

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE FILING ADJUSTMENT)	CASE NO.
APPLICATION OF JOHNSON COUNTY GAS)	2012-00140
COMPANY)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
JOHNSON COUNTY GAS COMPANY, INC.

Johnson County Gas Company, Inc. ("Johnson County"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due on or before October 24, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Johnson County shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Johnson County fails or refuses to furnish all or part of the requested information, it shall

provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the Billing Analysis of Johnson County filed August 10, 2012. Explain the discrepancy between the number of bills and usage volumes shown for residential and commercial customers (3,470 residential bills with 15,165 residential sales, and 189 commercial bills with 1,151 commercial sales) compared to the average number of customers and sales volumes shown in Johnson County's 2011 Annual Report. (The Annual Report shows an average number of residential customers of 330, which should equate to 3,960 bills, and residential sales volumes of 15,517 Mcf; and an average number of commercial and industrial customers of 15, equating to 180 bills, with commercial/industrial sales volumes of 854 Mcf.)

2. Many gas distribution companies regulated by the Commission have rate designs consisting of a monthly customer charge, which covers zero Mcf usage, and a single volumetric rate for all volumes purchased.

a. Explain whether Johnson County has considered or would be amenable to this type of rate design, as opposed to a minimum bill containing a charge for 2 Mcf with a lower rate for all over 2 Mcf sold.

b. If the answer to part a. of this request is yes, provide the customer charge and volumetric rate that Johnson County would propose to achieve its required revenue requirement.

c. If the answer to part a. of this request is no, explain why Johnson County believes its proposed rate design to be superior in terms of revenue collection and customer understanding.

3. Explain the source of Other Gas Revenues of \$475.00 shown on ARF FORM-1 of Johnson County's August 10, 2012 filing with the Commission, which is headed "Schedule of Adjusted Operations – Gas Utility" ("ARF FORM-1"), and why Johnson County expects to receive the same level of such revenues going forward.

4. The evidentiary records in other Commission cases involving Johnson County¹ have shown that its president and sole shareholder, Mr. Bud Rife, also owns Bud Rife Construction Company, Inc., B & H Gas Company, B & S Oil and Gas Company, and that he owns a 29 percent interest in Hall, Stephens & Hall, which has been identified as a production company.

a. Explain whether Johnson County currently does business with any of these other companies or has entered into business transactions with them during the period from January 1, 2010 to the present.

b. If they exist, identify any other entities in which Mr. Rife has an ownership interest and that do business with Johnson County or have transacted business with Johnson County since January 1, 2010.

5. Refer to ARF FORM-1. For the test year ended December 31, 2011, Other Gas Supply Expenses are listed at \$134,687, which matches the amount reported in Johnson County's 2011 Annual Report as Natural Gas City Gate Purchases. However, the amount of Gas Purchases shown on the income statement in Johnson

¹ Case No. 99-155, Application of Johnson County Gas Company, Inc. for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure for Small Utilities (Ky. PSC, Sept. 1, 1999) and Case No. 2012-00227, Purchased Gas Adjustment Filing of Johnson County Gas Company (filed June 4, 2012).

County's 2011 tax return is less than one-half this amount. Explain why the amount reported in the annual report is more than twice the amount shown in the tax return.

6. Refer to ARF FORM-1. \$28,698 is the amount listed as Distribution Expenses, which matches the amount in Johnson County's 2011 Annual Report. In the Annual Report, \$20,576 of the total for Distribution Expenses is identified as Rents – Account 881.

a. Clarify whether or not this rent expense was for office space.

b. If this was rent for office space, identify the owner of the property. If the owner is Mr. Rife, a relative of Mr. Rife, or one of the other entities owned by Mr. Rife, explain in detail how the amount of rent charged to Johnson County is determined.

c. Exhibit 2 of what were identified as the "Bankruptcy Documents" in Johnson County's original application is headed "Johnson County Gas Company, Inc." with a sub-heading of "Overhead Expense Budget for the Year Ending 12/31/12" ("Exhibit 2 – Bankruptcy Documents"). The monthly budget for office rental is \$1,000, or \$12,000, for calendar year 2012. Explain whether this budgeted amount indicates that Johnson County's office rent expense was reduced beginning in 2012.

7. Refer to ARF FORM-1. \$141,296 is the amount listed as Administrative and General Expenses, which matches the amount shown in Johnson County's 2011 Annual Report. In the Annual Report, \$117,745 of the total for Administrative and General Expenses is identified as Outside Services Employed – Account 923.

a. Provide a breakdown of the \$117,745 which lists each individual or firm that provided services to Johnson County in 2011, the nature of the services provided, and the amount charged to Johnson County by each individual or firm.

b. Exhibit 2 - Bankruptcy Documents shows \$84,000 being budgeted, a monthly amount of \$7,000, for calendar year 2012 for "Bud Rife Management Fee." Provide the amount of compensation Mr. Rife received for managing Johnson County for each of the years 2010 and 2011.

c. Explain whether Mr. Rife has been compensated \$7,000 per month by Johnson County in 2012. If his compensation has not been this amount, provide his total 2012 compensation from Johnson County, through September 2012.

d. An earlier item in this request listed four other entities in which Mr. Rife has previously been identified as either sole- or part-owner. Provide the amount of compensation Mr. Rife received from each of those entities -- Bud Rife Construction Company, Inc., B & H Gas Company, B & S Oil and Gas Company, and Hall, Stephens & Hall, in 2011.

8. Exhibit 2 – Bankruptcy Documents shows \$5,976 as the amount budgeted for calendar year 2012 for "Telephone." While the income statement in the 2011 Annual Report does not reflect a specific "Telephone" expense, the income statement in Johnson County's 2011 tax return includes an amount for "Telephone Expense" that is only a few hundred dollars less than the \$5,976 budgeted for 2012. Provide Johnson County's 2011 expense for telephone service.



Jeff Derouen
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Public Service Commission
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DATED OCT 10 2012

cc: Parties of Record

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