

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF B & H GAS COMPANY, INC.	)	
FOR APPROVAL OF FINANCING PURSUANT TO	)	CASE NO.
KRS 278.300 AND FOR A CERTIFICATE OF	)	94-513
CONVENIENCE AND NECESSITY TO CONSTRUCT	)	

O R D E R

IT IS ORDERED that B & H Gas Company, Inc. ("B & H Gas") shall file the original and ten copies of the following information with the Commission, with a copy to all parties of record within 7 days from the date of this Order. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets is required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. B & H Gas shall furnish with each response the name of the witness who will be available to respond to questions concerning each item of information requested should a public hearing be scheduled.

1. In its response to Item 2 of the Commission's February 17, 1995 Order, B & H Gas indicates that application for Commission approval of the \$104,349.19 note was not made since it was "for pipe and materials for 2 years." However, according to a copy of the loan agreement for the \$104,349.19 note provided by B & H Gas in response to Item 1(b), the term is 6 years. Explain the discrepancy in the term of the note and why B & H Gas did not seek Commission approval to incur debt on a 6-year note.

2. Refer to B & H Gas's response to Item 3(b) of the Commission's February 17, 1995 Order, Sheet 1 of 2 of the Depreciation Report.

a. Why are some meters and gas lines depreciated over 16 years and others over 12 years?

b. Why has B & H Gas not adjusted its Depreciation Report to reflect the depreciation lives for gas lines, meters and regulators adopted by the Commission and set out in Appendix B of the Commission's December 13, 1991 Order in Case No. 91-127?<sup>1</sup>

3. Refer to B & H Gas's response to Item 3(d) of the Commission's February 17, 1995 Order.

a. When was each account payable over 180 days incurred?

b. With regard to account payable - B & H Gas, \$308,227, is this the same account payable for \$98,197 in Case No. 91-127? If yes, what actions have been taken to minimize accruing additional payables as suggested in Case No. 91-127?

4. Refer to B & H Gas's response to Item 4(a) of the Commission's February 17, 1995 Order.

a. What was B & H Gas's line loss percentage in 1992, 1993, and 1994?

b. What line loss percentage does B & H Gas anticipate after completion of the proposed construction?

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<sup>1</sup> Case No. 91-127, Application of B & H Gas Company, Inc. for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure for Small Utilities, Order entered December 13, 1991.

c. What impact will the expected reduction in line loss have on B & H Gas's ability to pay for its gas when purchased and reduce B & H Gas's accumulation of past-due gas bills?

5. In its application filed with the Department for Local Government ("DLG"), attached and incorporated herein as an Appendix to this Order, B & H Gas stated the annual debt service requirement per customer would be \$74.14.

a. What is B & H Gas's current annual debt service requirement per customer?

b. Will the \$74.14 annual debt service requirement per customer be in addition to current expenses? If not, explain how expenses per customer will change if this loan is approved. Provide supporting workpapers and calculations as necessary.

c. Will B & H Gas be able to service the proposed DLG debt without a rate adjustment? If yes, will it also be able to begin payments on its past-due gas purchases?

6. Provide a copy of the amortization schedule for the proposed financing from DLG.

7. Provide a post-construction analysis of B & H Gas's gas plant and depreciation accounts reflecting the retirement of existing plant replaced by the new construction and the addition of new plant.

8. Provide an answer to Item 11 of the Commission's February 17, 1995 Order: Will any steel pipe remain in B & H Gas's system once the proposed construction is completed?

Done at Frankfort, Kentucky, this

14th day of April, 1995.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director

APPENDIX  
APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 94-513 DATED April 14, 1995

GAS SYSTEM RESTORATION PROJECT  
APPLICATION FOR ASSISTANCE  
BY THE DEPARTMENT OF LOCAL GOVERNMENT

RECEIVED

MAR 13 1995

Date: 08/09/94

GAS COMPANY: B & H Gas Company, Inc.

