

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

B&H GAS COMPANY, B&S OIL AND GAS)	
COMPANY, AND MR. BUD RIFE, INDIVIDUALLY)	
AND AS AN OFFICER OF B&H GAS COMPANY	)	CASE NO. 2016-00204
AND B&S OIL AND GAS COMPANY, ALLEGED)	
VIOLATION OF A COMMISSION ORDER)	

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on July 6, 2016 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on July 6, 2016 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on July 6, 2016.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at [http://psc.ky.gov/av_broadcast/2016-00204/2016-00204_06Jul16 Inter.aspx](http://psc.ky.gov/av_broadcast/2016-00204/2016-00204_06Jul16_Inter.aspx). Parties wishing an annotated digital video

recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 7th day of July 2016.

A handwritten signature in cursive script, reading "Linda Faulkner".

Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

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Betsy Layne, KY 41605

B & H Gas Company
B & H Gas Company
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COMPANY, AND MR. BUD RIFE, INDIVIDUALLY)	CASE NO. 2016-00204
AND AS AN OFFICER OF B&H GAS COMPANY)	
AND B&S OIL AND GAS COMPANY, ALLEGED)	
VIOLATION OF A COMMISSION ORDER)	

CERTIFICATE

I, Sonya Harward, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on July 6, 2016. Hearing Log, Exhibits, Exhibit List, and Witness List are included with the recording on July 6, 2016 (excluding confidential segments).
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of July 6, 2016 (excluding confidential segments).
4. The Exhibit List attached to this Certificate correctly lists all Exhibits introduced at the Hearing of July 6, 2016 (excluding confidential segments).
5. The Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Hearing of July 6, 2016 (excluding confidential segments) and the time at which each occurred.

Given this 6th day of July, 2016.



Sonya Harward (Boyd), Notary Public
State at Large
My commission expires: August 27, 2017





Session Report - Detail

2016-00204_6July2016

**B&H Gas, B&S Oil and Gas, and
Bud Rife**

Date:	Type:	Location:	Department:
7/6/2016	Show Cause Hearing	Hearing Room 1	Hearing Room 1 (HR 1)

Judge: Bob Cicero; Dan Logsdon; Michael Schmitt

Witness: Bud Rife - B&H Gas

Clerk: Sonya Harward

Event Time	Log Event
9:51:08 AM	Session Started
9:51:12 AM	Session Paused
9:59:03 AM	Session Resumed
9:59:06 AM	Chairman Micheal Schmitt - Introductions Note: Harward, Sonya Introduces Case No. 2016-00204, and introduces himself, Vice Chairman Bob Cicero, and Commissioner Dan Logsdon.
10:00:07 AM	Atty. Joe Childers for B&H Gas Company, B&S Oil and Gas Company, and Bud Rife
10:00:29 AM	Attys. Virginia Gregg, Richard Raff, and Nancy Vinsel - Commission Staff
10:00:42 AM	Public Comment Note: Harward, Sonya No comments made.
10:01:07 AM	Atty. Gregg - Opening Statement Note: Harward, Sonya Gives a summary regarding several delays in this case and in another case, Case No. 2015-00367. She goes over each item in the instant case.
10:04:55 AM	Atty. Childer - Objection Note: Harward, Sonya The proceeding in this case is in regards to one delayed response and not the entire background that is being given.
10:05:56 AM	Chairman Schmitt - Overruled Objection Note: Harward, Sonya This summary puts the current issue into context.
10:06:40 AM	Atty. Gregg Continues with Opening Statement Note: Harward, Sonya Summarizes by stating that the concern is for the pattern of delay.
10:09:10 AM	Commission Staff - Exhibit 1 Note: Harward, Sonya Collection of documents from Case No. 2015-00367.
10:09:48 AM	Atty. Gregg - Remarks Regarding Exhibit Note: Harward, Sonya The exhibit was shared in advance with Atty. Childers in order for him to stipulate to the authenticity of the documents.
10:09:59 AM	Atty. Childers - Stipulates to the Exhibit
10:10:05 AM	Chairman Schmitt Note: Harward, Sonya Exhibit accepted into the record of this Hearing.
10:10:21 AM	Witness Bud Rife takes the stand and is sworn in.
10:10:52 AM	Atty. Childers Direct Exam of Witness Rife Note: Harward, Sonya Owner and President of B&H Gas Company
10:11:36 AM	Atty. Childers to Witness Rife Note: Harward, Sonya Asking how many employees and customers Witness has.
10:11:55 AM	Atty. Childers to Witness Rife Note: Harward, Sonya Asking Witness to describe the work he and his one staff member must do to provide service to their customers.
10:14:33 AM	Atty. Childers to Witness Rife Note: Harward, Sonya Witness also owns Johnson County Gas.
10:15:21 AM	Atty. Childers to Witness Rife Note: Harward, Sonya Asking Witness about being served with requests for information in Case No. 2015-00367.

10:16:15 AM	Atty. Childers to Witness Rife Note: Harward, Sonya	Asking Witness to describe the fire at his office.
10:17:33 AM	Atty. Childers to Witness Rife Note: Harward, Sonya	Asking about the fire destroying records and the time it takes to respond due to the situation.
10:18:08 AM	Respondent - Exhibit 1 Note: Harward, Sonya	Copy of Attorney General's Initial Data Requests, Case No. 2015-00367.
10:18:49 AM	Atty. Childers to Witness Rife Note: Harward, Sonya	Referencing Respondent - Exhibit 1 to this Hearing, page 11, regarding the difficulty of providing responses to the requests.
10:21:17 AM	Chairman Schmitt Note: Harward, Sonya	Exhibit accepted into the record of this Hearing.
10:21:33 AM	Respondent - Exhibit 2 Note: Harward, Sonya	Copy of Attorney General's Supplemental Data Requests, Case No. 2015-00367, dated April 26, 2016.
10:22:03 AM	Atty. Childers to Witness Rife Note: Harward, Sonya	Referencing Respondent - Exhibit 2 to this Hearing, page 11, regarding 15 requests for information from the Attorney General.
10:23:40 AM	Chairman Schmitt Note: Harward, Sonya	Exhibit accepted into the record of this Hearing.
10:23:51 AM	Atty. Childers to Witness Rife Note: Harward, Sonya	Asking Witness about Case No. 2015-00367.
10:25:54 AM	Atty. Childers to Witness Rife Note: Harward, Sonya	Asking about the profitability of B&H Gas over the last few years.
10:26:36 AM	Atty. Childers to Witness Rife Note: Harward, Sonya	Asking how his gas company's rates compare to other gas companies' rates.
10:27:28 AM	Atty. Childers to Witness Rife Note: Harward, Sonya	Asking whether B&H Gas will be filing an ARF in the near future.
10:28:03 AM	Private Recording Activated	
10:36:23 AM	Public Recording Activated	
10:36:27 AM	Hearing Resumed in Public Session	
10:36:39 AM	Atty. Childers to Witness Rife Note: Harward, Sonya	Asking Witness about responding to both the Attorney General's and the Commission Staff's data requests.
10:37:27 AM	Atty. Gregg Cross Exam of Witness Rife Note: Harward, Sonya	Asking follow-up questions about Witness's role in running B&H Gas.
10:39:22 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking about his work with the fire department on a daily basis.
10:39:53 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking for the maximum number of employees B&H Gas had over the years.
10:40:53 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking how many companies the Witness owns.
10:41:52 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking about the number of complaint calls that come in on a weekly basis.
10:43:06 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking about Case No. 2015-00367, regarding a request for an informal conference with Comm. Staff, and then an actual meeting and the issues discussed at that meeting.

10:46:20 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking about remarks earlier in the year regarding Case No. 2015-00367 being held in abeyance until the rate case was filed.
10:49:10 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking when the rate case process was started.
10:52:28 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking if a rate case has been filed as of today.
10:52:53 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking if there is any benefit for B&H Gas to have the investigation solved quickly.
10:54:55 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking for the current Mcf cost to customers.
10:56:37 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking when the last gas supply contract was negotiated with B&S Oil and Gas.
10:56:59 AM	Atty. Childers - Objection Note: Harward, Sonya	Atty. Gregg seems to be trying Case No. 2015-00367.
10:57:30 AM	Chairman Schmitt - Overruled Objection Note: Harward, Sonya	Will allow the question since both sides have discussed topics in Case No. 2015-00367.
10:57:53 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking about the price being investigated in regards to the affiliation between B&H Gas and B&S Oil and Gas.
10:59:35 AM	Atty. Gregg to Witness Rife Note: Harward, Sonya	Asking about Witness's understanding regarding responses to requests for information.
11:01:49 AM	Atty. Childers Re-Direct to Witness Rife Note: Harward, Sonya	Asking follow-up questions.
11:03:12 AM	Atty. Childers to Witness Rife Note: Harward, Sonya	Asking questions about B&H Gas's loss of revenue in the last few years.
11:04:30 AM	Atty. Childers to Witness Rife Note: Harward, Sonya	Asking about Commission Staff advising Witness to have Case No. 2015-00367 held in abeyance until the ARF case was filed.
11:04:53 AM	Commissioner Logsdon Cross Exam of Witness Rife Note: Harward, Sonya	Asking about another company the Witness mentioned, Hall, Stephens & Hall.
11:05:17 AM	Vice Chairman Cicero Cross Exam of Witness Rife Note: Harward, Sonya	Comments about the purpose of this case.
11:06:53 AM	Chairman Schmitt Cross Exam of Witness Rife Note: Harward, Sonya	Asking about the relationship between B&H Gas and B&S Oil and Gas, and any other suppliers to B&H Gas.
11:08:08 AM	Chairman Schmitt to Witness Rife Note: Harward, Sonya	Asking for the cost B&H Gas is charged for gas from its supplier.
11:08:45 AM	Chairman Schmitt to Witness Rife Note: Harward, Sonya	Asking about the employees of B&H Gas, and the employees of his other companies supplying service, such as maintenance, to B&H Gas.
11:09:49 AM	Chairman Schmitt to Witness Rife Note: Harward, Sonya	Asking about timely responses to requests for information.
11:10:57 AM	Chairman Schmitt Note: Harward, Sonya	Allows for a closing statement from Atty. Childers.
11:11:07 AM	Atty. Childers - Closing Statement	
11:14:32 AM	Hearing Adjourned	
11:15:04 AM	Session Paused	

