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PUBLIC SERVICE
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

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

JOINT RESPONSE TO REQUEST FOR
INFORMATION BY B&H GAS COMPANY
AND B&S OIL AND GAS COMPANY

Comes B&H Gas Company ("B&H"), and B&S Oil and Gas Company ("B&S"), by and through Bud Rife, President of each entity, and hereby submit their Joint Response to Request for Information, as detailed in the Commission's November 24, 2015 Order. Specifically, Appendix A to this Order directed B&S and B&S to answer several specific questions.

B&H and B&S herein respectfully answer these questions to the best of their abilities. However, the office shared by B&H and B&S suffered two fires in December, 2014 and January, 2015, respectively, and unfortunately many of the companies' records were destroyed. The following reflects B&H and B&S's best efforts to timely answer the Commission's questions. B&H and B&S will, where possible, supplement their responses to these questions with additional information or documents, if they become available, which have become difficult to locate or find due to the aforementioned fires. There has been an arrest of the arsonist in connection with the fires, but the criminal case has not yet concluded.

QUESTION NO. 1:

Provide the number of connections/receipt points between B&S and B&H.

- a. Indicate if any of these connections/receipt points are currently not in use.
- b. Identify the locations of all such connections/receipt points on the B&H distribution system.
- c. Provide the number of natural gas wells owned and operated by B&S in each of the following calendar years: 2008, 2009, 2010, 2011, 2012, 2013, 2014, and 2015.
- d. Provide the production output of the natural gas wells owned and operated by B&S in each of the years 2008, 2009, 2010, 2011, 2012, 2013, 2014, and 2015.
- e. For each of the years from 2008 up to and including 2015, provide the names of all parties to whom B&S supplied natural gas, the volumes supplied, and the prices charged for all such volumes.

RESPONSE TO QUESTION 1:

There are a total of seven (7) connections/receipt points between B&S and B&H.

- (a) All of the connections/receipt points are currently in use.
- (b) These connection points are located at Betsy Lane Bottom, Pike Floyd Hollow, Justell, Mare Creek, and two are at Tram: one at the Booker Jones and one at the Honaker Place.
- (c) B&S has owned and operated ten (10) natural gas wells in each of the following calendar years: 2008, 2009, 2010, 2011, 2012, 2013, 2014, and 2015.
- (d) B&S has only two (2) wells which are metered, and for which production output data can be provided for the requested years. The other eight (8) wells owned and operated by B&S are not metered, and as such, no production data is obtainable from

these natural gas wells. The production output data from B&S's two (2) metered wells are currently unobtainable as the result of the 2014 and 2015 fires, and as such B&S will supplement its response to this question after such records are obtained.

- (e) From 2008 to present, B&S has solely supplied natural gas to B&H. The volumes supplied and the prices charged for all such volumes are indicated on B&H's annual reports to the Commission.

QUESTION NO. 2:

B&H's annual reports on file with the Commission indicate that, in most years, B&H's sole wholesale natural gas supplier was B&S. However, in 2009, 2010, and 2011, Equitable Gas ("Equitable") was identified as a second wholesale natural gas supplier.

a. Explain why B&H purchased a small volume of natural gas from Equitable in 2009 (58 Mcf), 2010 (732 Mcf), and 2011 (499 Mcf).

b. Provide the names of all other entities, in addition to Equitable, from whom B&H has had the ability to purchase some portion of its wholesale gas supply during the period beginning in 2008, up to and including 2015.

RESPONSE TO QUESTION NO. 2:

(a) In 2009, 2010, and in 2011 B&H purchased a small volume of natural gas from Equitable Gas ("Equitable") because B&S was unable to supply enough gas to meet B&H's needs during certain periods in those years.

(b) Equitable is the only company with whom B&H could feasibly and economically contract, without incurring a huge expense for relocation of lines and addition of meters, which would transport the natural gas into B&H's purchase points. For this reason, Equitable was the only feasible entity from whom B&H had the ability to

purchase some portion of its wholesale gas supply during 2008 through 2015.

However, due to the line pressure, it is not possible for Equitable to provide sufficient gas for B&H's gas needs.

