Sales for Resale				0.00
<b>Total Sales of Gas</b>	<b>250,237.00</b>			
Other Operating Revenues				
Forfeited Discounts				0.00
Miscellaneous Service Revenues				0.00
Rent from Gas Property				0.00
Other Gas Revenues	475.00			475.00
<b>Total Operating Revenues</b>	<b>250,712.00</b>			
<u>Operating Expenses</u>				
Operation and Maintenance Expenses				
Manufactured Gas Production Expenses				0.00
Natural Gas Production Expenses				0.00
Exploration and Development Expenses				0.00
Storage Expenses				0.00
Other Gas Supply Expenses	134,687.00			134,687.00
Transmission Expenses	17,555.00			17,555.00
Distribution Expenses	28,698.00			28,698.00
Customer Accounts Expenses				0.00
Customer Service and Informational Expenses				0.00
Administrative and General Expenses	141,296.00			141,296.00
<b>Total Operation and Maintenance Expenses</b>	<b>322,236.00</b>	<b>0.00</b>		<b>322,236.00</b>
Depreciation Expense	37,981.00			37,981.00
Amortization Expense				0.00
Taxes Other Than Income	5,118.00			5,118.00
Income Tax Expense				0.00
<b>Total Operating Expenses</b>	<b>365,335.00</b>	<b>0.00</b>		
<b>Utility Operating Income</b>	<b>-114,623.00</b>			

References

1. Johnson County Gas's projected residential revenue based on their proposed rate increase is calculated by:

Proposed Minimum bill (2 Mcfs)

Total residential customer bills in 2011 = [REDACTED]

[REDACTED] x Proposed Rate for 0-2 Mcf of \$13.0931/Mcf x 2 Mcfs (required minimum) = [REDACTED]

All over 2 Mcf bills

Total residential Mcf usage over 2 Mcf in 2011: [REDACTED]

[REDACTED] x Proposed Rate for all Mcf over 2 of \$12.0931/Mcf = [REDACTED]

Total residential gas sale revenue: [REDACTED]

Adjustment:

[REDACTED] - \$237,183.00 (2011) = [REDACTED]

2. Johnson County Gas's projected commercial revenue based on their proposed rate increase is calculated by:

Total commercial Mcf usage in 2011 = [REDACTED]

[REDACTED] x Proposed Rate for all Mcf of \$12.4431 = [REDACTED] total commercial gas sales revenue

Adjustment:

[REDACTED] - \$13,054.00 (2011) = [REDACTED]



## “Current and Proposed Rates” Attachment

Residential Customers	
Present Rate – Minimum Bill 0-1 Mcf	\$11.8031/Mcf
Present Rate – All additional Mcf	\$10.8031/Mcf
Amount of Proposed Increase	\$1.2900/Mcf
*Proposed Rate – Minimum Bill 0-2 Mcf	\$13.0931/Mcf (10.9% increase)
Proposed Rate – All additional Mcf	\$12.0931/Mcf (11.9% increase)
Commercial Customers	
Present Rate – All Mcf	\$11.1531/Mcf
Amount of Proposed Increase	\$1.2900/Mcf
Proposed Rate -- All Mcf	\$12.4431/Mcf (11.6% increase)

\*Note that the minimum monthly charge for residential customers is increasing from 1 Mcf per customer per month to 2 Mcf per customer per month.

Customer Notice of Proposed Rate  
Adjustment and Verification of Notice

**NOTICE OF APPLICATION OF  
JOHNSON COUNTY GAS  
TO ADJUST RATES FOR GAS SERVICE  
BEFORE THE PUBLIC SERVICE COMMISSION OF  
THE COMMONWEALTH OF KENTUCKY**

Johnson County Gas has filed an application with the Public Service Commission of the Commonwealth of Kentucky seeking approval to adjust its rates for gas service within its designated service territory in the Commonwealth of Kentucky. If Johnson County Gas's application is accepted, monthly gas bills from Johnson County Gas will be affected as follows:

Residential Customers	
Present Rate – Minimum Bill 0-1 Mcf	\$11.8031/Mcf
Present Rate – All additional Mcf	\$10.8031/Mcf
Amount of Proposed Increase	\$1.2900/Mcf
*Proposed Rate – Minimum Bill 0-2 Mcf	\$13.0931/Mcf (10.9% increase)
Proposed Rate – All additional Mcf	\$12.0931/Mcf (11.9% increase)
Average Customer Bill Increase	\$6.63/month
Commercial Customers	
Present Rate – All Mcf	\$11.1531/Mcf
Amount of Proposed Increase	\$1.2900/Mcf
Proposed Rate – All Mcf	\$12.4431/Mcf (11.6% increase)
Average Customer Bill Increase	\$8.90/month

\*Note that the minimum monthly charge for residential customers is increasing from 1 Mcf per customer per month to 2 Mcf per customer per month.

The rates contained in this notice are the rates proposed by Johnson County Gas, but the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice. Any corporation, association, or person with a substantial interest in the matter may submit a written request to intervene in the proceedings at the Public Service Commission. Copies of Johnson County Gas's application may be obtained at no charge from Johnson County Gas at 497 George Road, Betsy Layne, KY 41605 and the application and all documents filed with the Public Service Commission may be viewed and downloaded at the Public Service Commission's website at <http://psc.ky.gov>.

# Depreciation Schedule

REDACTED

05/25/2012 09:53 IFAX mailroom.lounatl@idinslaw.com 6067854955  
05-25-'12 08:38 FROM-DARRELL MADEN CPA  
Service Center T-558 P002/002 F-884

12/31/11

2011 BOOK DEPRECIATION SCHEDULE

PAGE 1

JOHNSON COUNTY GAS COMPANY INC.

61-0672413

09:50AM

5/25/12

NO.	DESCRIPTION	DATE ACQUIRED	DATE SOLD	COST/ BASIS	BUS. PCT.	CUR 179 BONUS	SPECIAL DEPR. ALLOW	PRIOR 179/ BONUS/ SP. DEPR.	PRIOR DEC. BAL DEPR.	SALVAG /BASIS REDUCT	DEPR. BASIS	PRIOR DEPR.	METHOD	LIFE	RATE	CURRENT DEPR.
FORM 1120																
1	MAINS															
2	METER INSTALLATIONS															0
3	HOUSE REGULATOR INSTALLAT															0
4	OFFICE FURN. & EQPT.															0
5	TRANSPORTATION EQPT.															0
6	OTHER EQUIPMENT															0
TOTAL						0	0	0	0	0						
TOTAL DEPRECIATION						0	0	0	0	0						
GRAND TOTAL DEPRECIATION						0	0	0	0	0						

# Debt Amortization Schedule

No debt amortization schedule is submitted because no such schedule exists for Johnson County Gas. Johnson County Gas does not have a debt amortization schedule due to its bankruptcy proceedings currently pending in the United State Bankruptcy Court for the Eastern District of Kentucky, Case No. 11-70410. If such a schedule is generated in the Bankruptcy Court, or elsewhere, Johnson County Gas will supplement its filing with the Commission. To the extent that a deviation from Commission regulations is required, Johnson County Gas requests that deviation be granted.