11:15:41 AM Session Ended



Exhibit List Report

2016-00204_6July2016

B&H Gas, B&S Oil and Gas, and
Bud Rife

Name:	Description:
Commission Staff - Exhibit 1	Collection of documents from Case No. 2015-00367.
Respondent - Exhibit 1	Copy of Attorney General's Initial Data Requests, Case No. 2015-00367.
Respondent - Exhibit 2	Copy of Attorney General's Supplemental Data Requests, Case No. 2015-00367, dated April 26, 2016.
Respondent - Exhibit 3 -- CONFIDENTIAL	Confidential Exhibit

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

CASE NO.
2016-00204

ALLEGED VIOLATION OF THE COMMISSION'S ORDER

CERTIFICATION OF RECORDS

Aaron D. Greenwell, after being duly sworn, states:

1. I am the Acting Executive Director of the Public Service Commission of Kentucky.
2. As Acting Executive Director of the Public Service Commission, I am responsible for maintaining the official records of Commission proceedings. See KRS 278.100.
3. Commission Staff, at my direction, reviewed the records of the Commission and I certify that Case No. 2015-00367, currently pending before the Public Service Commission, is 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.
4. I certify that the document attached hereto, which consists of the Case Management System – KY Public Service Commission Index: Case No. 2015-00367, Case Style: 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 is a true and correct copy of such document as it exists in the official record of Case No. 2015-00367 pending before the Public Service Commission.
5. I also certify that the documents attached hereto, which consist of the Orders of the Public Service Commission entered November 24, 2015, March 8, 2016, April 13, 2016, May 27, 2016 and June 8, 2016 in Case No. 2015-00367 are true and

correct copies of such documents as they exist in the official record of Case No. 2015-00367 pending before the Public Service Commission.

6. I further certify that the documents attached hereto, which consist of the Commission Staff's First Request for Information to B&H Gas Company and B&S Oil and Gas Company issued February 10, 2016 in Case No. 2015-00367; the Commission Staff's Second Request for Information to B&H Gas Company and B&S Oil and Gas Company issued April 29, 2016 in Case No. 2015-00367; the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention's Supplemental Data Requests to B&H Gas Company and B&S Oil and Gas Company filed April 29, 2016 in Case No. 2015-00367 are true and correct copies of such documents, as they exist in the official records of Case No. 2015-00367 pending before the Public Service Commission.



Aaron D. Greenwell

DATED 7/6/16

COMMONWEALTH OF KENTUCKY)
COUNTY OF FRANKLIN)

Subscribed and sworn to before me by Aaron D. Greenwell this 6th day of July, 2016.



Notary Public
State-at-Large

My commission expires: 4/22/19

Case Management System - KY Public Service Commission

Case Index for 2015-00367

Index for Case: 2015-00367

CASE STYLE: 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 CODES:

Investigation - Rates

UTILITIES:

B & H Gas Company

SEQ Date Remarks:

- 1 11/24/15 Order Entered: 1. This investigation is opened to provide B&H and B&S an opportunity to present evidence to demonstrate that: (a) the cost of gas sold to B&H by its affiliate B&S is no greater than market as required by KRS 278.2207(1)(b); and (b) the GCA component of B&H's rates and the rates charged by B&S to B&H are just and reasonable as required by KRS 278.274 for natural gas purchased by a utility from an intrastate affiliate; and to provide (c) any reason why the GCA component of B&H's rates should not be reduced to market, along with a corresponding reduction to the cost of gas sold by B&S to B&H under KRS 278.274. 2. B&H and B&S shall be parties to this case. 3. B&H shall collect the GCA component of its rates subject to refund effective for bills rendered after the date of this Order until further Commission Order. 4. B&H and B&S shall individually or jointly file, within 20 days of the date of this Order, responses to the requests for information attached hereto as Appendix A and any other information relevant to B&H's cost of gas purchases from B&S. a. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record, and the original and six copies to the Commission.
- 2 (M)12/14/15 B&H Gas Co. and B&S Oil and Gas Co. Joint Motion for IC
- 3 (M)12/14/15 B&H Gas Co. and B&S Oil and Gas Co. Joint Response to Request for Information
- 4 01/06/16 Commission Staff's Notice of Informal Conference
- 5 01/21/16 Memorandum dated 1/20/2016 for Informal Conference of 1/14/2016; Comments, if any, due within five days of receipt
- 6 (M)01/29/16 B & H Gas Co. and B & S Gas Co. Joint Motion to Hold Matter in Abeyance
- 7 02/10/16 Commission Staff's First Request for Information to B&H Gas Company and B&S Oil and Gas Company
- 8 (M)02/15/16 AG Motion to Intervene
- 9 02/19/16 Order Entered: 1. The motion of the Attorney General to intervene is granted. 2. The Attorney General shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order. 3. The Attorney General shall comply with all provisions of the Commission's regulation, 807 KAR 5:001, Section 7, related to the service and filing of documents 4. Within seven days of entry of this Order, the Attorney General shall provide his electronic mail address to which all electronic documents issued by the Commission and other parties of record may be served upon the Attorney General in accordance with 807 KAR 5:001, Section 4(8)(b).
- 10 (M)02/24/16 AG Response to Motion to Hold in Abeyance
- 11 (M)03/07/16 AG Request for Information
- 12 03/08/16 Order Entered: 1. Within ten days of the date of this Order, the Companies shall respond to Staff's First Request issued on February 10, 2016. 2. If responses are not received within ten days of the date of this Order, a show cause proceeding will be initiated to determine whether there are any reasons why penalties should not be imposed pursuant to KRS 278.990 for the failure to file responses.
- 13 (M)03/17/16 AG Motion to Set Procedural Schedule
- 14 (M)03/18/16 B&H Gas Co. and B&S Oil and Gas Co. Joint Response to Request for Information
- 15 (M)04/04/16 B H Gas Co. and B S Oil and Gas Co. Response to AG Motion
- 16 04/13/16 Order Entered: 1. The Companies' request to hold this case in abeyance is denied. 2. The procedural schedule appended hereto shall be followed for the remainder of this proceeding.
- 17 (M)04/13/16 B H Gas Co. and B S Oil and Gas Co. Joint Notice of Filing Status
- 18 (M)04/18/16 B H Gas Co. and B S Oil and Gas Co. Joint Response to AG Request for Information
- 19 (M)04/20/16 B H Gas Co. and B S Oil and Gas Co. Supplement to the Joint Response to AG Request for Information
- 20 04/29/16 Commission Staff's Second Request for Information to B&H Gas Company and B&S Oil and Gas Company
- 21 (M)04/29/16 AG Supplemental Data Request / Lawrence Cook

Case Management System - KY Public Service Commission

Case Index for 2015-00367

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- 22 05/27/16 Order Entered: 1. Within seven days of the date of this Order, the Companies shall respond to the Staff's and AG's Supplemental Requests.
2. If responses are not received with seven days of the date of this Order, a show cause proceeding will be initiated to determine whether there are any reasons why penalties should not be imposed upon the Companies pursuant to KRS 278.990 for their failure to comply with this Order.
- 23 (M)06/01/16 B H Gas Co. and B S Oil and Gas Co. Motion for Extension of Time / Joe Childers
- 24 (M)06/06/16 B H Gas Co. and B S Oil and Gas Co. Joint Response to Second Request for Information / Joe Childers
- 25 06/08/16 Order Entered: 1. The Companies' motion requesting an extension of time to file their responses to Staffs Second Request and the AG's Supplemental Request is granted. 2. The Companies shall file their responses to the AG's Supplemental Request by June 13, 2016.
- 26 (M)06/15/16 B H Gas Co. and B S Oil and Gas Co. Joint Response to AG's Supplemental Request for Information / Joe Childers
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COMMONWEALTH OF KENTUCKY
BEFORE THE 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)	

ORDER

B & H Gas Company ("B&H") is a local gas distribution company ("LDC") subject to the Commission's jurisdiction pursuant to KRS 278.040. Bud Rife is the president and owner of 100 percent of the stock of B&H, having acquired B&H pursuant to the approval granted by the Commission in Case No. 89-018.¹ B&H's tariff approved by and on file with the Commission contains a Gas Cost Adjustment ("GCA") clause which requires that B&H file certain information with the Commission in order to revise the retail rates charged to its customers to reflect any changes in its wholesale gas cost.² In addition to owning B&H, Mr. Rife owns B&H's primary wholesale gas supplier, B&S Oil & Gas Company ("B&S").³ From October 2004 to March 2008, B&H entered into a

¹ Case No. 89-018, *The Joint Application of Ulice Bud Rife, Jr., and John M. Bradley and Debbie L. Bradley for the Approval of the Acquisition of B & H Gas Company, Inc. of Stanville, Floyd County, Kentucky, by Ulice Bud Rife, Jr.* (Ky. PSC May 17, 1989). All annual reports filed with the Commission by B&H since 1989 identify Mr. Rife as president and owner of 100 percent of B&H's stock.

² The issue date of B&H's tariffed GCA clause is June 1, 1995. Its effective date is July 1, 1995.

³ The record of Case No. 89-018 indicates that Mr. Rife was the owner of Bradley & Son Oil & Gas Company ("Bradley & Son"), the predecessor of B&S, at the time he was authorized to acquire B&H. At that time, Bradley & Son provided roughly 70 percent of B&H's gas supply. All sales agreements between B&S and B&H filed with the Commission since 2000 show Mr. Rife as the signatory for both parties. Its most recent annual reports show B&S supplying between 95 and 100 percent of B&H's gas supply.

series of four gas purchase agreements with B&S, each of which reflected an increase in the wholesale price charged by B&S.⁴

B&H's March 19, 2008 GCA filing stated that the proposed increase reflected

the significantly higher market price conditions for natural gas around the country. The rate is lower than the current NYMEX natural gas futures price (attached) . . . B&H is aware that Columbia Gas of Kentucky's IUS rate is currently \$13.47 per MCF and Equitable Gas Company's most current expected gas cost is \$12.00. B&H believes B&S contract rate to be very reasonable in comparison. Through the contract with B&S, B&H will have the benefit of a fixed price through the heating season while gas costs around the country are predicted to rise in the coming months.

