

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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APR 29 2016

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

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

**ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUESTS**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Supplemental Data Requests to B&H Gas Company and B&S Oil & Gas Company [hereinafter separately referred to as either "B&H," "B&S," or collectively as "the companies" or "Joint Respondents"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the witness who will be prepared to answer questions concerning each request.
- (3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for the companies with an electronic version of these questions, upon request.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of

these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or 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.

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or

notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten

notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

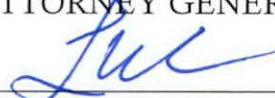
(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

Respectfully submitted,

ANDY BESHEAR  
ATTORNEY GENERAL



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*Certificate of Service and Filing*

Counsel certifies that an original and seven photocopies of the foregoing were served and filed by hand delivery to Aaron D. Greenwell, Acting Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

B & H Gas Company  
P. O. Box 447  
Betsy Layne, KY 41605

B & S Oil and Gas Company  
P.O. Box 155  
Harold, KY 41635

Joe F. Childers  
Joe F. Childers & Associates  
300 Lexington Bldg.  
201 W. Short St.  
Lexington, KY 40507

this 29<sup>th</sup> day of April, 2016

  
\_\_\_\_\_  
Assistant Attorney General

An Investigation of the Gas Costs of B&H Gas Company Pursuant to 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  
Case No. 2015-00367  
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1. Reference the response to AG 1-1.
  - a. Regarding Bradley & Son Oil & Gas Co., please state whether all assets of that entity were transferred into B&S.
  - b. Describe the nature of business in which Hall, Stephens & Hall engages, and provide a list of its other members.
  - c. Confirm that B&S is: (i) a sole proprietorship; and if so, (ii) that its sole owner is Bud Rife.
  - d. Identify the officers and directors of: (i) Johnson County Gas; (ii) B&H; and (iii) Bud Rife Construction Co.
  - e. If B&H has any independent directors, please identify them.
  - f. Identify the shareholders of, or anyone else with an ownership interest in: (i) B&H; (ii) Bud Rife Construction Co., and (iii) Johnson County Gas.
  
2. Reference the response to AG 1-2.
  - a. Please identify the nature and type(s) of services and support that Bud Rife Construction Company provides to the following: (i) B&S; (iii) Johnson County Gas; and (iv) Hall, Stephens & Hall.
  - b. State whether Bud Rife Construction Co. engages in any business activity of any type or sort that does not involve providing services or support to: (i) B&H; (ii) B&S; (iii) Johnson County Gas; and/or (iv) Hall, Stephens & Hall. If so, provide examples of the types of business activity.
  - c. Provide the sums which: (i) B&H; (ii) B&S; (iii) Johnson County Gas; and (iv) Hall, Stephens & Hall have paid to Bud Rife Construction Co. for each of the past five (5) years.
  - d. Provide the percentage of Bud Rife Construction Co.'s total operating income that is derived from its business relationships with: (i) B&H; (ii) B&S; (iii) Johnson County Gas; and (iv) Hall, Stephens & Hall.

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3. Reference the response to AG 1-6.
  - a. Provide the amount of profit or loss for B&S for each of the past five (5) years.
  - b. Provide the amount of profit or loss for Hall, Stephens & Hall for each of the past five (5) years.
  - c. Given that Johnson County Gas and B&H Gas were operated out of the same office, explain the degree to which the management services Mr. Rife provides to the two companies overlap.
  - d. Provide the total number of customers for Johnson County Gas.
  - e. Provide documentation authorizing the amount of the management fee Mr. Rife earns from both B&H and Johnson County Gas.
  - f. Confirm that in Case No. 2012-00140 ("Alternative Rate Filing Adjustment Application of Johnson County Gas Company"), the Commission included for ratemaking purposes an annual management fee to be paid to Mr. Rife in the total sum of \$59,120. Explain why the amount of the Johnson County Gas management fee actually paid to Mr. Rife exceeds the amount of the Commission's award by \$12,880.
  - g. Has EQT or any other gas supplier refused to provide gas to B&H? If so, explain why.
  