ADDRESS: P.O. Box 99, Stanville, KY 41659

I understand the terms of the model contract attached to this application and realize that disbursement of loan funds will depend upon approval of this application and execution of attached contract. The information contained in this application is accurate to the best of my knowledge.

OWNER: Bud Rife (signed)

Bud Rife, President (name, title)

MANAGER: Bud Rife (signed)

Bud Rife, President (name, title)

ATTEST: Suda Rife (signed)

Suda Rife, Notary Public (notary public)  
My Commission Expires 02-10-98

I. General Description of Project

- A. Amount of Funding Requested: \$ 407,588.90
- B. Age of System: 38-45 Years
- C. Feet of Pipe Needing Replacements: 53,650 Total Feet
- D. Number of Meters and Regulators Needing Replacements: 318
- E. Percent Line Loss, Twelve Months Just Ended: Approximately 20%

II. Legal Description of Project

- A. Provide a complete set of engineering plans for all construction work (to be used as legal description), specifying size, location and depth of piping, and the schedule to be used for construction. An additional set of plans should be submitted for approval to the Public Service Commission (PSC) or Office of Pipeline Safety as appropriate.

- D. List and describe any land, easements or other property rights to be acquired in connection with the project.

III. Proposed Use of Funds

Itemize the costs for construction and financial rehabilitation of the gas system, based upon specific plans as described in Section II above.

**Construction**

1. Materials (attach itemized list as exhibit)	<u>\$ 70,060.90</u>
2. Labor	<u>171,500.00</u>
3. Land	_____
4. Right-of-Way	_____
5. Legal	_____
6. Engineering	<u>15,000.00</u>
7. Other ( <u>Omissions &amp; Miscellaneous Costs</u> )	<u>6,000.00</u>
8. Other ( <u>River Crossings</u> )	<u>36,000.00</u>
9. Total Cost of Construction	<u>306,560.90</u>

**In-Kind Contribution to Construction**

10. Materials (attach itemized list as exhibit)	_____
11. Labor	_____
12. Equipment	_____
13. Land	_____
14. Total Value of In-Kind Contribution	_____
15. Net Funding Needed for Construction (total cost less in-kind contribution)	<u>306,560.90</u>

**Financial Rehabilitation**

List all outstanding debts to be covered by loan. Attach documentation as exhibits.

16. <u>First Guaranty National Bank</u>	<u>101,028.00</u>
17. _____	_____
18. _____	_____
19. _____	_____

20.	_____	\$ _____
21.	Total Needed for Financial Rehabilitation	<u>101,028.00</u>
23.	Total Funding Needed for Construction and Financial Rehabilitation	<u>407,588.90</u>

#### IV. Environmental Aspects of Construction

This partially fulfills a requirement by the Economic Development Administration for environmental review by the Kentucky Natural Resources and Environmental Protection Cabinet (NREPC). If any requirements are unclear, assistance may be obtained through NREPC or the Department of Local Government.

A. Describe the possible conflict with environmentally sensitive public land.

1. Number of river or stream crossings \_\_\_\_\_.  
List: 1650 feet of river and stream crossings.

2. Number of feet of pipe that will be located within the rights-of-way of existing public highways 1400 feet.

B. Environmental description of the construction project.

1. Provide a scale map detailing the layout of the existing and proposed gas distribution system as it relates to the surrounding environs. A 7.5 minute topographic map should be used.

2. Provide a map with a scale compatible with the topographic map provided above (IV B (1)) delineating the base (1%) floodplain. This may be done by incorporation of a Flood Insurance Risk Map (FIRM) issued by the Office of Federal Insurance and Hazard Mitigation, or any other flood study conducted for the area. Identify structures by location and name within the base floodplain that will be serviced by the gas distribution system.