Market prices for natural gas have declined since B&H's current GCA of \$9.38 became effective in April of 2008⁵ such that the 11 small LDCs that file quarterly GCAs with the Commission currently have gas cost rate components no greater than \$5.31 per Mcf, excluding pipeline transportation costs.⁶ These 11 small LDCs have reported gas costs in their annual reports filed with the Commission for the years 2012 through 2014 that averaged \$4.84 per Mcf.⁷ Moreover, the Intrastate Utility Service rate of Columbia Gas of Kentucky and the gas cost rate of Peoples Gas KY, LLC, formerly

⁴ While four agreements were filed with the Commission, only the 2004 and 2008 agreements were implemented and resulted in an actual increase in B&H's wholesale cost of gas. Those increases were approved in Case No. 2004-00449, *The Notice of Purchased Gas Adjustment Filing of B & H Gas Company, Inc.* (Ky. PSC Dec. 6, 2004) and Case No. 2008-00101, *The Notice of Purchased Gas Adjustment Filing of B&H Gas Company, Inc.* (Ky. PSC Apr. 15, 2008).

⁵ Case No. 2008-00101, *The Notice of Purchased Gas Adjustment Filing of B&H Gas Company, Inc.* (Ky. PSC Apr. 15, 2008).

⁶ Two of the 11 LDCs, Burkesville Gas Company, Inc. and Navitas KY NG, LLC, currently have approved GCAs of \$7.26 and \$5.725 per Mcf, which include, respectively, pipeline charges of approximately \$2.50 and \$1.50 per Mcf.

⁷ Of the 11 small LDCs that file quarterly GCAs with the Commission, none reported annual gas costs greater than \$6.76 per Mcf in any year from 2012 through 2014, and the average gas costs of all 11 small LDCs during this three-year period was \$4.84 per Mcf.

Equitable Gas company, both of which were used for comparison purposes in B&H's 2008 application, are currently \$3.5340 and \$4.9390 per Mcf, respectively. Since April 2008, B&H has made no GCA filings to reflect decreases in its wholesale price from B&S, although market prices for natural gas around the country have been for the last few years and continue to be significantly lower than in 2008.⁸

The affiliated nature of B&H's gas supply falls within the scope of KRS 278.2207, which governs the pricing requirements of transactions between utilities and affiliates. This statute requires that:

Services and products provided to the utility by an affiliate shall be priced at the affiliate's fully distributed cost but in no event greater than market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology.

The affiliated nature of B&H's gas supply also falls within the scope of KRS 278.274, which, as Sections (3)(c) and (d) indicate below, allows the Commission to reduce the utility's rates by the portion of its purchased gas costs found to be unjust or unreasonable and reduce the affiliated supplier's rate to the utility by the same amount.

(3)(c) If the commission determines that the rates charged by the utility are not just and reasonable in that the cost of natural gas purchased from the affiliated company is unjust and unreasonable, the commission may reduce the purchased gas component of the utility's rates by the amount deemed to be unjust or unreasonable.

(3)(d) The commission may also reduce the rate charged by the affiliated company by the same amount.

⁸ B&H's annual reports filed with the Commission reflect a wholesale gas cost on its purchases from B&S of at least \$9.30 per Mcf each year from 2008 through 2014, except in 2012, when the cost was reported as \$8.67 per Mcf. The highest cost of \$9.85 per Mcf was reported in 2010. The average cost of B&H's purchases from B&S during the period from 2008 through 2014 was \$9.34 per Mcf.

Based on the facts that B&H (1) has made no GCA filings since 2008 to reflect decreases in its wholesale cost for gas purchased from B&S after having previously filed applications to reflect increases in the cost of gas purchased from B&S, and (2) has reported gas costs on average of \$9.34 per Mcf for purchases from B&S in its annual reports for the years 2008 through 2014, the Commission finds that B&H's gas procurement activities may be in violation of KRS 278.2207(1)(b), which requires that:

Services and products provided to the utility by an affiliate shall be priced at the affiliate's fully distributed cost but in no event greater than market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology.⁹

Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. B&H's wholesale gas supply is provided by its affiliated gas supplier, B&S.
2. B&H has not made a GCA filing since March of 2008 when, based on the market conditions at that time, it was authorized to implement a GCA of \$9.38 per Mcf.
3. Market conditions in the natural gas industry have changed greatly since 2008 such that the gas costs reported in their annual reports by the small LDCs that file quarterly GCAs averaged \$4.84 per Mcf from 2012 through 2014.
4. B&H's cost for purchases from B&S, as reflected in its annual reports filed with the Commission, has been at least \$9.30 per Mcf in all years from 2008 through

⁹ There is nothing in the Commission's records indicating that B&H utilizes a cost allocation methodology approved by the USDA (United States Department of Agriculture), the SEC (Securities and Exchange Commission), or the FERC (Federal Energy Regulatory Commission).

2014, except for 2012, when the reported cost was \$8.67 per Mcf, with the highest cost reported being \$9.85 per Mcf in 2010.

5. B&H's purchases from B&S are governed by KRS 278.2207, which governs the pricing of transactions between a utility and a non-regulated affiliate and which requires that services or products provided to a utility by an affiliate be priced at no greater than the market price or in a manner that complies with the utility's existing allocation methodology approved by either the United States Department of Agriculture, the Securities and Exchange Commission, or Federal Energy Regulatory Commission.

6. B&H's purchases from B&S are governed by KRS 278.274, which requires the Commission to exert jurisdiction over an intrastate affiliate gas supplier as though it were a utility subject to the Commission's jurisdiction.

7. Pursuant to KRS 278.274(3)(b) and (c), when a utility is purchasing natural gas from an affiliate, the Commission is required to ensure that the rates charged the utility and ultimately to the consumers are just and reasonable, and the Commission may reduce the purchased gas component of the utility's rates by the amount deemed unjust and unreasonable.

8. Based on the evidence of gas prices in this record, a prima facie showing has been made that: (a) B&S's gas costs to B&H are not equal to or less than market as required by KRS 278.2207(1)(b), which governs the pricing of transactions between a regulated utility and a non-regulated affiliate; and (b) the gas rates charged by B&S to B&H as included in B&H's rates are significantly above market and are not just and reasonable as required by KRS 278.274. For these reasons, the GCA component of

B&H's rates should be collected subject to refund as of the date of this Order and until further Commission Order.

The Commission, on its own motion, HEREBY ORDERS that:

1. This investigation is opened to provide B&H and B&S an opportunity to present evidence to demonstrate that: (a) the cost of gas sold to B&H by its affiliate B&S is no greater than market as required by KRS 278.2207(1)(b); and (b) the GCA component of B&H's rates and the rates charged by B&S to B&H are just and reasonable as required by KRS 278.274 for natural gas purchased by a utility from an intrastate affiliate; and to provide (c) any reason why the GCA component of B&H's rates should not be reduced to market, along with a corresponding reduction to the cost of gas sold by B&S to B&H under KRS 278.274.

2. B&H and B&S shall be parties to this case.

3. B&H shall collect the GCA component of its rates subject to refund effective for bills rendered after the date of this Order until further Commission Order.

4. B&H and B&S shall individually or jointly file, within 20 days of the date of this Order, responses to the requests for information attached hereto as Appendix A and any other information relevant to B&H's cost of gas purchases from B&S.

a. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record, and the original and six copies to the Commission.

b. 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 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.

c. Any party 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.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

5. B&H's March 19, 2008 GCA filing, which was docketed as Case No. 2008-00101, is attached hereto as Appendix B.

6. The Commission's April 15, 2008 final Order in Case No. 2008-00101 is attached hereto as Appendix C.

7. The October 1, 2004, October 1, 2005, and September 6, 2007 sales agreements between B&H and B&S are attached hereto as Appendix D.

8. KRS 278.2207 and 278.274 are attached hereto as Appendix E.

9. The case number and Order date of the other jurisdictional LDCs' currently approved GCAs are attached hereto as Appendix F.

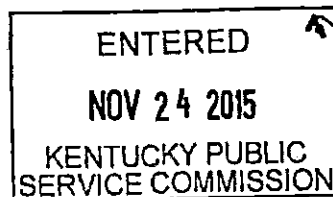
10. The annual gas costs reported by the smaller jurisdictional LDCs are attached hereto as Appendix G.

11. Within 20 days of the date of this Order, B&H and B&S shall file written responses to the Commission concerning the allegations contained herein.

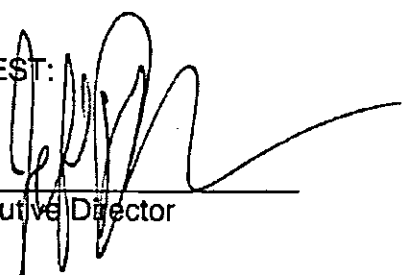
12. Any motion requesting an informal conference with Commission Staff to consider any matter that would aid in the handling or disposition of this proceeding shall be filed with the Commission no later than 20 days from the date of this Order.

13. Pursuant to KRS 278.360, the record of any formal hearing shall be kept by videotape.

By the Commission



ATTEST:


Executive Director

Case No. 2015-00367

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2015-00367 DATED **NOV 24 2015**

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.
2. B&H's annual reports on file with the Commission indicate, in most years, that 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.

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.

4. From 2004 to 2008, a time of "significantly higher market price conditions for natural gas around the country,"¹⁰ 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.

¹⁰ See B&H's 2008 GCA filing, Case No. 2008-00101, *The Notice of Purchased Gas Adjustment Filing of B&H Gas Company, Inc.* (Ky. PSC Apr. 15, 2008) at 2.

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.

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.

APPENDIX B

**APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00367 DATED NOV 24 2015**

2008-101

B & H GAS COMPANY

P. O. Box 339
Harold, KY 41035
Phone (606) 478-5851
Fax (606) 478-5266

March 18, 2008

RECEIVED

MAR 19 2008

PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell
Executive Director Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40602-0615

Dear Ms. O'Donnell:

Please find enclosed one original and three copies B & H Gas Company's proposed Gas Cost Adjustment and supporting calculations.

B & H Gas Company respectfully requests that the Commission approve the enclosed Gas Cost Adjustments

Sincerely,



Bud Rife
President B & H Gas Company
attachments

br/db

B & H Gas Company
Cost of Gas Purchased Based on Wholesale Rates
Effective March 1, 2008

Purchased gas adjustment filing reflects changes in rates to be effective March 1, 2008 based on supplier rates effective February 2008 calculated on purchases ** from January 1, 2007 through December 31, 2007

Cost effective October 1, 2004			
<u>Supplier</u>	<u>MCF</u>	<u>Rate/MCF</u>	<u>Cost of Purchases</u>
B & S Oil And Gas Co.	24,384	\$7.00	\$170,688.00

Cost effective March 1, 2008			
B & S Oil	24,384	\$9.38	\$228,271.92
Increase in rates		\$2.38	

*Attached is a copy of the February 2008 agreement between B & H and B & S Oil and Gas Company. The increased rate reflects the significantly higher market price conditions for natural gas around the country. The rate is lower than the current NYMEX natural gas futures prices (attached). NYMEX prices are prone to wide fluctuations from week to week. B & H Gas is aware that Columbia Gas of Kentucky's IUS rate is currently \$13.47 per MCF and that Equitable Gas Company's most current expected gas cost is \$12.00. B & H believes B & S contract rate to be very reasonable in comparison. Through the contract with B & S, B & H will have the benefit of a fixed price through the heating season while gas costs around the country are predicted to rise in the coming months. B & S has not increased its rate to B & H in three and half (3 1/2) years.