QUESTION NO. 3:

The February 14, 2008 agreement between B&H and B&S submitted with B&H's March 19, 2008 GCA included a wholesale price of \$9.38 per Mcf for B&H's purchases from B&S. Based on that price, the volumes purchased from, and amounts paid to, B&S as shown in B&H's annual reports filed with the Commission produced an average wholesale cost ranging from \$9.30 to \$9.47 per Mcf in all years since 2008, except for 2009 and 2012, years in which the purchases from B&S and amounts paid to B&S produced per Mcf costs of \$9.85 and \$8.67, respectively. Explain why the average per MCF costs for purchases by B&H from B&S in those years vary so greatly from the established \$9.38 per Mcf purchase price.

RESPONSE TO QUESTION NO. 3:

B&H has, at all times from 2008 to present, paid \$9.38 per Mcf unit of natural gas sold by B&S. B&H is unclear why the 2009 and 2012 amounts shown on the annual filing differ. B&H's ability- and inability- to pay B&S for its gas is a real problem. It has often been the case that B&H has been unable to pay B&S the amount owed on a monthly basis. In such instances, B&S has permitted B&H to make payments on a delayed basis, and it is not uncommon that payments owed by B&H are paid in successive years. These later payments made in successive years do not evidence fluctuating average wholesale costs, because B&H has at all times paid the established \$9.38 per Mcf. B&H and B&S maintained records of the amounts owed and past-due to B&S for the 2008 to 2015 time period, but many of these records were destroyed in the

fires. B&H and/or B&S will supplement this answer with accountings and records at such time as any records are located.

QUESTION NO. 4:

From 2004 to 2008, a time of "significantly higher market price conditions for natural gas around the country," four agreements which established a price at which B&H would purchase gas from B&S were filed with the Commission. In chronological order, these four agreements included per Mcf prices of \$7.00, \$8.00, \$9.00, and \$9.38. The most recent of these agreements, which was filed with B&H's 2008 GCA filing, Case No. 2008-00101, had an expiration date of September 1, 2008. Explain why no subsequent agreements to reflect current "market price conditions around the country" have been entered into by B&H and B&S and filed with the Commission.

RESPONSE TO QUESTION NO. 4:

From 2008 to present, B&S's wholesale price has remained unchanged. No subsequent agreements have been reached because B&H and B&S agreed that the price established in 2008 of \$9.38 remained acceptable. The Agreement between B&S and B&H signed February 14, 2008 did not expire after one year, and instead simply reflects that while the parties thereto may negotiate another sales agreement after a one year period, they were not required to do so. B&H and B&S chose not to renegotiate and the 9.38 per MCF price remains effective. The actual amount charged to customers, as reflected in the bill attached hereto, includes the cost of gas. As a result, the cost of natural gas to B&H's customers is significantly less than the average residential rate charged by U.S. utilities, as reported by the Energy Information Administration. (See attached chart for the period April – September, 2015).

QUESTION NO. 5:

Describe the process used by B&H to evaluate its cost of gas and whether to renegotiate its price with B&S, including how often the appropriateness of the contract price is reviewed and the information B&H considers in its review.

RESPONSE TO QUESTION NO. 5:

The major factor used by B&H to evaluate its cost of gas and whether to renegotiate with B&S is whether B&H is able to currently meet its obligations to B&S, and whether B&H customers are able to pay their bills to B&H at the current rate. From 2008 through 2015, B&H and its customers have been consistently unable to pay for gas at the current rate. B&H reviews the appropriateness of the contract price on an annual basis, and the information considered includes the current ability of B&H to pay B&S for gas purchased, and the ability of B&H's customers to pay B&H for natural gas service.

QUESTION NO. 6:

State whether B&H's \$9.38 per Mcf contract price with B&S continues to reflect the market price conditions around the country. If so, provide support for that price similar to the support that B&H provided in previous GCA cases. If not, indicate an appropriate price based on current market conditions and provide support for the indicated amount.

RESPONSE TO QUESTION NO. 6:

The actual amount charged to customers, as reflected in the bill attached hereto, includes the cost of gas. As a result, the cost of natural gas to B&H's customers is significantly less than the average residential rate charged by U.S. utilities, as reported by the Energy Information Administration. (See attached chart for the period April – September, 2015). It is likely that B&H will have to ask the Commission for a rate increase in the very near future.

Dated this 14th day of December, 2014.

Respectfully submitted,



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VERIFICATION

I have read the foregoing questions and responses and state that the responses are accurate to the best of my knowledge



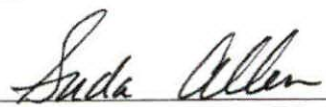
BUD RIFE

PRESIDENT, B&H GAS COMPANY
PRESIDENT, B&S OIL & GAS
COMPANY

COMMONWEALTH OF KENTUCKY)
COUNTY OF FLOYD)

Subscribed, sworn to, and acknowledged before me by Bud Rife on this the 14th day of December, 2015.