3. Provide a brief description of the types of land that will be affected by the proposed project. Land use categories should delineate between:

- a. Residential and Commercial
- b. Agricultural Areas
- c. Forest Land
- d. Water
- e. Strip Mines, Quarries and Excavation Sites
- f. Parks and Public Owned Land
- g. Wetlands
- h. Other

The location and amount of area affected by each category should be identified. This requirement can be fulfilled by shading land uses on the system map or by written description.

**V. Costs for Post-Construction Maintenance and Operations**

A. Itemize the anticipated post-construction expenses necessary for maintaining and operating the gas system in compliance with Federal regulations as set forth in the Federal Register (CFR 191 and CFR 192) "Regulations for the Transportation of Natural and Other Gas by Pipeline." Such estimates should include, but are not limited to, costs for preparing and submitting any required annual reports, operating and maintenance plans, emergency and public education plans; and for leakage test requirements and record keeping. These figures can be estimated through analysis of past operating expenses and anticipation of future operating costs.

1. Estimated Annual Legal Expenses	<u>\$ 1,500</u>
2. Estimated Annual Administrative Expenses	<u>28,500</u>
3. Estimated Annual Clerical Expenses	<u>16,640</u>
4. Annual Insurance Costs (See Item VI B)	<u>9,000</u>
5. Estimated Annual Cost for Management Consultant	<u>2,000</u>
6. Estimated Other Annual Maintenance Expenses	<u>8,000</u>
7. Estimated Cost for Annual Audits	<u>3,500</u>
8. Estimated Annual Capital Expenditures	<u>3,500</u>
<b>Total Costs for Maintenance and Operations (total from above)</b>	<b><u>\$72,640</u></b>

**VI. Appurtenant Statements**

- A. Provide documentation that funding for the proposed construction has been sought from, and denied by, at least three conventional sources. Documentation should clearly reflect the reason for denial of funding.
- B. List all insurance currently carried. If the utility is not covered by performance or liability insurance, the utility should seek out and obtain estimates for said insurance and attach to this application a letter from the insurance company stating cost, terms and conditions of the coverage after reconstruction. See Model Loan Conditions for Insurance Requirements.
- C. Indicate source(s) of gas and provide evidence of reliability (longevity) of future gas supply, in years.



VII. Balance Sheet\*

<u>Assets and Other Debits</u>	<u>Balance First of Year</u>	<u>Balance Last of Year</u>
<u>Utility Plant</u>		
1. Utility Plant (101-107, 114, 116)	\$ 273,276	\$ 273,555
2. Less: Accumulated Provision for Depreciation, Depletion and Amortization (110)	115,753	149,110
3. Net Utility Plant	157,523	124,445
<u>Other Property and Investments</u>		
4. Non-Utility Property - Net (121-122)		
5. Other Investments (124)	25	2757
6. Special Funds (125)		
7. Total Other Property and Investments	25	2757
<u>Current and Accrued Assets</u>		
8. Cash and Working Funds (131)	2751	2139
9. Temporary Cash Investments (132)		
10. Notes Receivable (141)		
11. Customer Accounts Receivable (142)	20,070	28,947
12. Other Accounts Receivable (143)		
13. Accumulated Provision for Uncollectible Accounts-Credit (144)		
14. Materials and Supplies (150)	2421	
15. Gas Stored Underground (164)		
16. Prepayments (165)		
17. Other Current and Accrued Assets (170)		
18. Total Current and Accrued Assets	33,242	31,086
<u>Deferred Debits</u>		
19. Unamortized Debt Expense (181)		
20. Extraordinary Property Losses (182)		
21. Other Deferred Debits (183)		
22. Deferred Losses from Disposition of Utility Plant (187)		
23. Unamortized Loss on Reacquired Debt (189)		
24. Accumulated Deferred Income Taxes (190)		
25. Unrecovered Purchased Gas Costs (191)		
26. Total Deferred Debits	-0-	-0-
27. TOTAL ASSETS AND OTHER DEBITS	190,790	158,208

\*Financial schedules are keyed to the "Accounting and Reporting Requirements for Natural Gas Companies" as promulgated by the Federal Energy Regulatory Commission and adopted by the Kentucky Public Service Commission.