** MCF sales volume for B & H is used for the purchase volume because line loss is so minimal.

P.S.C. Ky. No.

Cancels P.S.C. Ky. No. 2004-00449

B & H Gas Company

Of

Harold, Kentucky 41635

Rates, Rules and Regulations for Furnishing Gas

At

Betsy Layne, Stanville, Ivel, Mare Creek, Ivy Creek

**Filed With Public Service Commission
Of Kentucky**

Issued March 4, 2008

Effective March 31st, 2008

Issued By: B & H Gas Company


**By: Bud Rife
President/Manager**

BETSY LAYNE, STANVILLE, IVEL, MARE CREEK, IVY CREEK

P.S.C. NO

CANCELLING P.S.C. NO 2004-00449

B&H GAS COMPANY

CLASSIFICATION OF SERVICE

Proposed rates:

Residential

First 2 MCF (minimum bill)	\$23.5538
Next 8 MCF	\$11.3588
Next 20	\$10.9444
Next 30	\$10.7403

DATE OF ISSUE March 4, 2008 DATE EFFECTIVE March 31st, 2008

Issued By: Bud Rife, President / Manager P.O. Box 339 Harold, Ky 41653

Issued by authority of an order of the public service commission of Kentucky.

B & S OIL AND GAS COMPANY
PO BOX 155
HAROLD, KY 41635

AGREEMENT

THIS AGREEMENT, Made and entered into this 14th, day of February, 2008 by and between B & S Oil and Gas Company of Harold, KY; and B & H Gas Company, a Kentucky Corporation of Harold, KY.

WHEREAS, the B & S Oil and Gas Company is the owner of producing gas wells, and

WEREAS, B & H Gas Company is desirous of purchasing gas for resale in the Floyd and Pike County areas.

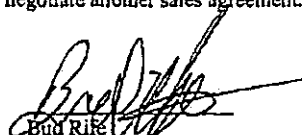
IT IS NOW, THEREFORE AGREED, by and between the parties that in consideration of the sum of nine dollars & thirty eight cents (\$9.38) per MCF. B & S Oil and Gas Company will sell to B & H Gas Company, a Kentucky Corporation, such amount of natural gas as the B & H Gas Company may desire; provided that said B & S Oil and Gas Company has such amount of natural gas available. Kentucky West VA meter charge for B & H Gas Company is .38 cents per MCF. With the total charge to the customer to be \$9.38 per MCF.

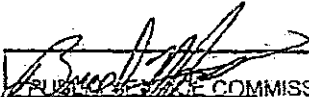
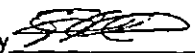
B & H Gas Company is to accept delivery of said gas at the metering point of each of the producing wells which B & S Oil and Gas Company own and said B & H Gas Company shall be responsible for maintaining the lines from the metering point.

It is understood that B & S Oil and Gas Company agree to furnish gas up to the extent of the production available at such wells, which are or may hereafter be connect to the lines of B & H Gas Company.

Payments shall be made no later than the 20th of each month following the month in which the gas is delivered.

The terms of this agreement shall be for one (1) year from the date of execution of the agreement. At the expiration of one (1) year, September 1, 2008, the parties hereto may negotiate another sales agreement.


Bud Rife
President
B & S Oil and Gas Company

	
PUBLIC SERVICE COMMISSION	
Bud Rife FOR KENTUCKY	
President	EFFECTIVE
B & H Gas Company	3/22/2008
PURSUANT TO 807 KAR 5:011	
SECTION 9 (1)	
By 	Executive Director

Gas Bill

Residential Service

Page 1 of 2

Account Number
10751731 002 000 0
Statement Date
02/12/2008
6211

Billing & Payment Summary

Customer Name	Bud Rife
Previous Amount Due on 01/28/2008	\$109.69
Payments Received by 02/07/2008	- \$109.69
Balance on 02/12/2008	= \$0.00
Charges for Gas Service This Period	+ \$118.50

Amount Due by 02/26/2008 = \$118.50

Billing & Payment Notes

See back of bill for Detail of Charges for Gas Service.

Service Summary

Service Location	Main St. Harold KY 41635
Meter Number	M4202228
Meter Readings (29 Billing Days)	
Estimated Reading on 2/12	1409
Actual Reading on 1/14	1321
Gas Used (Mcf)	= 8.8

Service Summary Notes

Your next actual meter reading date is between 02/10/2008 - 02/14/2008.

online billing and payment services, and other useful tools.

Billing Options

Budget Payment Plan Reduce the impact of higher, unstable natural gas prices by spreading the cost of winter heating more evenly throughout the year. Know how much to expect to pay each month.

Customer CHOICE Purchase your natural gas from an unregulated supplier and have more control over the gas cost portion of your bill, which amounts to nearly two-thirds of your bill. Columbia Gas will still deliver the gas and provide safe, reliable service.

Payment Options

E-bill Receive and pay your bill online. To enroll, visit our Web site, www.columbiagasky.com.

ZipCheck Authorize your bank to pay your bill automatically each month.

Phone Call NCO EasyPay at 1-800-284-8572 or link from our Web site to pay by credit card, debit card or electronic check. NCO charges a convenience fee for each transaction.

Authorized Payment Centers Visit DirectLink e-Services on our Web site or call for the location of an authorized payment center near you. The agent charges a service fee for each transaction.

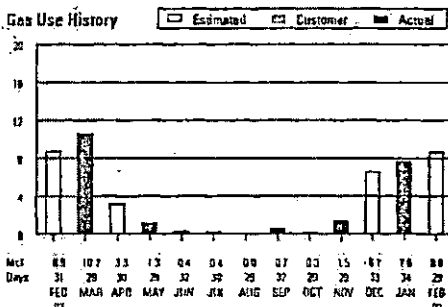
Mail Detach and return the coupon below with payment to:
Columbia Gas of Kentucky
P.O. Box 2200
Lexington, KY 40588-2200

Gas Meter Information

Actual Reading A meter reader has read the meter. You're required to provide us access to read the meter at least once a year or risk shut-off. Please contact us to make arrangements if access is required.

Estimated Reading During the months we don't read the meter, we accurately estimate your reading based on the history of usage at the service address and normal temperatures for the billing period. We verify the reading the next time we read the meter to make sure you pay only for the energy you've used.

Gas Usage We measure your gas usage in Mcf equal to 1,000 cubic feet.



Daily Comparisons

Month	Avg Daily Temp	Avg Daily Usage
Feb '08	32.3°	0.3
Jan '08	39.7°	0.2
Feb '07	28.9°	0.3

Your Average Monthly Usage is 3.5 Mcf

Your Total Annual Usage is 41.9 Mcf

Gas Bill

Residential Service

Page 2 of 2

Account Number
10751731 002 000 0
Statement Date
02/12/2008
6211

Detail of Charges for Gas Service

Customer Charge	\$9.30
Gas Delivery Charge	\$15.35
Gas Supply Cost 8.8 Mcf at \$10.58910 per Mcf	\$93.19
Research & Development Factor	\$0.13
Energy Assistance Program Surcharge	\$0.53
Total Charges for Service This Period	\$118.50

Service Charges Notes

The Customer Charge covers a portion of the fixed costs required to ensure that natural gas service is available to your home. This amount is the same with each bill.

Gas Delivery Charges are the costs of delivering the gas to retail customers. The charges for these services are the same with each bill.

Payment Coupon

Turn Me Over for more details about your account


**EQUITABLE
ENERGY LLC**

Confirmation Date January 31, 2008 14:53

Transaction Confirmation - EXHIBIT A

This Confirmation Letter is being provided in accordance with the North American Energy Standards Board Base Contract for Sale and Purchase of Natural Gas or the Gas Industry Standards Board Base Contract for Short-Term Sale and Purchase of Natural Gas ("Contract"), which ever is applicable, between Equitable Energy, LLC ("EEC") and Counterparty, and constitutes part of and is subject to all terms and provisions of the Contract. In the event the Parties have not executed a Contract, the terms and conditions of the North American Energy Standards Board Base Contract for Sale and Purchase of Natural Gas and Equitable Energy's Special Provisions (attached if applicable) and this Confirmation Letter shall apply to this Transaction.

Please sign and return one copy of the attached Confirmation to EEC within two (2) Business Days of receipt to the fax number set forth below. The terms of this Confirmation Letter are binding on EEC and Counterparty unless Counterparty objects to EEC in writing within said two (2) Business Days. If you are not in agreement with the above terms, please contact Theresa L. Petersen at 412.395.2635.

Seller		Buyer	
EQUITABLE ENERGY LLC 4TH FLOOR 225 NORTH SHORE DRIVE PITTSBURGH, PA 15212-5861		B & H GAS COMPANY PO BOX 155 HAROLD, KY 41635-0155	
Deal Maker	BRIAN SHAPRANEK	Attn	BUD RIFE
Phone	Phone: 412.395.2627	Phone	Phone: (606) 478-5851
Email	Not available - Fax# 412.395.2675	Email	Not available - Fax# (606) 478-5268

Transaction ID

S-B&HGASCO-0004

Delivery Term and Pricing Detail

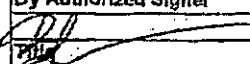
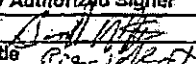
Service Level	From	To	Price
FIRM	02/01/2008 10:00 am	03/31/2008 10:00 am	\$10.4500

Delivery Point Detail and Volumes

Pipeline	Meter	Total/Avg Daily	Description
KENTUCKY, WV	42Y	175/ 6 Dth	B & H GAS COMPANY
KENTUCKY, WV	42T	175/ 6 Dth	B & H GAS COMPANY

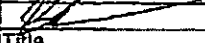
Special Conditions

Buyer shall be required to remit to Seller a prepayment for all natural gas supply in immediately available funds by wire transfer no later than 4 p.m. Eastern Standard Time on January 31, 2008. In the event Buyer fails to remit the Prepayment Amount on the date and time specified above, Seller shall not be required to deliver scheduled quantities to Buyer.

