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COMMISSION

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March 21, 2007

**HAND DELIVERED**

Ms. Beth O'Donnell  
Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

Mark R. Overstreet  
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**Re: P.S.C. Case No. 2007-00007**

Dear Ms. O'Donnell:

Please find herein and accept for filing the original and six copies of Holly Creek Production Corporation's Responses to Commission Staff's Initial Data Requests in the above proceeding.

Please do not hesitate to call if you have any questions or concerns.

Sincerely,

STITES & HARBISON, PLLC



Mark R. Overstreet

15193:2:FRANKFORT

COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

APPLICATION OF HOLLY CREEK PRODUCTION )  
PURSUANT TO KRS 278.485 AND 807 KAR 5:026 )  
FOR AN ADJUSTMENT OF ITS RETAIL RATES ) CASE NO. 2007-00007  
FOR GAS SERVICE PROVIDED BY ITS FARM )  
TAP SYSTEM )

HOLLY CREEK PRODUCTION CORPORATION'S

RESPONSES TO COMMISSION STAFF'S INITIAL DATA REQUESTS

DATED: MARCH 21, 2007



**Holly Creek Production Corporation**

**REQUEST NO. 1**

Provide the number of gas wells involved in serving the 45 farm tap customers.

**RESPONSE**

At the present time Holly Creek Production Corporation ("Holly Creek") produces gas from seventeen (17) coniferous wells. The gas produced is collected through a single gathering system.

WITNESS: Carleton D Beh, Jr., President



**Holly Creek Production Corporation**

**REQUEST NO. 2**

Refer to Exhibit 1, Farm Tap Gas Usage, Mcf. Year 2005. The exhibit shows an average usage by farm tap customers for the period June through September, 2005 of less than 2 Mcf/month per customer. Explain why Holly Creek is proposing to charge every customer a minimum of 2 Mcf per month.

**RESPONSE**

The 2 Mcf/month per customer minimum has been a part of Holly Creek's rates since the initiation of gas service beginning in the fall of 1963. Holly Creek is not proposing any change in the minimum billing amount it has used for the past 43 years.

Farm tap service includes service beyond providing gas during the non-space heating months. This includes repair and maintenance work, monitoring service lines, checking the accuracy of meters and detection of leaks. The 2 Mcf/month per customer minimum ensures sufficient cash flow to operate the system.

The minimum also is reasonably related to minimum average usage for the period June through September:

<b>2006</b>					
	<b>Farm Tap</b>	<b>Average Per Customer Per Month*</b>	<b>Free Gas**</b>	<b>ROW Gas***</b>	<b>Total</b>
Jun	77.6	2.097	14.7	0	82.8
Jul	76.4	2.065	17.8	5.9	58.1
Aug	62.3	1.684	14.1	.7	77.1
Sep	82.4	2.227	21.0	4.3	107.7

**KPSC Case No. 2007-00007**  
**Commission Staff's Initial Data Request**  
**Request Dated March 9, 2007**  
**Item No. 2**  
**Page 2 of 2**

<b>2005</b>					
	<b>Farm Tap</b>	<b>Average Per Customer Per Month*</b>	<b>Free Gas*</b>	<b>ROW Gas**</b>	<b>Total</b>
Jun	66.5	1.85	15.9	.4	82.8
Jul	47.9	1.33	9.8	.4	58.1
Aug	92.2	2.561	16.2	.3	108.7
Sep	43.5	1.21	6.7	.2	50.4

\* Average based on 36 customers in 2005 and 37 customers in 2006.

\*\* "Free Gas" is gas provided without charge to landowners under well lease agreements and is not subject to the 2 Mcf/month minimum.

\*\*\* "ROW Gas" is gas provided under a right of way lease agreement to a single customer. Under the agreement, there is no charge for the first 100Mcf of gas per year. Thereafter, gas is provided at the tariffed rates, including the minimum charge.

Witness: Carleton D. Beh, Jr. President





**Holly Creek Production Corporation**

**REQUEST NO. 3**

Refer to Exhibit 2 of the amended application.

- a. Explain why Holly Creek chose to develop its gas cost based on the Columbia Gas Transmission Corp. Appalachian Index.
- b. Is the quality of gas in Columbia Gas Transmission's pipeline equivalent to gas that Holly Creek provides to its farm tap customers?
- c. If the answer to part (b) is no, provide a comparison of the quality of the two commodities.