<u>Liabilities and Other Credits</u>	<u>Balance First of Year</u>	<u>Balance Last of Year</u>
<u>Proprietary Capital</u>		
1. Common Capital Stock (201)	\$ 8,000	\$ 8,000
2. Preferred Capital Stock (204)		
3. Other Paid-In Capital (207)		
4. Discount on Capital Stock (213)		
5. Capital Stock Expense (214)		
6. Appropriated Retained Earnings (215)		
7. Unappropriated Retained Earnings (216)	(325,036)	(398,183)
8. Reacquired Capital Stock (217)		
9. Noncorporate Proprietorship (218)		
10. <b>Total Proprietary Capital</b>	<u>(317,036)</u>	<u>(390,183)</u>
<u>Long-Term Debt *</u>		
11. Bonds (221)		
12. Advances from Associated Companies (223)		
13. Other Long-Term Debt (224)	56,281	40,855
14. <b>Total Long-Term Debt</b>	<u>56,281</u>	<u>40,855</u>
<u>Current and Accrued Liabilities</u>		
15. Notes Payable (231)*		
16. Accounts Payable (232)	435,404	490,507
17. Notes Payable to Associated Companies (233)	12,751	12,752
18. Accounts Payable to Associated Companies (234)		
19. Customer Deposits (235)	3,088	4,327
20. Taxes Accrued (236)		
21. Interest Accrued (237)*	302	
22. Other Current and Accrued Liabilities (238)		
23. <b>Total Current and Accrued Liabilities</b>	<u>451,545</u>	<u>507,585</u>
<u>Deferred Credits</u>		
24. Customer Advances for Construction (252)		
25. Other Deferred Credits (253)		
26. Accumulated Deferred Investment Tax Credits (255)		
27. Accumulated Deferred Income Taxes (281-283)		
28. <b>Total Deferred Credits</b>	<u>-0-</u>	<u>-0-</u>
<u>Operating Reserves</u>		
29. Property Insurance Reserve (261)		
30. Injuries and Damages Reserve (262)		
31. Pensions and Benefits Reserve (263)		
32. Miscellaneous Operating Reserves (265)		
33. <b>Total Operating Reserves</b>	<u>-0-</u>	<u>-0-</u>
34. <b>TOTAL LIABILITIES AND OTHER CREDITS</b>	<u>190,790</u>	<u>158,288</u>

\* Itemize on attached Supplemental Schedule.

VIII. Statement of Income for the Year

<u>Account</u>	<u>Amount</u>
<u>Operating Revenues</u>	
1. Residential Sales (480)	\$ 138,576
2. Commercial and Industrial Sales (481)	33,391
3. Interdepartmental Sales (484)	_____
4. Total Sales to Ultimate Consumers	171,967
5. Sales for Resale (483)	_____
6. Total Gas Service Revenues	171,967
<u>Other Operating Revenues</u>	
7. Forfeited Discounts (487)	_____
8. Miscellaneous Service Revenues (488)	1,249
9. Revenues from Transportation of Gas of Others (489)	_____
10. Revenues from Natural Gas Processed by Others (491)	_____
11. Rent from Gas Property (493)	_____
12. Other Gas Revenues (495)	_____
13. Total Other Operating Revenues	1,249
14. Total Gas Operating Revenues	173,216
<u>Operating Expenses</u>	
15. Total Gas Operation and Maintenance Expenses*	195,706
16. Depreciation and Depletion Expense (403)	29,847
17. Amortization Expense (404-407)	3,510
18. Taxes Other Than Income Taxes (408.1)	9,550
19. Total Income Taxes - Utility Operations	_____
20. Total Gas Operating Expenses	238,613
21. NET OPERATING INCOME	(65,397)
<u>Other Income</u>	
22. Nonutility Income (415-418)	\$ _____
23. Interest and Dividend Income (419)	_____
24. Miscellaneous Nonoperating Income (421)	_____
25. Other Accounts (Specify Account Number and Title):	_____
26. Total Other Income	-0-
<u>Other Deductions</u>	
27. Interest on Long-Term Debt (427)	7,750
28. Amortization of Debt Discount and Expense (428)	_____
29. Nonutility Deductions (426.1 - 426.5)	_____
30. Other Interest Expense (431)	_____
31. Total Income Taxes - Nonutility Operations	_____
32. Other Accounts (Specify Account Number and Title):	_____
33. Taxes Other than Income Taxes (408.2)	_____
34. Total Other Deductions	7,750
35. NET INCOME	(73,147)