4. Reference the response to AG 1-8.
  - a. Identify the owners of the property on which the seven (7) gas wells from which B&S procures its gas are located.
  - b. Identify the individuals and/or business entities, if any, to whom B&S tenders payment for the gas it procures from these seven (7) wells.
  - c. State whether Mr. Rife, and/or any of the officers, directors or partners of: (i) B&H; (ii) B&S; (iii) Johnson County Gas; and (iv) Hall, Stephens & Hall, have any ownership interest of any type or sort, including but not limited to royalties, in these seven (7) gas wells.
  - d. If B&S owns these seven (7) wells, state for how long it has owned them.

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- e. From what source(s) did B&H obtain its gas supply prior to the time that B&S came into possession of these seven (7) wells?
5. Reference the response to AG 1-11.
    - a. Provide a list of the different types of costs B&S incurs in obtaining gas for B&H.
    - b. Explain why it would be burdensome to obtain copies of documents setting forth the costs B&S incurs in obtaining gas for B&H.
  6. Reference the response to AG 1-12. State whether B&S has ever issued any RFPs for gas supply during the last 10 years.
  7. Reference the response to AG 1-13.
    - a. Provide copies of all gas invoices EQT issued to B&H during the last 10 years.
    - b. Under what circumstances would B&H need gas from EQT?
    - c. Provide the gas cost per mcf that EQT charged B&H whenever B&H purchased gas from EQT during the past three (3) years.
    - d. State whether EQT has the capability to supply all of B&H's gas needs.
  8. Reference the response to AG 1-17.
    - a. Is Hall, Stephens & Hall an LLC? If not, please identify the type of business structure.
    - b. Explain why Hall, Stephens & Hall could not provide gas to B&H.
    - c. Provide the gas price per mcf which Hall, Stephens & Hall has charged to Johnson County Gas for each month in the period January 2013 through and including January 2016.



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- d. Please state the quantities of gas (in mcf) that Hall, Stephens & Hall has provided to Johnson County Gas during each of the past five (5) years.
  - e. Of Johnson County Gas' total gas needs during each of the past five (5) years, please state the percentage provided by Hall, Stephens & Hall.
9. Reference the response to AG 1-18, in which Joint Respondents identified Johnson County Gas' gas suppliers as Bradco Oil Co., Columbia Gas Co., Atmos Energy Marketing, and Constellation NewEnergy. Reconcile this response to Joint Respondents' response to AG 1-17, which states that Hall, Stephens & Hall is a gas supplier to Johnson County.
10. Reference the response to AG 1-19, wherein the Joint Respondents state, "Johnson County Gas and B&H are the only entities operating out of this office space, however some of B&H's records and documents are, from time to time, stored in this same location." Please clarify whether the Joint Respondents intended to say that some of B&S' records and documents are, from time to time, stored in this same location.
11. Reference the responses to AG 1-21 and AG 1-22. State whether the Joint Respondents would be willing to provide confidential responses to these questions, subject to the filing of a petition for confidential treatment, and enter into a confidentiality agreement with the AG. If not, why not?
12. Reference the response to AG 1-23. Identify the name of the community, or alternatively the closest community where the northern-most part of B&H's system terminates within Floyd County.
  - a. How far from that precise location does Johnson County Gas' system begin?

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13. Reference the response to AG 1-24, Exhibit B, "B&H Gas Co., Inc., Vendor Ledgers for the Period Jan. 1, 2015 through December 31, 2015," page 1, a copy of which is pasted in below.

