

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE GAS COSTS)	CASE NO.
OF B & H GAS COMPANY PURSUANT TO)	2015-00367
KRS 278.2207 AND THE WHOLESALE GAS)	
PRICE IT IS CHARGED BY ITS AFFILIATE,)	
B & S OIL AND GAS COMPANY, PURSUANT)	
TO KRS 278.274)	

ORDER

On November 24, 2015, pursuant to KRS 278.274, the Commission opened this case to investigate the gas costs of B&H Gas Company (“B&H”) and the wholesale gas price it is charged by its affiliate, B&S Oil and Gas Company (“B&S”), (collectively, “the Companies”). The Order initiating this proceeding found that B&H has been charging a gas cost of \$9.38 since 2008, and that the gas costs of other small gas utilities have averaged \$4.84 from 2012 through 2014, and ordered B&H to “collect the Gas Cost Adjustment component of its rates subject to refund effective for bills rendered after the date of this Order until further Commission Order.”¹

The processing of this case has been delayed on several occasions by the Companies’ failure to respond to requests for information issued by both the Commission and the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, (“AG”) in a timely fashion. The Commission notes that the Companies have given several reasons for these delays, including: 1) that they never received the February 10, 2016 Commission Staff’s First Request for

¹ Order (KY. PSC Nov. 24, 2015) at 6.

Information and were unaware that it had been issued; 2) that business and financial records of the Companies were destroyed in two fires that occurred in the building the Companies shared at the end of 2014 and the beginning of 2015;² 3) that B&H is in the process of seeking an increase in rates through the alternative rate adjustment procedures available to small utilities (“ARF”), but is waiting for information from the Companies’ accountant needed for the ARF filing;³ and 4) that answering the AG’s “extensive data requests” has been time consuming and has taxed the resources of the Companies.⁴ The Commission is concerned that the Companies’ delay in responding to the requests for information noted above has allowed B&H to continue charging its customers the same Gas Cost Adjustment (“GCA”) rate which is the basis of this investigation.

Upon the Commission’s receipt of the late-filed response⁵ of the Companies to the AG’s Supplemental Data Request, the actions contemplated in the existing procedural schedule in this proceeding were complete except for allowing the parties an opportunity to request a formal evidentiary hearing.⁶ The Commission notes that in other cases, it has given the parties an opportunity to request a hearing and, if no

² Informal Conference Memorandum (Ky. PSC Jan. 21, 2016) at 1–2.

³ Notice by B&H Gas Company and B&S Oil and Gas Company of Status of Filing ARF and Status of Filing Responses to AG’s Data Requests (filed Apr. 13, 2016) at 1.

⁴ *Id.* at 2.

⁵ Upon this most recent failure of the Companies to comply with a Commission Order, a show cause proceeding was initiated on June 17, 2016, in Case No. 2016-00204, *B&H Gas Company, B&S Oil and Gas Company, and Mr. Bud Rife, Individually and as an Officer of B&H Gas Company and B & S Oil and Gas Company, Alleged Violation of a Commission Order.*

⁶ Pursuant to the schedule in the Commission’s April 13, 2016 Order in this proceeding, requests for a formal hearing were to be filed by May 20, 2016. In addressing extension requests and delays since that date, the Commission overlooked the need to extend the date for hearing requests by the parties.

hearing is requested, an opportunity at a later date to submit written comments to state or clarify their position.⁷

The Commission, being otherwise sufficiently advised, finds that B&H's 2014 Annual Report shows that its gas operating expenses exceeded its revenues, resulting in a loss of \$106,075, while its 2015 Annual Report also shows expenses exceeding revenues for a loss of \$218,467. Due to its financial condition, B&H may not be able to make refunds in the event that the Commission determines that refunds should be made. For this reason, the Commission finds that B&H should continue to collect the GCA component of its rates subject to refund, and that all GCA revenues above \$4.84 per Mcf⁸ collected after the date of this Order should be held in an interest-bearing escrow account pending further Order of the Commission. We also find that the parties in this proceeding should be given the option to request a formal hearing or to file comments stating their position on the issues.

IT IS THEREFORE ORDERED that:

1. B&H shall continue to collect the Gas Cost Adjustment ("GCA") component of its rates subject to refund.
2. B&H shall establish an interest-bearing escrow account in which to deposit all GCA revenues above \$4.84 per Mcf collected after the date of this Order.
3. GCA revenues collected pursuant to ordering paragraph 2 above shall remain in the interest-bearing account until further Order of the Commission.

⁷ See Case No. 2016-00053, *Application of WKG Storage, Inc. for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC June 17, 2016).

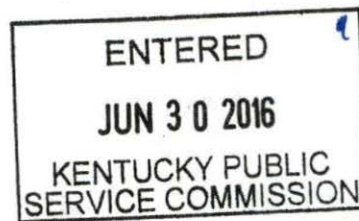
⁸ \$4.84 per Mcf is the average gas cost reported by 11 smaller local distribution companies in their Annual Reports for years 2012, 2013, and 2014, as shown in Appendix G of the initiating Order in this case (Ky. PSC Nov. 24, 2015). It should be noted that natural gas costs have further declined since the computation of this average GCA amount.

4. A request for an evidentiary hearing or statement that a party does not desire a hearing shall be filed by July 8, 2016.

5. If no request for an evidentiary hearing is filed by July 8, 2016, any written comments shall be filed by July 20, 2016.

6. Nothing shall prevent the Commission from issuing further Orders in this matter.

By the Commission



ATTEST:

A handwritten signature in blue ink that reads "Carson D. Grunwell".

Acting Executive Director

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