\*Itemize on attached Supplemental Schedule.

**IX. Operating Statistics**

	<u>Gas Volume - Mcf</u>				<u>Cost Per Mcf Current</u>
	<u>Current Month (June) 93-94</u>		<u>12 Months Ended (92-93)</u>		
	<u>Last Year</u>	<u>This Year</u>	<u>Last Year</u>	<u>This Year</u>	
<u>Gas Purchased</u>					
1. Suppliers <u>D&amp;S Oil &amp; Gas Company</u>	<u>909</u>	<u>896</u>	<u>16,245</u>	<u>27,996</u>	<u>3.65</u>
2. Suppliers <u>KY W.Va. Gas Co. &amp; Equitable Resources</u>	<u>0</u>	<u>3</u>	<u>771</u>	<u>824</u>	<u>3.95</u>
3. Total Purchased	<u>909</u>	<u>899</u>	<u>17,016</u>	<u>28,820</u>	<u>3.00 (Average)</u>
4. Local Production					
<u>Gas Sold</u>					<u>Average Rate Per Mcf Current</u>
5. Residential	<u>390</u>	<u>454</u>	<u>22,518</u>	<u>22,160</u>	<u>\$7.16 (less than 30)</u>
6. Commercial	<u>117</u>	<u>167</u>	<u>4,819</u>	<u>5,659</u>	<u>\$5.18 (more than 30)</u>
7. Industrial					
8. Total Sold	<u>507</u>	<u>621</u>	<u>27,337</u>	<u>27,819</u>	
9. Gas Used by Company	<u>507</u>	<u>621</u>	<u>27,337</u>	<u>27,819</u>	
10. Gas Unaccounted For	<u>402(a)</u>	<u>278(a)</u>	<u>19,679(a)</u>	<u>1,001(a)</u>	

(a) Leakage and broken lines

<u>Number of Customers</u>	<u>End of Year</u>	
	<u>Last Year</u>	<u>This Year</u>
11. Residential (480)	<u>300</u>	<u>300</u>
12. Commercial and Industrial (481)	<u>10</u>	<u>10</u>
13. Interdepartmental Sales (484)		
14. Total - Ultimate Consumer	<u>310</u>	<u>310</u>
15. Sales for Resale (483)		
16. Total Gas Service Customers	<u>310</u>	<u>310</u>

<u>Average Consumption Per Customer (Mcf)</u>	<u>12 Months Ended (92-93)</u>	
	<u>Last Year</u>	<u>This Year</u>
17. Residential	<u>75.06</u>	<u>73.86</u>
18. Commercial and Industrial	<u>267.72</u>	<u>314.30</u>
19. Interdepartmental Sales		
20. Sales for Resale		
21. Total	<u>342.78</u>	<u>388.24</u>

X. Supplemental Schedules

Long-Term Debt

List Each Original Issue Amount, Class and Series of Obligation	Date of Issue	Date of Maturity	Outstanding Per Balance Sheet	Interest For the Year Rate	Interest For the Year Amount
1. * <u>First Guaranty</u>					
2. <u>National Bank</u>	3-25-94		10,119.10	9%	
3. _____					
4. <u>First Guaranty</u>					
5. <u>National Bank</u>	5-26-89		10,005	10.5%	7,750
6. <u>Total (to page 6)</u>			10,005		7,750