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<b>B &amp; H Gas Company, Inc. 2015</b>							
<b>Vendor Ledgers</b>							
<b>For the Period From Jan 1, 2015 to Dec 31, 2015</b>							
Filter Criteria include: 1) IDs from Bud Rife Rent to BUDRIFE CONSTRUCTION. Report order is by ID.							
Vendor ID Vendor	Date	Trans No	Type	Paid	Debit Amt	Credit Amt	Balance
Bud Rife Rent	1/1/15	7687	CDJ		1,531.83	1,531.83	0.00
Bud Rife	2/1/16	7717	CDJ		928.00	928.00	0.00
	3/1/16	7758	CDJ		10,722.81	10,722.81	0.00
	4/1/15	7771	CDJ		2,784.00	2,784.00	0.00
	5/8/15	7803	CDJ		928.00	928.00	0.00
	8/1/15	7845	CDJ		928.00	928.00	0.00
	10/9/15	7941	CDJ		1,858.00	1,858.00	0.00
	12/1/15	7994	CDJ		3,712.00	3,712.00	0.00
BUDRIFE CONSTRUCTI	2/1/15	7710	CDJ		2,000.00	2,000.00	0.00
BUD RIFE CONSTRUCTI	2/1/15	7718	CDJ		2,500.00	2,500.00	0.00
	2/1/15	7730	CDJ		2,000.00	2,000.00	0.00
	3/1/15	7757	CDJ		6,000.00	6,000.00	0.00
	3/6/15	7740	CDJ		2,500.00	2,500.00	0.00
	3/6/15	7748	CDJ		3,000.00	3,000.00	0.00
	4/1/15	7775	CDJ		3,000.00	3,000.00	0.00
	4/1/16	7779	CDJ		2,000.00	2,000.00	0.00
	12/1/16	7883	CDJ		1,400.00	1,400.00	0.00
<b>Report Total</b>					<b>47,780.84</b>	<b>47,780.84</b>	<b>0.00</b>

- a. Provide the street address of the office from which Bud Rife Construction Co. conducts its operations.
- b. Provide the number of employees of Bud Rife Construction Co.
- c. Confirm that from 2/1/15 through and including 12/1/15, B&H paid \$24,400.00 to Bud Rife Construction Co.
- d. Provide copies of the invoices Bud Rife Construction Co. provided to B&H for the work Bud Rife Construction Co. performed during this time frame.
- e. Explain in detail why each payment B&H made to Bud Rife Construction Co. during this time period is in an even amount, with no cents, and always rounded to the hundred dollar decimal.

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- f. Explain why two separate payments were made on virtually all dates during this time period.
14. Reference the response to AG 1-26. Regarding the "loan/grant" from the Kentucky Department of Local Government ("DLG") in the approximate sum of between \$300,000 to \$400,000, state whether this item is repayable.
- a. Has the DLG attempted to collect repayment of these sums?
  - b. Has B&H or Bud Rife made any such payments to DLG?
15. Reference the response to AG 1-32.
- a. Please identify the CPA who prepares tax returns for both B&H and B&S.
  - b. Describe the oversight which B&H's board of directors exercises over B&H's management.
  - c. State whether any entity or individual guarantees or underwrites the debts of B&H and B&S.
  - d. Identify the practices and safeguards in place to prevent comingling of funds between B&H, Johnson County Gas, Bud Rife Construction Co., and/or B&S.
  - e. Is it Joint Respondents' position that in the event the Commission increases B&H's base rates in the company's forthcoming ARF filing, that B&H will continue to procure gas from B&S at the current price?
  - f. In subpart (c) of Joint Respondents' response to AG 1-32, it is stated that B&H, ". . . cannot operate profitably due to the fact that B&H's overhead and maintenance costs have increased over the past several years, resulting in insufficient funds to meet the revenue requirements of B&H."
    - (i) Given that Bud Rife Construction Co. performs maintenance for B&H, do Joint Respondents now agree that it is appropriate for B&H to issue an RFP for entities willing to perform the services that Bud Rife Construction Co. currently performs?

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- (ii) If Joint Respondents do not so agree with the question posed in AG 2-15 (f)(i), provide a complete explanation of why not.
- (iii) If Joint Respondents do not so agree with the question posed in AG 2-15 (f)(i), do Joint Respondents agree that: (a) a conflict of interest has been created which poses harm to B&H's ratepayers; and (b) that this conflict of interest must be eliminated? If Joint Respondents do not so agree, explain completely why not.