

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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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 )

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JOINT RESPONSE TO COMMISSION STAFF'S FIRST REQUEST  
FOR INFORMATION TO B&H GAS COMPANY  
AND B&S OIL AND GAS COMPANY

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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 Commission Staff's First Request for Information.

B&H and B&S herein respectfully answer these questions to the best of their abilities. As the Commission aware, 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 answer the Commission's questions. B&H and B&S will, where possible, supplement and/or amend their responses to these questions with additional information or documents.

**QUESTION 1:**

Refer to the Companies' joint response to the Request for Information, Item 1, Contained in Appendix A of the Commission's November 24, 2015 Order ("Commission's Request"). The response states that there are seven connection/receipt points between B&S and B&H; however,

the response to Item 1.b. lists six points, Betsy Layne Bottom, Pike Floyd Hollow, Justell, and Mare Creek, and two at Tram: Booker Jones and Honaker Place. Confirm whether a location was omitted from the response to part b. and if applicable, identify that location. If this cannot be confirmed, clarify the number of connection/receipt points and the correct number of locations.

**RESPONSE TO QUESTION 1:**

There are seven connection/receipt points, the additional point being at Ivel, Kentucky.

**QUESTION NO. 2:**

Refer to the Companies' Joint Response to Commission's Request, Item 5. The response which asked about B&H's evaluation of its gas cost and possible renegotiation of its price from B&S, reads as follows:

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.

- a. Given that for several years, B&H and its customers have been consistently unable to pay for gas at the current rate, explain in detail why B&H has not aggressively pursued a lower price for the gas it purchases from B&S.
- b. The memorandum filed in the record of this proceeding on January 21, 2016, summarizes the discussion that took place during the January 14, 2016 informal conference ("IC") in this proceeding. The third paragraph of the memorandum indicates that B&H's president, Mr. Bud Rife, stated during the IC that he had never received any complaints from customers regarding their bills. Reconcile this

statement with the sentence in the response to Item 5 which indicates that from 2008 through 2015, B&H's customers have been consistently unable to pay for gas at the current rate.

**RESPONSE TO QUESTION NO. 2:**

(a) It was a misstatement to say that B&H customers are "consistently unable to pay for gas at the current rate." Customers have been largely able to pay for gas at the current rate. However, B&H's ability to operate profitably has been diminished by the fact that the B&H's overhead and maintenance costs have increased over the last several years, resulting in insufficient funds to meet the revenue requirements of B&H. B&H has the lowest rates in the area.

(b) The statements made by Bud Rife at the IC are accurate. See above.

**QUESTION NO. 3:**

Refer to the Companies' response to Commission's Request, Item 6, which asked if the \$9.38 per Mcf contract price at which B&H purchases gas from B&S continued to reflect market price conditions across the country. If the answer was yes, the Companies were directed to provide support for the answer; if the answer was no, they were directed to provide an appropriate price based on current market conditions, and provide support for that price. The response was not responsive to the request, as it addressed B&H's total rate to its retail customers, including both its gas costs and its non-gas costs. Provide a response which specifically addresses the original request.

**RESPONSE TO QUESTION NO. 3:**

The \$9.38 Mcf contract price is reflective of market price. In support of this answer, B&H notes that (1) the gas provided to B&H customers has a high heat content with a BTU of

1350, (2) the gas is delivered at a higher pressure than is typical for gas companies, and (3) B&S is the only gas provider serving the B&H's customer area that can provide gas at each delivery point necessary to service B&H customers. B&H's lines are high pressure and require delivery points in excess of what can be provided from Columbia Gas or EQT. B&H's maximum operating pressure is 10 psi.

**QUESTION NO. 4:**

Provide the pressure at which B&H customers receive gas through their meters.

**RESPONSE TO QUESTION NO. 4:** Eight ounces.


**QUESTION NO. 5:**

Provide the pressure at which B&H customers' meters are set for billing purposes.

**RESPONSE TO QUESTION NO. 5:** Eight ounces.

Dated this 17<sup>th</sup> day of March, 2016.

Respectfully submitted,

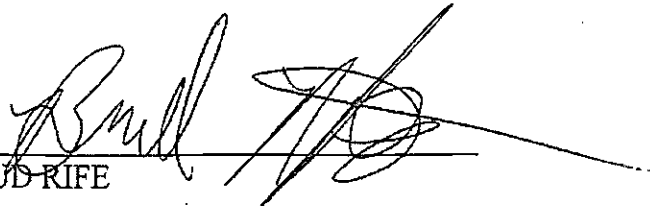
  
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VERIFICATION

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

  
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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 17 day of march, 2016

My Commission Expires: 11-4-2018

  
\_\_\_\_\_  
NOTARY PUBLIC, STATE AT LARGE  
NOTARY ID NO: 522481

