

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT)	CASE NO.
FILING OF B&H GAS COMPANY)	2016-00257

O R D E R

On July 14, 2016, B&H Gas Company ("B&H") tendered for filing an application for approval of a base rate adjustment pursuant to 807 KAR 5:076, the Commission's Alternative Rate Filing ("ARF") procedure for small utilities. The Commission finds that B&H's application will not be accepted for filing until it has cured certain deficiencies in its application and notice, as discussed below.

A P P L I C A T I O N

Requirements of 807 KAR 5:076, Section 4(1)(a)

807 KAR 5:076, Section 4(1)(a), requires a "Completed Application for Rate Adjustment before the Public Service Commission, ARF Form-1." Among other things, ARF Form-1 requires the filing of a completed Attachment SAO (Statement of Adjusted Operations), which lists specific categories of revenues and expense that must be disclosed for the test year. While B&H's application includes a page with the heading Statement of Adjusted Operations, the page is not a Statement of Operations. It shows B&H's annual operating expenses in total for each of the past five calendar years and the average of those expense amounts, with a statement that B&H intends to use that average rather than its 2015 expenses to "calculate expenses." B&H states that in

2015, it incurred unusually high maintenance expenses after heavy rains that caused line breaks and washouts.

B&H may propose to adjust its 2015 expenses to an amount based on a five-year average; however, its Attachment SAO must include test-period revenues and expenses and be completed in the manner dictated by the Attachment SAO Form. Given that the document in B&H's application is not a completed Attachment SAO and B&H did not request a waiver from this filing requirement, B&H's application is deficient with respect to this requirement.

Requirements of 807 KAR 5:076, Sections 4(1)(b) and 4(1)(c)

B&H did not formally request a waiver from the filing requirements contained in 807 KAR 5:076, Sections 4(1)(b) and 4(1)(c), which require: (1) copies of all outstanding evidences of indebtedness; and (2) copies of the amortization schedule for each evidence of indebtedness. B&H did, however, explain why it holds no evidences of indebtedness and, hence, no related amortization schedules, which the Commission will treat as a request for waivers of those specific filing requirements.

The debts B&H currently services are accounts payable to Bud Rife Construction Company and B&S Oil and Gas Company. The application states that they are both payable on demand with no schedule of payments. B&H's annual reports filed with the Commission show \$405,671 for a 1995 loan from the Kentucky Department of Local Government ("DLG") for which DLG has not sought payment. It is B&H's understanding and belief that DLG converted the loans it made to other small utilities to grants or otherwise released those utilities from any obligation to repay those loans. B&H states

that after two recent fires at its office, it has no documents related to this loan, which it believes DLG does not intend to collect.

The Commission finds that B&H has sufficiently explained why it has nothing to file to comply with these filing requirements. B&H has shown good cause to grant a waiver from the filing requirements of 807 KAR 5:076, Sections 4(1)(b) and 4(1)(c), and therefore, it is reasonable to grant B&H a waiver from these requirements.

Requirements of 807 KAR 5:076, Section 4(1)(f)

807 KAR 5:076, Section 4(1)(f), requires a “[d]etailed analysis of the applicant’s customers’ bills showing revenues from the present and proposed rates for each customer class.” B&H’s application includes a page with the heading Billing Analysis; however, the page does not show revenues from present and proposed rates for each customer class as set out in the filing requirement, and B&H did not seek a waiver of this requirement. Therefore, the application fails to comply with, and is deficient with respect to, Section 4(1)(f) of the regulation.

Until it has cured its deficiencies with respect to 807 KAR 5:076, Sections 4(1)(a) and 4(1)(f), B&H’s application will not be accepted for filing.

NOTICE

As required by 807 KAR 5:076, Section 5(4), B&H provided notice of its proposed rate change to its customers by publishing notice in a prominent manner in a newspaper of general circulation in its service area. B&H attached to its application a copy of the notice published in the Floyd County Times on July 6, 2016. However, B&H’s published notice fails to contain certain information required by 807 KAR 5:076, Section 5(4), or, as discussed below, it includes inaccurate information.

First, the present rates contained in the public notice are not entirely accurate, which means the notice is deficient with respect to 807 KAR 5:076, Section 5(4)(b). The present rate for the "Next 20" Mcf should be \$10.9411 rather than \$10.6903, which is the rate for B&H's last rate block for the "Next 30" Mcf.

Second, the published notice does not state, as required by 807 KAR 5:076, Section 5(4)(c), "[t]he amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply." While B&H has a single rate schedule that applies to both residential and commercial customers, its published notice does not include the dollar amount of its requested change in rates, and it has not sought a waiver of this filing requirement, which makes it deficient with respect to 807 KAR 5:076, Section 5(4)(c).

The notice does not include the average usage for each customer classification to which the proposed rates will apply, as required by 807 KAR 5:076, Section 5(4)(d). It also does not state, as required by 807 KAR 5:076, Section 5(4)(g), that "comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602." Furthermore, the notice does not state, as required by 807 KAR 5:076, Section 5(4)(j), that, with respect to a written request for intervention, "if the commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the commission may take final action on the application." As B&H has not requested a waiver of any of these requirements, its filing is considered deficient with respect to these three items.

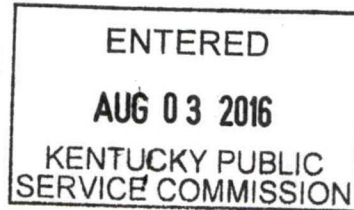
Until the information B&H omitted is published in a prominent manner in a newspaper of general circulation in its service area, and until B & H provides proof of such publication to the Commission, B&H's application will not be accepted for filing.

IT IS THEREFORE ORDERED that:

1. B&H's application as tendered on July 14, 2016, is rejected for filing until it has cured its deficiencies pursuant to 807 KAR 5:076, Sections 4(1)(a), 4(1)(f), 5(4)(b), 5(4)(c), 5(4)(d), 5(4)(g), and 5(4)(j).

2. B&H is granted a deviation from the filing requirements set forth in 807 KAR 5:076, Sections 4(1)(b) and 4(1)(c).

By the Commission



ATTEST:

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