**RESPONSE**

3.a. Holly creek and Jefferson Gas Transmission co. ("JGTC") successor to Holly Creek Gas Transmission Co. operated under a Gas Purchase Agreement based o Columbia Gas Transmission pricing. The pricing can historically be traced from the original Gas Purchase Agreement entered into by Holly Creek and United Fuel Gas in 1963. JGTC violated this agreement during the years 1997 to and including 2002. Holly Creek, after an extended period of complaint, initiated litigation to seek recovery of the contracted purchase price. In settlement, Holly Creek entered into a new Gas Purchase Agreement with Jefferson Gas LLC, successor to JGTC, a copy of which is attached to this Item. To avoid any future problems, this new agreement specified Columbia Gas Transmission Co. Appalachian Monthly Index, as published, as the monthly purchase of dekatherms produced and delivered by Holly Creek.

3.b. In 2004 the measured quality of Holly Creek gas commingled and delivered through one delivery meter was computed by Gas Analytical Services, Inc. of Bridgeport, West Virginia at 1,131.013 Btu/mcf. As part of a settlement of the litigation of Holly Creek, the parties agreed on a sale price based on dekatherms and defined dekatherms as one mcf containing 1,120 Btu. The settlement was negotiated by the parties working with the staff of the Public Service Commission.

Holly Creek has no knowledge of the specific characteristics of gas in Columbia Gas' transmission pipeline

3.c. Not applicable.

Witness: Carleton D. Beh, Jr. President

ALL-STATE LEGAL SUPPLY CO. 1-800-222-0510 ED11



RECYCLED

**Holly Creek Production Corporation**

**REQUEST NO. 4**

Refer to Schedule I, Well Operator Cost.

- a. Explain the basis for the assumptions used in the calculation.
- b. Overtime is listed as 3 hours. Explain whether the estimate is per year, per customer, or the total number of overtime hours for the year.

**RESPONSE**

a. the assumptions used in determining well operator costs for meter readings are based on personnel costs and the average actual time to read 45 meters which are scattered across the total 28 miles of gathering system. Our operator has advised that truck miles necessary to cover these readings exceed 100 miles per month. Each month a written report is developed in the field and forwarded to des Moines from where billings are made. Should questions arise from these meter readings, a subsequent trip is made by the field personnel to confirm or alter the initial readings. Our assumption of 15 minutes pre meter per month equals 11 hours and 15 minutes. Call Out and Maintenance. Holly Creek employs one contract laborer to walk the gathering system and service lines each week. The balance of the gathering is on top of the ground. Over the years the lines have been identified by markers and the walker carries with him a flame pack to search the underground gathering system for leaks. Based on this effort the line loss at Holly Creek has been minimized and over 100 hours is spent each month in monitoring the gathering system and service lines.

- b. The estimate used is per customer.

Witness: Carleton D. Beh, Jr. President

ALL-STATE LEGAL SUPPLY CO., 1-800-222-0510 ED11



RECYCLED

**Holly Creek Production Corporation**

**REQUEST NO. 5**

Refer to Schedule 2, Administrative personnel and Home Office Costs.

- a. Explain the basis for the home office rent expense.
- b. Explain the basis for parking expense.
- c. Explain what is included in the one-half day per week estimate under expenses.
- d. Provide a list of any other businesses which operation out of this home office.

**RESPONSE**

a. and b. The company maintains a home office at 840 Insurance Exchange Building, 505 5<sup>th</sup> Avenue, Des Moines, Iowa 50309. This building built in 1923 is located in downtown Des Moines, Iowa and would be considered a class 2 or 3 office building. Rent per month is \$810 plus utilities. All records and operational details of management are located in this space. Banking facilities are located within two blocks of this building and are furnished by a branch office of the Earlham Savings Bank. Adjacent to and connected with this building is the Brown Garage, a parking garage whose monthly rental is \$90.10. The office in Des Moines is used exclusively for Holly Creek. The office is staffed by Carleton D Beh, Jr. clerical assistance as needed, is provided by an office of Manpower, Inc. located in the same building. The company has no office in Kentucky and contact with field personnel, usually two to three calls per day, is maintained through cell phones in Kentucky.

c. The assumptions as shown on Schedule 2 include billing of farm tap customers (12 hours per month) and other (tax preparation and management of personnel) ½ day per week or 18 hours per month. No salary is paid to Carleton D. Beh., Jr.

d. Since 1995 no other business operate out of this office.