Seller		Buyer	
EQUITABLE ENERGY LLC		B & H GAS COMPANY	
By Authorized Signer		By Authorized Signer	
			
Sr. Market Specialist		Title	
Date		Date	
January 31, 2008			


**EQUITABLE
ENERGY LLC**

Confirmation Date March 03, 2008 09:06

Transaction Confirmation - EXHIBIT A			
<p>This Confirmation Letter is being provided in accordance with the North American Energy Standards Board Base Contract for Sale and Purchase of Natural Gas or the Gas Industry Standards Board Base Contract for Short-Term Sale and Purchase of Natural Gas ("Contract"), which ever is applicable, between Equitable Energy, LLC ("EEC") and Counterparty, and constitutes part of and is subject to all terms and provisions of the Contract. In the event the Parties have not executed a Contract, the terms and conditions of the North American Energy Standards Board Base Contract for Sale and Purchase of Natural Gas and Equitable Energy's Special Provisions (attached if applicable) and this Confirmation Letter shall apply to this Transaction.</p> <p>Please sign and return one copy of the attached Confirmation to EEC within two (2) Business Days of receipt to the fax number set forth below. The terms of this Confirmation Letter are binding on EEC and Counterparty unless Counterparty objects to EEC in writing within said two (2) Business Days. If you are not in agreement with the above terms, please contact Theresa L. Petersen at 412.395.2635.</p>			
Seller		Buyer	
EQUITABLE ENERGY LLC 47H FLOOR 225 NORTH SHORE DRIVE PITTSBURGH, PA 15212-5861		B & H GAS COMPANY PO BOX 155 HAROLD, KY 41633-0155	
Deal Maker	BRIAN SHAFRANEK	Attn	BUD RIFE
Phone	Phone: 412.395.2627	Phone	Phone: (506) 478-5651
Email	Not available - Fax: 412.395.2675	Email	Not available - Fax: (506) 478-5268
Transaction ID			
S-B&H-GASCO-0005			
Delivery Term and Pricing Detail			
Service Level	From	To	Price
FIRM	03/01/2008 10:00 am	04/01/2008 10:00 am	\$12.0000
Delivery Point Detail and Volumes			
Pipeline	Meter	Total/Avg Daily	Description
KENTUCKY.WV	42Y	37/ 1 Dth	B & H GAS COMPANY
KENTUCKY.WV	42T	38/ 1 Dth	B & H GAS COMPANY
Special Conditions			
Seller		Buyer	
EQUITABLE ENERGY LLC		B & H GAS COMPANY	
By Authorized Signer		By Authorized Signer	
			
Title		Title	
Sr. Market Specialist			
Date	March 03, 2008	Date	



Energy Information Administration

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Natural Gas Navigator

Summary	Prices	Exploration & Reserves	Production	Imports/Exports & Pipelines	Storage	Consumption	Publications & Analysis
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Natural Gas Futures Prices (NYMEX)

(Dollars per Million BTU)

Period: Daily

Contract	03/04/06	03/05/06	03/06/06	03/07/06	03/10/06	03/11/06	View History
Contract 1	9.353	9.741	9.742	9.769	10.024	10	1984-2006
Contract 2	9.393	9.776	9.792	9.819	10.075	10.064	1994-2006
Contract 3	9.443	9.819	9.851	9.88	10.138	10.134	1994-2006
Contract 4	9.516	9.884	9.915	9.948	10.214	10.222	1994-2006

Last Updated 03/12/2008

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

Notes: Prices are based on delivery at the Henry Hub in Louisiana. Official daily closing prices at 2:30 p.m. from the trading floor of the New York Mercantile Exchange (NYMEX) for a specific delivery month. See Definitions, Sources, and Notes link above for more information on this table.

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Energy Information Administration

Official Energy Statistics from the U.S. Government

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STEO Table Browser

Date Published : March 11, 2008

Next Update : April 8, 2008

Select another STEO Table to view :

Table 5c. U.S. Regional Natural Gas Prices

Frequency: Start Year: End Year:

☒ Annual
☐ Monthly
☐ Quarterly

[Download to Excel](#)

Table 5c. U.S. Regional Natural Gas Prices

Dollars per Thousand Cubic Feet

2008

Wholesale/Spot	
U.S. Average Wellhead	7.24
Henry Hub Spot Price	8.18
Residential	
New England	17.49
Middle Atlantic	15.91
East North Central	12.50
West North Central	12.85
South Atlantic	17.28
East South Central	15.02
West South Central	13.31
Mountain	11.79
Pacific	12.71
U.S. Average	13.84
Commercial	
New England	14.66
Middle Atlantic	13.08
East North Central	11.55
West North Central	11.43
South Atlantic	13.95
East South Central	13.27
West South Central	11.06
Mountain	10.73
Pacific	11.56
U.S. Average	12.26
Industrial	
New England	13.21
Middle Atlantic	11.57
East North Central	10.33
West North Central	8.91
South Atlantic	10.24
East South Central	9.66
West South Central	7.92
Mountain	9.63
Pacific	9.08

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00367 DATED **NOV 24 2015**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF B & H GAS	)	CASE NO. 2008-00101
COMPANY, INC.)	

O R D E R

On January 13, 1992, in Case No. 1991-00127,¹ the Commission approved certain adjusted rates for B & H Gas Company, Inc. ("B & H") and provided for their further adjustment in accordance with its Gas Cost Adjustment ("GCA") clause.

On March 19, 2008, B & H filed its GCA to be effective March 31, 2008.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. B & H's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.
2. B & H's proposed Expected Gas Cost ("EGC") is \$9.38 per Mcf, which is \$2.38 per Mcf more than the prior EGC of \$7.00.
3. B & H's Gas Cost Recovery Rate is \$9.38 per Mcf, which is \$2.38 per Mcf more than the previous rate of \$7.00.
4. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for billing for service rendered by B & H on and after April 18, 2008.

¹ Case No. 1991-00127, The Application of B & H Gas Company, Inc. for A Rate Adjustment Pursuant to the Alternative Rate Filing Procedure for Small Utilities.

B & H's tariff does not permit an effective date of less than 30 days from the date of filing unless it requests and receives a waiver.² B & H did not request such a waiver and therefore the Commission finds that the effective date should be 30 days after the date the GCA was filed.

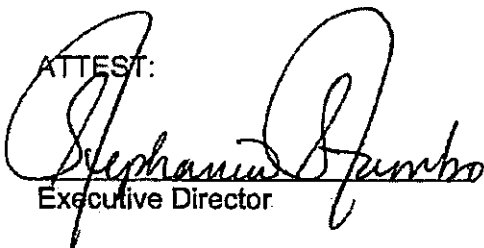
IT IS THEREFORE ORDERED that:

1. The rates in the Appendix to this Order are approved for billing for service rendered on and after April 18, 2008.
2. Within 20 days of the date of this Order, B & H shall file with the Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 15th day of April, 2008.

By the Commission

ATTEST:


Executive Director

² B & H Gas Company tariff, P.S.C. KY. NO. 1, Original Sheet No. 1, Gas Cost Adjustment Clause, paragraph 4.

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00101 DATED APRIL 15, 2008

The following rates and charges are prescribed for the customers served by B & H. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Gas Cost Adjustment

The Gas Cost Adjustment shall be \$9.38 per Mcf during the period covered by the bill. A surcharge in the amount of 3 cents per Mcf shall be added to the above rates until the obligation owed Kentucky-West Virginia Gas Company has been discharged or is recalculated.

APPENDIX D

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00367 DATED **NOV 24 2015**

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

AGREEMENT

THIS AGREEMENT, Made and entered into this 1st. day of October, 2004 by and between B. & S. Oil & Gas Company of Harold, Kentucky, and B. & H. Gas Company, a Kentucky Corporation of Stanville, Kentucky.

WHEREAS, B. & S. Oil & Gas Company is the owner of producing gas wells,
and

WHEREAS, the B. & H. Gas Company is desirous of purchasing gas for resale in the Floyd and Pike county areas.

IT IS NOW, THEREFORE AGREED, by and between the parties that in consideration of the sum of seven dollars (\$7.00) per MCF, B. & S. Oil & Gas Company will sell to B. & H. Gas Company, a Kentucky Corporation, such amount of natural gas as the B. & H. Gas Company may desire provided the said B. & S. Oil & Gas Company have such amount of natural gas available.

B. & H. Gas Company is to accept delivery of said gas at the metering point of each of the producing wells which B. & S. Oil & Gas Company own and said B. & H. Gas Company shall be responsible for maintaining the lines from the metering point.

It is understood that B. & S. Oil & Gas Company agree to furnish gas up to the extent of the production available at such wells which are or may hereafter be connected to the lines of B. & H. Gas Company.

Payments shall be made no later than the 20th of each month following the month in which the gas is delivered.

The terms of this agreement shall be for one (1) year from the date of execution of this agreement. At the expiration of one (1) year, the parties hereto may negotiate another sales agreement.

Bud Rife

B. & S. Oil & Gas Company
PUBLIC SERVICE COMMISSION
OF KENTUCKY
11/10/2004
Bud Rife, President
B. & H. Gas Company (1)

By

Executive Director

**B. & S. OIL & GAS COMPANY
P.O. BOX 155
HAROLD, KY 41635**

AGREEMENT

THIS AGREEMENT, Made and entered into this 1st, day of October, 2005 by and between B. & S. Oil & Gas Company of Harold, Kentucky, and B. & H. Gas Company, a Kentucky Corporation of Stanville, Kentucky.

WHEREAS, B. & S. Oil & Gas Company is the owner of producing gas wells,
and

WHEREAS, the B. & H. Gas Company is desirous of purchasing gas for resale in the Floyd and Pike county areas.


IT IS NOW, THEREFORE AGREED, by and between the parties that in consideration of the sum of eight dollars (\$8.00) per MCF, B. & S. Oil & Gas Company will sell to B. & H. Gas Company, a Kentucky Corporation, such amount of natural gas as the B. & H. Gas Company may desire; provided the said B. & S. Oil & Gas Company have such amount of natural gas available.

B. & H. Gas Company is to accept delivery of said gas at the metering point of each of the producing wells which B. & S. Oil & Gas Company own and said B. & H. Gas Company shall be responsible for maintaining the lines from the metering point.