My Commission Expires: 01/14/18



NOTARY PUBLIC, STATE AT LARGE
NOTARY ID NO: 503691





U.S. Energy Information
Administration

NATURAL GAS

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Natural Gas Prices

(Dollars per Thousand Cubic Feet, except where noted)

Area: Period:

Show Data By: <input checked="" type="radio"/> Data Series <input type="radio"/> Area	<input type="checkbox"/> Graph <input type="checkbox"/> Clear	<input type="checkbox"/> Graph <input type="checkbox"/> Clear	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	View History
Wellhead Price	<input type="checkbox"/>	<input type="checkbox"/>	NA	NA	NA	NA	NA	NA	1973-2015
Imports Price	<input type="checkbox"/>	<input type="checkbox"/>	2.59	2.52	2.56	2.66	2.74	2.75	1989-2015
By Pipeline	<input type="checkbox"/>	<input type="checkbox"/>	2.39	2.44	2.43	2.44	2.51	2.49	1997-2015
As Liquefied Natural Gas	<input type="checkbox"/>	<input type="checkbox"/>	8.31	6.04	6.29	4.53	3.45	6.03	1997-2015
Exports Price	<input type="checkbox"/>	<input type="checkbox"/>	2.83	2.95	3.01	3.06	3.09	2.92	1989-2015
By Pipeline	<input type="checkbox"/>	<input type="checkbox"/>	2.83	2.85	2.91	2.96	2.99	2.84	1997-2015
As Liquefied Natural Gas	<input type="checkbox"/>	<input type="checkbox"/>	10.53	7.53	7.82	8.10	7.91	7.17	1997-2015
Citygate Price	<input type="checkbox"/>	<input type="checkbox"/>	3.92	4.21	4.43	4.61	4.53	4.55	1973-2015
Residential Price	<input type="checkbox"/>	<input type="checkbox"/>	10.42	12.61	15.07	16.18	16.73	16.40	1973-2015
Percentage of Total Residential Deliveries included in Prices	<input type="checkbox"/>	<input type="checkbox"/>	95.5	95.5	95.5	95.7	95.5	95.9	2002-2015
Commercial Price	<input type="checkbox"/>	<input type="checkbox"/>	7.99	8.04	8.50	8.45	8.42	8.36	1973-2015
Percentage of Total Commercial Deliveries included in Prices	<input type="checkbox"/>	<input type="checkbox"/>	64.7	61.6	57.8	57.0	55.2	55.9	1983-2015
Industrial Price	<input type="checkbox"/>	<input type="checkbox"/>	3.86	3.50	3.69	3.68	3.73	3.53	2001-2015
Percentage of Total Industrial Deliveries included in Prices	<input type="checkbox"/>	<input type="checkbox"/>	15.8	16.4	15.6	15.6	15.2	15.5	2001-2015
Electric Power Price	<input type="checkbox"/>	<input type="checkbox"/>	3.23	3.28	3.24	3.23	3.22	3.19	2002-2015

Click on the source key icon to learn how to download series into Excel, or to embed a chart or map on your website.

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-- = No Data Reported; - = Not Applicable; NA = Not Available; W = Withheld to avoid disclosure of individual company data.

Notes: Prices are in nominal dollars. Gas volumes delivered for use as vehicle fuel are included in the State annual totals through 2009 but not in the State monthly components. Through 2001, electric power price data are for regulated electric utilities only; beginning in 2002, data also include nonregulated members of the electric power sector. For 2013, electric power data are preliminary and shown as of the September 2014 Electric Power Monthly. See Definitions, Sources, and Notes link above for more information on this table.

Release Date: 11/30/2015

Next Release Date: 12/31/2015

B & H Gas Company

P.O. Box 447

Betsy Layne, KY 41605-0447 Phone 606-478-5851

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10245 10245

Prev. Read Date	Cur. Read Date	Due Date
10/31/2015	11/30/2015	12/20/2015

Service	Previous Reading	Current Reading	Consumption	Amount	After Due Date	Net Amount
RES	713	717	4	46.27	50.90	46.27
					Due Date	Account Number
					12/20/2015	10245

Past Due Amount	Current Charges	Net Amount
0.00	46.27	46.27

Due Date	After Due Date	Net Amount
12/20/2015	50.90	46.27

10% Penalty After Due Date

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