Witness: Carleton D. Beh, Jr. President



RECYCLED

ED11

ALL-STATE LEGAL SUPPLY CO. 1-800-222-0510

**Holly Creek Production Corporation**

**REQUEST NO. 6**

Refer to Schedule 3.

- a. Explain why Holly Creek installs a new meter every 10 years.
- b. Provide the salvage value of the old meters.

**RESPONSE**

a. Holly Creek measures its farm tap usage with American AC 250 meters located on the service lines at or near the residences served. All meters and service lines are approved by the Engineering Department of the Public Service Commission prior to the beginning of service. All meters, with the exception of the meter servicing Bethany Christian Mission Center, which is served by an American AL 2300 set in a meter house, are non-adjustable and subject to weather conditions. Over time these meters will "fog up" and their accuracy becomes questionable. During the year 2006 Holly Creek replaced 6 house meters and during the year 2005 Holly Creek replaced 5 house meters. The meter at Bethany Christian Mission Center is calibrated approximately every twelve months at a cost of \$200 per trip.

b. None. When replaced the old meters are discarded as their salvage value is less than the amount that would be paid to Holly Creek if sold for scrap or reconditioning.

Witness: Carleton D. Beh, Jr. President



ALL-STATE LEGAL BDD-232-0510 ED11

RECYCLED



**Holly Creek Production Corporation**

**REQUEST NO. 7**

The gas analysis provided is 4 years old. Provide a more recent gas analysis for the gas supplied to the farm tap customers. Include the wet and dry heat values.

**RESPONSE**

A gas analysis prepared by Gas Analytical Services Inc. of Bridgeport, West Virginia was included as Exhibit 3 to the Application for Rate Adjustment. This Fractional Analysis was dated April 1, 2003. Holly Creek has contacted Gas Analytical Services, Inc. and requested a new fractional analysis be developed as soon as practical. The company has advised that its personnel will be in the field the week of March 19, 2007 and when available, which should be within one week following their visit, a report will be provided to the Commission pursuant to this Item.

Witness: Carleton D. Beh, Jr. President

ALL-STATE LEGAL SUPPLY CO. 1-800-222-0510 ED11



RECYCLED

**Holly Creek Production Corporation**

**REQUEST NO. 8**

Do farm tap customers received dry or saturated gas?

**RESPONSE**

Holly Creek does not operate compression or dehydration equipment. Gas provided farm tap customers is not dehydrated and would be considered saturated.

Compression and dehydration is provided by Jefferson Gas LLC under the terms of the Gas Purchase Agreement but is performed subsequent to the delivery to the farm tap customers.

Witness: Carleton D. Beh, Jr. President

ALL-STATE LEGAL 800-222-0510 ED11



RECYCLED

**Holly Creek Production Corporation**

**REQUEST NO. 9**

Does Holly Creek inject odorant into the gas or is it odorized naturally?

**RESPONSE**

Holly Creek injects odorant into its gas as necessary. Necessary is defined as required to assist field personnel in detecting leaks. The gas is odorized naturally and because the odorant is obnoxious we keep a supply on hand but use it sparingly. The line loss at Holly Creek has been in the 2% range over the past three years and we prefer to maintain our monitoring activities rather than employ odorant.

Witness: Carleton D. Beh, Jr. President



**Holly Creek Production Corporation**

**REQUEST NO. 10**

State the rate of injection and the location where methanol is injected into the gas provided to the farm tap customers.

**RESPONSE**

Holly Creek injects methanol into its gathering system in one quart units at three locations. These are located on the corners of its gathering system. These include:

1. Charles Campbell drip located at the junction of the buried 2" plastic line connecting the well with the 4" gathering system. (The northeastern corner of the field.)
2. Kenny Tyra drip located on the 6" gathering system adjoining 6593 South Kentucky 15. Approximate center of the field.
3. Dowie Banks well located on Cave Branch Road. The western portion of the field.

If extreme cold weather is anticipated more than one quart may be injected.

Witness: Carleton D. Beh, Jr. President



ALL-STATE LEGAL SUPPLY CO. 1-800-222-0510 ED 11



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**Holly Creek Production Corporation**

**REQUEST NO. 11**

Explain how the rate of injection is decided.

**RESPONSE**

As stated in Item 10, above, Holly Creek has devised a tube to supply methanol into its gathering system which tube holds one and one-quarter quarts of methanol. If severe weather exists or is anticipated the dose may be doubled at any or all of the injection points.

Witness: Carleton D. Beh, Jr. President