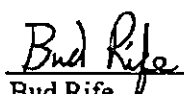
It is understood that B. & S. Oil & Gas Company agree to furnish gas up to the extent of the production available at such wells, which are or may hereafter be connected to the lines of B. & H. Gas Company.

Payments shall be made no later than the 20th of each month following the month in which the gas is delivered.

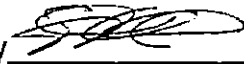
The terms of this agreement shall be for one (1) year from the date of execution of this agreement. At the expiration of one (1) year, October 1st 2006, the parties hereto may negotiate another sales agreement.



Bud Rife
President
B. & S. Oil & Gas Company



Bud Rife
President
B. & H. Gas Company

<p>PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE 9/30/2005 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)</p> <p>By  _____ Executive Director</p>
--

B & S OIL AND GAS COMPANY
PO BOX 155
HAROLD, KY 41635

RECEIVED

SEP 07 2007

PUBLIC SERVICE
COMMISSION

AGREEMENT

THIS AGREEMENT, Made and entered into this 6th, day of September, 2007 by and between B & S Oil and Gas Company of Harold, KY; and B & H Gas Company, a Kentucky Corporation of Harold, KY.

WHEREAS, the B & S Oil and Gas Company is the owner of producing gas wells, and

WEREAS, B & H Gas Company is desirous of purchasing gas for resale in the Floyd and Pike County areas.

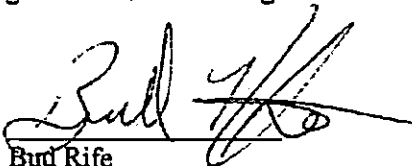
IT IS NOW, THEREFORE AGREED, by and between the parties that in consideration of the sum of nine dollars (\$9.00) per MCF. B & S Oil and Gas Company will sell to B & H Gas Company, a Kentucky Corporation, such amount of natural gas as the B & H Gas Company may desire; provided that said B & S Oil and Gas Company has such amount of natural gas available.

B & H Gas Company is to accept delivery of said gas at the metering point of each of the producing wells which B & S Oil and Gas Company own and said B & H Gas Company shall be responsible for maintaining the lines from the metering point.

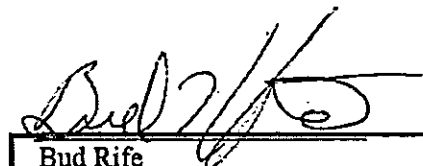
It is understood that B & S Oil and Gas Company agree to furnish gas up to the extent of the production available at such wells, which are or may hereafter be connect to the lines of B & H Gas Company.

Payments shall be made no later than the 20th of each month following the month in which the gas is delivered.

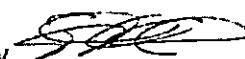
The terms of this agreement shall be for one (1) year from the date of execution of the agreement. At the expiration of one (1) year, September 1, 2008, the parties hereto may negotiate another sales agreement.



Bud Rife
President
B & S Oil and Gas Company



Bud Rife
President
B & H Gas Company
PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/7/2007
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

APPENDIX E

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00367 DATED **NOV 24 2015**

**278.2207 Transactions between utility and affiliate -- Pricing requirements --
Request for deviation.**

- (1) The terms for transactions between a utility and its affiliates shall be in accordance with the following:
 - (a) Services and products provided to an affiliate by the utility pursuant to a tariff shall be at the tariffed rate, with nontariffed items priced at the utility's fully distributed cost but in no event less than market, or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology.
 - (b) Services and products provided to the utility by an affiliate shall be priced at the affiliate's fully distributed cost but in no event greater than market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology.
- (2) A utility may file an application with the commission requesting a deviation from the requirements of this section for a particular transaction or class of transactions. The utility shall have the burden of demonstrating that the requested pricing is reasonable. The commission may grant the deviation if it determines the deviation is in the public interest.
- (3) Nothing in this section shall be construed to interfere with the commission's requirement to ensure fair, just, and reasonable rates for utility services.

Effective: July 14, 2000

History: Created 2000 Ky. Acts ch. 511, sec. 5, effective July 14, 2000.

278.274 Review of natural gas utility's purchasing practices in determining reasonableness of proposed rates -- Reduction of rates by commission.

- (1) In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.
- (2) When proposing new rates, the utility shall be required to prove that the proposal is just and reasonable in accordance with the requirements of this section.
- (3) It shall be presumed that natural gas purchases from affiliated companies are not conducted at arm's length.
 - (a) For purposes of this subsection, affiliated companies shall be defined as those in which one (1) or more of the owners control or have the right to control the business affairs of all affected companies.
 - (b) In instances in which a utility purchases natural gas from an intrastate affiliate, the commission shall assume jurisdiction of the affiliated company as though it were a utility as defined in KRS 278.010. The commission's jurisdiction shall extend to that extent necessary to ensure that the rates charged the utility and ultimately to the consumer are just and reasonable.
 - (c) If the commission determines that the rates charged by the utility are not just and reasonable in that the cost of natural gas purchased from the affiliated company is unjust or unreasonable, the commission may reduce the purchased gas component of the utility's rates by the amount deemed to be unjust or unreasonable.
 - (d) The commission may also reduce the rate charged by the affiliated company by the same amount.

Effective: July 13, 1984

History: Created 1984 Ky. Acts ch. 40, sec. 1, effective July 13, 1984.

APPENDIX F

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2015-00367 DATED **NOV 24 2015**

1. Bluegrass Gas Sales, Inc., *Case No. 2015-00297* – Order issued Sept. 22, 2015
2. Burkesville Gas Company, Inc., *Case No. 2015-00293* – Order issued Sept. 3, 2015
3. Citipower, LLC, *Case No. 2015-00303* – Order issued Sept. 22, 2015
4. Kentucky Frontier Gas, LLC, *Case No. 2015-00330* – Order issued Oct. 20, 2015
5. Martin Gas, Inc., *Case No. 2015-00289* – Order issued Sept. 11, 2015
6. Millennium Energy, Inc., *Case No. 2015-00292* – Order issued Sept. 11, 2015
7. Natural Energy Utility Corporation, *Case No. 2015-00294* – Order issued Sept. 11, 2015
8. Navitas KY NG, LLC, *Case No. 2015-00319* – Order issued Oct. 12, 2015
9. Public Gas Company, *Case No. 2015-00338* – Order issued Oct. 20, 2015
10. Valley Gas, Inc., *Case No. 2015-00321* – Order issued Oct. 9, 2015
11. Western Lewis-Rectorville Water and Gas, *Case No. 2015-0029* – Order issued Sept. 11, 2015

APPENDIX G

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2015-00367 DATED **NOV 24 2015**

Annual Gas Cost (\$ per Mcf) as Reported in Smaller LDC Annual Reports*

<u>LDC Name</u>	<u>2008</u> [*]	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>3-yr ave.</u>	<u>B&H ave.</u> [^]
Bluegrass	9.00				3.59	4.62	6.00	5.14	
Burkesville	9.51				4.81	5.66	6.72	5.98	
Citipower	11.48				4.12	4.69	6.36	5.41	
Ky. Frontier	9.67 [#]				4.10	3.93	6.45	5.11	
Martin Gas	5.02				5.00	5.02	5.11	5.06	
Millennium	10.08				3.49	4.04	5.93	4.82	
NEUC	7.45				2.86	3.71	4.43	3.98	
Navitas	10.61				3.90	5.02	6.36	5.67	
Public Gas	9.00				4.47	5.32	5.76	5.50	
Valley Gas	9.57				4.69	4.55	5.16	4.88	
W-L-R	<u>9.62</u>				<u>4.55</u>	<u>4.36</u>	<u>5.75</u>	<u>5.09</u>	
Average	<u>9.18</u>				<u>4.14</u>	<u>4.63</u>	<u>5.75</u>	<u>4.84</u>	
B&H Gas	<u>9.37</u>	<u>9.32</u>	<u>9.85</u>	<u>9.47</u>	<u>8.67</u>	<u>9.30</u>	<u>9.38</u>	<u>9.27</u>	<u>9.34</u>

* Includes smaller LDCs that file periodic (typically quarterly) PGAs with the Commission. Amounts were calculated based on purchase volumes and costs reported on Gas Purchases Schedule (Accts. 804,805).

^{*} 2008 is the year of the last B&H Gas PGA. 3-year average is for 2012–2014 three most recent years.

[^] Average of B&H gas costs on purchases from B&S for period from 2008 through 2014 (seven years).

[#] Ky. Frontier did not file a 2008 annual report. \$9.67 is the average of the LDCs it later acquired.

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

*Bud Rife
President
B & H Gas Company
P. O. Box 447
Betsy Layne, KY 41605

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

The Commission initiated this proceeding with its Order of November 24, 2015, which, among other things, required that B&H Gas Company ("B&H") and B&S Oil and Gas Company ("B&S") (collectively, "the Companies"), individually or jointly, respond to the request for information included in Appendix A to the Order. After receipt of the Companies' responses to that Order, and a January 14, 2016 informal conference requested by the Companies, Commission Staff, on February 10, 2016, issued its First Request for Information to the Companies ("Staff's First Request"), which stated that the information requested was due within 14 days of the date of the request. To date, the Companies have not responded to the request, nor have they submitted a motion or any other document seeking additional time in which to submit a response.

807 KAR 5:001, Section 4(12)(b), states that:

Commission staff, through the commission's executive director, may request information from any party to a case on the commission's behalf.

KRS 278.990(1) states, in part, that:

Any officer, agent, or employee of a utility, as defined in KRS 278.010, who. . . fails to obey any order of the commission

from which all rights of appeal have been exhausted. . . shall be subject to either a civil penalty to be assessed by the commission not to exceed two thousand five hundred dollars (\$2,500) for each offense or a criminal penalty of imprisonment for not more than six (6) months, or both.

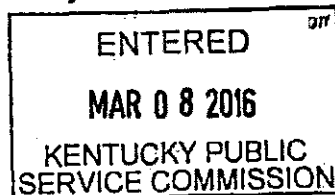
Based on the evidence or record, the Commission finds that:

1. As the Staff's First Request was issued on the Commission's behalf, the Companies have no discretion as to whether to respond to that request.
2. The Companies should respond to Staff's First Request within ten days of the date of this Order.
3. If responses to Staff's First Request are not filed within the time set forth herein, the Companies will be required to show cause why penalties pursuant to KRS 278.990(1) should not be imposed for the failure to file responses.