Notes Payable

Name of Payee	Date of Note	Date of Maturity	Interest Rate	Balance End of Year
1. _____				
2. _____				
3. _____				
4. _____				
5. _____				
6. <u>Total (to page 6)</u>				

Interest Accrued

Description of Obligation	Int. Accrued Balance First of Year	Int. Accrued During Year	Int. Paid During Year	Int. Accrued Balance End of Year
1. <u>First Guaranty</u>				
2. <u>National Bank</u>	302	7,750	8,052	-0-
3. _____				
4. _____				
5. _____				
6. <u>Total (to page 6)</u>	302	7,750	8,052	-0-

Operation and Maintenance Expenses

	Amount
1. <u>Manufactured Gas Production (700-706)</u>	
2. <u>Natural Gas Production and Gathering (710-719)</u>	
3. <u>Exploration and Development Expenses (720-737)</u>	
4. <u>Storage Expenses (740-747)</u>	
5. <u>Gas Supply Expenses (730-736)</u>	105,489
6. <u>Transmission Expenses (750-757)</u>	994
7. <u>Distribution Expenses (760-769)</u>	46,666
8. <u>Customer Accounts Expense (901-904)</u>	16,124
9. <u>Customer Service and Informational Expenses (907)</u>	
10. <u>Administrative and General Expenses (920-935)</u>	26,433
11. <u>Total Gas Operation and Maintenance Expenses (to page 7)</u>	195,706

\*Refinanced for maintenance of gas lines that needed immediate repair.

**B & H GAS COMPANY**  
**ESTIMATE TO REPLACE GAS DISTRIBUTION SYSTEM**

ITEM	UNITS (EACH)	UNITS (FT.)	UNIT COST /FOOT	UNIT COST (EACH)	TOTALS
ENGINEERING, DESIGN, PLANS, DRAFTING, SURVEYING, CADD, AND COMPUTER PROCESSING	1			\$15,000.00	\$ 15,000.00
<b>COST OF PIPE</b>					
3" PLASTIC		20,000	\$1.06		\$ 21,200.00
2" PLASTIC		18,000	\$ .47		\$ 8,460.00
1" PLASTIC		14,000	\$ .22		\$ 3,080.00
<b>CONTRACTOR'S COST</b>					
3" PIPE PLACEMENT		20,000	\$3.75		\$ 75,000.00
2" PIPE PLACEMENT		18,000	\$3.25		\$ 58,500.00
1" PIPE PLACEMENT		14,000	\$2.00		\$ 28,000.00
2" ROAD BORES	5	250	\$40.00		\$ 10,000.00
<b>RIVER CROSSINGS</b>					
3" PLASTIC	1	50			\$ 3,000.00
3" PLASTIC	2	800			\$ 16,000.00
2" PLASTIC	1	100			\$ 9,000.00
1" PLASTIC	1	400			\$ 8,000.00
<b>MISCELLANEOUS MATERIALS</b>					
1" PREFAB RISERS					\$ 10,107.50
LOCK VALVES					\$ 6,418.00
REGULATORS					\$ 6,400.00
2" VALVES					\$ 4,000.00
3" VALVES					\$ 3,000.00
2" VALVE BOXES					\$ 1,246.50
3" VALVE BOXES					\$ 747.90
LOCATER WIRE					\$ 4,500.00
TEES FOR PLASTIC PIPE					\$ 4,500.00
3" TEES					\$ 310.00
2" TEES					\$ 91.00
METERS					\$ 4,000.00
OMISSIONS AND OTHER EXPENSES	1			\$ 6,000.00	\$ 6,000.00
<b>TOTAL</b>					<b>\$306,560.90</b>