IT IS THEREFORE ORDERED that:

1. Within ten days of the date of this Order, the Companies shall respond to Staff's First Request issued on February 10, 2016.
2. If responses are not received within ten days of the date of this Order, a show cause proceeding will be initiated to determine whether there are any reasons why penalties should not be imposed pursuant to KRS 278.990 for the failure to file responses.

By the Commission



ATTEST:


Acting Executive Director *for*

Case No. 2015-00367

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

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

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

*Joe F Childers
Joe F. Childers & Associates
300 Lexington Building
201 West Short Street
Lexington, KENTUCKY 40507

*Larry Cook
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
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Frankfort, KENTUCKY 40601-8204

*Rebecca W Goodman
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KENTUCKY 40601-8204

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

This matter comes to the Commission on: (1) the motion of B&H Gas Company ("B&H") and B&S Oil and Gas Company ("B&S") (collectively, "Companies") to hold this case in abeyance pending B&H's filing of an Alternative Rate Filing ("ARF") application pursuant to 807 KAR 5:056; (2) the Attorney General of the Commonwealth of Kentucky, by and through Office of Rate Intervention's ("AG") response to the Companies' motion; (3) the motion of the AG to set a procedural schedule in this proceeding; and (4) the Companies' response to the motion of the AG to set a procedural schedule.

Background on Companies' Motion to Hold Case in Abeyance

The motion to hold in abeyance avers that B&H intends to file an ARF application by April 10, 2016, and requests that this case be held in abeyance until six months from the date such application is filed. The Companies state that the totality of B&H's rates does not exceed the totality of the rates of like-sized gas utilities in Kentucky. While the gas cost portion of the bill of an average B&H customer seems high in comparison to like-sized utilities, the Companies claim that B&H's base rates are much lower than that of those same utilities, resulting in total bills similar to or lower than the bills of like-sized

gas utilities. The Companies also ask that the Commission not order any refunds of allegedly higher gas costs to B&H's customers.

In response to the Companies' motion, the AG recites the findings in the Order initiating this proceeding and states that B&H, by its actions, is not seeking to reduce the gas component of its rates but, rather, is claiming that it may need to increase its base rates. The AG urges the Commission to continue this investigation, stating that while B&H can submit an ARF application at its choosing, this case is too important to B&H's ratepayers to be held in abeyance.

Background on AG's Motion to Set Procedural Schedule

The Commission initiated this investigation on its own motion on November 24, 2015. There was no intervention in this proceeding, until the AG moved to Intervene on February 15, 2016. In cases without intervenors, with no one other than Commission Staff ("Staff") submitting discovery, it is not unusual for the Commission to forgo establishing a procedural schedule. Roughly two weeks after the AG was granted intervention, he submitted a request for information to the Companies. Ten days later, on March 18, 2016, he filed a motion to set a procedural schedule, citing therein the Commission's March 8, 2016 Order compelling the Companies to respond to Staff's February 10, 2016 request for information. The AG states that he communicated to the Companies' counsel his request that responses to his request for information be provided by April 1, 2016, more than three weeks from the date of his requests. Stating that a procedural schedule would provide the Commission, Staff, and the parties more certainty and deliberation, the AG requests that a procedural schedule be issued.

On April 4, 2016, the Companies' filed a response to the AG's motion, contesting the AG's assertion that three weeks is more than a reasonable amount of time to respond to his requests for information.¹ The Companies contend that because of the voluminous nature of the AG's requests and the amount of time B&H must devote to preparing its planned ARF application, additional time is needed to respond to the AG's requests. They close their response by requesting that a procedural schedule be issued giving them until at least April 18, 2016, to answer the AG's requests for information.

DISCUSSION

Companies' Motion to Hold Case in Abeyance

The Companies' initial argument in support of their motion concerns how B&H's total rates (gas cost portion and base rate portion) compare to the total rates of other Kentucky-based smaller local gas distribution companies ("LDCs"). The Companies fail to demonstrate how this type of comparison relates to the reasonableness of B&H's gas costs. Furthermore, their motion includes no support for their allegation. B&H's intent to submit an ARF application likewise bears little relation to the reasonableness of its gas costs. While the Commission will make all reasonable efforts to timely process the ARF application upon filing by B&H, we will not grant the Companies' request to hold this case in abeyance during the pendency of the ARF proceeding.

AG's Motion to Set Procedural Schedule

The AG's motion requests a procedural schedule establishing "the additional procedural steps in this investigation." The Companies' response takes no exception to

¹ The Companies' Response to the AG's Motion to Set a Procedural Schedule was filed 17 days after the AG's Motion was filed.

the request for a procedural schedule; it asks only that the schedule allow them until at least April 18, 2016, to respond to the AG's outstanding requests. Recognizing the amount of time that has lapsed and the need to move forward in this investigation, we find that a procedural schedule should be established, and such has been appended to this Order. The schedule allows the Companies until April 18, 2016, to respond to the AG's requests for information.

FINDINGS

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. The Companies' request to hold this case in abeyance until the completion of B&H's planned ARF proceeding should be denied.

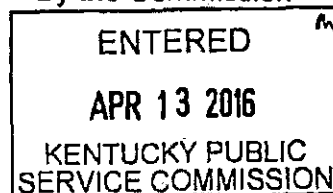
2. The AG's motion to establish a procedural schedule for this proceeding should be granted.

IT IS THEREFORE ORDERED that:

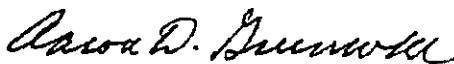
1. The Companies' request to hold this case in abeyance is denied.

2. The procedural schedule appended hereto shall be followed for the remainder of this proceeding.

By the Commission



ATTEST:



Acting Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00367 DATED **APR 13 2016**

B&H and B&S shall file responses to the AG's initial requests for
information no later than04/18/16

Supplemental requests for information to B&H and B&S
shall be filed no later than04/29/16

B&H and B&S shall file responses to supplemental requests
for information no later than05/12/16

Any party's request for a formal evidentiary hearing
shall be filed no later than05/20/16

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

*B & H Gas Company
B & H Gas Company
P. O. Box 447
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1024 Capital Center Drive
Suite 200
Frankfort, KENTUCKY 40601-8204

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On February 10, 2016, Commission Staff ("Staff") issued its First Request for Information ("Staff's First Request") to B&H Gas Company and B&S Oil and Gas Company (jointly "the Companies"). The Companies were required to file responses to Staff's First Request within 14 days of the date of the request, or on or before February, 24, 2016. After receiving from the Companies no response or request for an extension of time to respond to Staff's First Request, the Commission issued an Order on March 8, 2016, directing the Companies to provide the requested information within ten days of the date of that Order or be subject to a show cause proceeding and potential penalties pursuant to KRS 278.990 for their failure to respond to the request. On March 18, 2016, the Companies filed their responses to Staff's First Request.

Pursuant to the request of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), an Order was issued on April 13, 2016, establishing a procedural schedule for the processing of this matter. In accordance with the procedural schedule established in that Order, on April 29, 2016, both the Staff and AG submitted supplemental requests for information ("the Staff's and AG's Supplemental Requests") to the Companies. Pursuant to the established procedural schedule, the Companies were to respond to those requests no later than

May 12, 2016. To date, the Companies have not responded to the requests, nor have they submitted a motion, or any other document, seeking additional time in which to respond.

807 KAR 5:001, Section 4(12)(b), states that:

Commission staff, through the commission's executive director, may request information from any party to a case on the commission's behalf.

KRS 278.990(1), states, in part, that:

An officer, agent, or employee of a utility, as defined in KRS 278.010, and any other person who . . . fails to obey any order of the commission from which all rights of appeal have been exhausted. . . . shall be subject to either a civil penalty to be assessed by the commission not to exceed two thousand five hundred dollars (\$2,500) for each offense or a criminal penalty of imprisonment for not more than six (6) months, or both.

Based on the evidence of record, the Commission finds that:

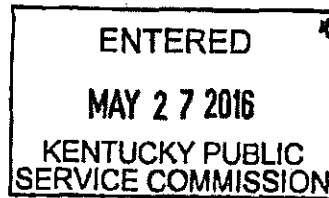
1. In compliance with the April 13, 2016 Order, the Staff's and the AG's Supplemental Requests were issued on April 19, 2016.
2. Contrary to the deadlines set forth in the Commission's April 13, 2016 scheduling Order, the Companies, to date, have neither filed responses to the Staff's and the AG's Supplemental Requests as due on May 12, 2016, nor have they filed any motion requesting an extension of time to file the responses.
3. The Companies should respond to the Staff's and the AG's Supplemental Requests within seven days of the date of this Order.
4. If responses to the Staff's and AG's Supplemental Requests are not filed within the time set forth above, the Companies may be subject to penalties, as permitted, pursuant to KRS 278.990(1).

IT IS THEREFORE ORDERED that:

1. Within seven days of the date of this Order, the Companies shall respond to the Staff's and AG's Supplemental Requests.

2. If responses are not received within seven days of the date of this Order, a show cause proceeding will be initiated to determine whether there are any reasons why penalties should not be imposed upon the Companies pursuant to KRS 278.990 for their failure to comply with this Order.

By the Commission



ATTEST:


Acting Executive Director

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

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

*B & S Oil and Gas Company
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*Joe F Childers
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*Larry Cook
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*Rebecca W Goodman
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1024 Capital Center Drive
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Frankfort, KENTUCKY 40601-8204

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

This matter comes to the Commission on the June 1, 2016 motion of B&H Gas Company ("B&H") and B&S Oil and Gas Company ("B&S") (collectively, "Companies") for an extension of time to file responses to the Commission Staff's Second Request for Information ("Staff's Second Request") and to the Supplemental Data Requests of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"). The responses to both Commission Staff ("Staff") and the AG were originally required to be filed May 12, 2016, pursuant to the Commission's Order of April 13, 2016, establishing a procedural schedule for the processing of this matter. On May 27, 2016, the Commission issued its Order addressing the Companies' failure to file responses to Staff's Second Request and the AG's Supplemental Request, and requiring the Companies to file their responses within seven days. Then on June 1, 2016, the Companies filed their pending motion requesting an extension of time until June 6, 2016, to file their responses to Staff's Second Request¹ and until June 13, 2016, to file responses the AG's Supplemental Request. In support of their motion, the

¹ The Companies' responses to Staff's Second Request were filed June 6, 2016.

Companies state that they have been working to gather information for an Alternative Rate Filing ("ARF"), which they claim has hampered their ability to timely file responses in this case.

As recounted in the Commission's May 27, 2016 Order, Staff issued its First Request for Information ("Staff's First Request") to the Companies on February 10, 2016. The Companies were required to file responses to Staff's First Request within 14 days of the date of the request, or on or before February, 24, 2016. After receiving no response or request for an extension of time to respond to Staff's First Request from the Companies, the Commission issued an Order on March 8, 2016, directing the Companies to provide the requested information within ten days of the date of that Order or be subject to a show cause proceeding and potential penalties pursuant to KRS 278.990 for their failure to respond to the request. The Companies then filed their responses to Staff's First Request on March 18, 2016.

The Commission notes that, since the initiation of this proceeding to investigate the affiliated wholesale cost of gas from B&S to B&H, it has been necessary to issue two Orders requiring the Companies' responses to Staff and the AG's requests for information. In its Order of April 18, 2016, the Commission denied the Companies' request to hold this case in abeyance pending the completion of B&H's planned ARF proceeding. The Commission does not intend to further delay the instant case in response to the Companies' continued claims that the delay is caused by its efforts to compile its ARF information. The wholesale cost of gas, which is the subject of this proceeding, is recovered through B&H's Gas Cost Adjustment mechanism and has no

bearing on the recovery of B&H's base rate revenues, which will be the subject of the oft-referenced but not yet filed ARF application.

FINDINGS AND ORDERS

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. To the extent that the Companies have already filed their responses to Staff's Second Request, their request for an extension of time should be granted.
2. To the extent that the AG has raised no objection to the Companies' motion, their request for an extension of time to file their responses to the AG's Supplemental Request by June 13, 2016, should be granted.
3. If responses to the AG's request for information are not received by June 13, 2016, a show cause proceeding may be initiated to determine whether there are any reasons why penalties should not be imposed upon the Companies pursuant to KRS 278.990 for their failure to comply with this Order.

IT IS THEREFORE ORDERED that:

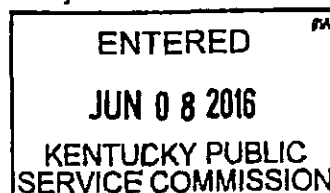
1. The Companies' motion requesting an extension of time to file their responses to Staff's Second Request and the AG's Supplemental Request is granted.
2. The Companies shall file their responses to the AG's Supplemental Request by June 13, 2016.

ATTEST:



Acting Executive Director

By the Commission



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

*B & H Gas Company
B & H Gas Company
P. O. Box 447
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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

B&H Gas Company ("B&H") and B&S Oil and Gas Company ("B&S") (collectively, "the Companies"), pursuant to 807 KAR 5:001, are to file with the Commission an original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed.

Each response shall include the name of the individual 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.

The Companies shall make timely amendment to any prior response if they obtain 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 the Companies fail or refuse to furnish all or part of the requested information, the Companies shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention should 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. When filing a paper containing personal information, the Companies' shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

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.

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

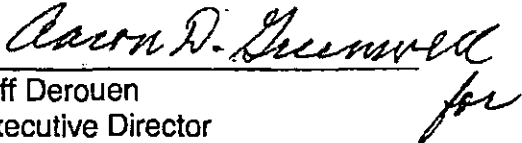
currently meet its obligations to B&S, and whether B&H customers are able to pay their bills to B&H at the current rate. From 2008 through 2015, B&H and its customers have been consistently unable to pay for gas at the current rate. B&H reviews the appropriateness of the contract price on an annual basis, and the information considered includes the currently 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.

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.

4. Provide the pressure at which B&H customers receive gas through their meters.
5. Provide the pressure at which B&H customers' meters are set for billing purposes.


Jeff Derouen
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED FEB 10 2016

cc: Parties of Record

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

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

*B & S Oil and Gas Company
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*Joe F Childers
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Lexington, KENTUCKY 40507

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO
B&H GAS COMPANY AND B&S OIL AND GAS COMPANY

B&H Gas Company ("B&H") and B&S Oil and Gas Company ("B&S") (collectively, "Companies"), pursuant to 807 KAR 5:001, are to file with the Commission an original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 12, 2016. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the individual 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.

The Companies shall make timely amendment to any prior response if they obtain 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 the Companies fail or refuse to furnish all or part of the requested information, the Companies shall provide a written explanation of the specific grounds for their 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. When filing a paper containing personal information, the Companies shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the response to Commission Staff's First Request for Information, Item 3, which, in support of the statement, "The \$9.38 Mcf contract price is reflective of market price," refers to (1) the higher BTU content of the gas provided B&H's customers, (2) that the gas is being delivered at a higher pressure than is typical for gas companies, and (3) that B&S is the only supplier that can provide gas at each delivery point necessary to service B&H customers.

a. Explain how the pressure at which gas is delivered affects price and how that causes the \$9.38 per Mcf contract price to be "reflective of market price."

b. Explain how B&S's being the only supplier that can provide gas at each delivery point necessary to service B&H customers causes the \$9.38 per Mcf price contract price to be "reflective of market price."

2. Refer to the response to the Initial Request for Information of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate

Intervention, ("AG's First Request"), Item 26, in which the last sentence reads, "Respondent cannot recall the specific amount of the loan/grant, but believes it to be between \$300,000.00–\$400,000.00, and has no information about any outstanding amounts." Confirm whether the loan to which the response refers is the "Other Long-Term Debt" which has been included in B&H's annual reports filed with the Commission since 1995 and for which the balance has been shown as \$405,761 since 2004.

3. Refer to the response to the AG's First Request, Item 32.c., which repeats an earlier response provided to Staff's First Request, Item 2, in stating that "B&H has the lowest rates in the area."

- a. Define "the area" as used in the aforementioned response.
- b. Identify the Kentucky jurisdictional local gas distribution companies whose rates B&H compared to its rates in reaching the conclusion that it has the lowest rates in the area.

4. Refer to the response to the AG's First Request, Item 34.a., and Exhibit D to the response, which contains seven pages numbered 4–10 that appear to be pages from a document prepared for B&H by Southern Hydrocarbon Corporation ("SHC").

- a. Provide the first three pages of the SHC document.
- b. Pages 4–5 and 7–10 appear to reflect the results of tests of specific wells taken on April 4, 2016, or April 11, 2016. Explain what is represented by the information shown on page 6 from the four samples apparently taken on April 2, 2016.
- c. Pages 4–5, which identify the well/sites to be Betsy Layne Shop and Mare Creek Shop, respectively, have "Blend" written on the line on which the well/site is identified. Pages 7–10 contain the same type of information as pages 4–5

for the well/sites Booker, Mare Creek, Betsy Layne, and Ivel, but do not have "Blend" written on them. Explain what "Blend" represents and why it is on only some of the pages.



Aaron D. Greenwell
Acting Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED APR 29 2016

cc: Parties of Record

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

*B & H Gas Company
B & H Gas Company
P. O. Box 447
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

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.

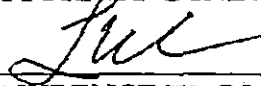
(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(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



LAWRENCE W. COOK
REBECCA W. GOODMAN
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DRIVE,
SUITE 200
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315
Rebecca.Goodman@ky.gov
Larry.Cook@ky.gov

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 29th 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
Attorney General's Supplemental Data Requests

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.

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
Attorney General's Supplemental Data Requests

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.

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
Attorney General's Supplemental Data Requests

- 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.

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
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Attorney General's Supplemental Data Requests

- 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?

An Investigation of the Gas Costs of B&H Gas Company Pursuant to KRS 278.2207 and
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Pursuant To KRS 278.274
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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.

4/4/16 at 13:21:22.55

Page: 1

B & H Gas Company, Inc. 2015 Vendor Ledgers For the Period From Jan 1, 2015 to Dec 31, 2015							
Filter Criteria Includes: 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
	5/1/15	7803	CDJ		928.00	928.00	0.00
	6/1/15	7845	CDJ		928.00	928.00	0.00
	10/1/15	7941	CDJ		1,858.00	1,858.00	0.00
	12/1/15	7984	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
	3/8/15	7740	CDJ		2,500.00	2,500.00	0.00
	3/8/15	7748	CDJ		3,000.00	3,000.00	0.00
	4/1/15	7775	CDJ		3,000.00	3,000.00	0.00
	4/1/15	7779	CDJ		2,000.00	2,000.00	0.00
	12/1/16	7983	CDJ		1,400.00	1,400.00	0.00
Report Total					47,780.84	47,780.84	0.00

- Provide the street address of the office from which Bud Rife Construction Co. conducts its operations.
- Provide the number of employees of Bud Rife Construction Co.
- Confirm that from 2/1/15 through and including 12/1/15, B&H paid \$24,400.00 to Bud Rife Construction Co.
- 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.
- 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.

An Investigation of the Gas Costs of B&H Gas Company Pursuant to KRS 278.2207 and
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Pursuant To KRS 278.274
Case No. 2015-00367
Attorney General's Supplemental Data Requests

- 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?

An Investigation of the Gas Costs of B&H Gas Company Pursuant to KRS 278.2207 and
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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.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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

B&H Gas Company ("B&H") and B&S Oil and Gas Company ("B&S") (collectively, "the Companies"), pursuant to 807 KAR 5:001, are to file with the Commission an original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed.

Each response shall include the name of the individual 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.

The Companies shall make timely amendment to any prior response if they obtain 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 the Companies fail or refuse to furnish all or part of the requested information, the Companies shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention should 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. When filing a paper containing personal information, the Companies' shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

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.

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 currently 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.

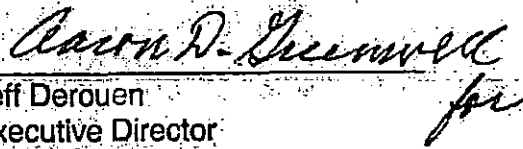
a. Given that for several years, B&H and its customers have been consistently unable to pay for gas at the current rate, explain in detail why B&H has not aggressively pursued a lower price for the gas it purchases from B&S.

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.

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.

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

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


Jeff Derouen
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED FEB 10 2016

cc: Parties of Record

Case No. 2015-00367

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

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

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

*Joe F Childers
Joe F. Childers & Associates
300 Lexington Building
201 West Short Street
Lexington, KENTUCKY 40507

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO
B&H GAS COMPANY AND B&S OIL AND GAS COMPANY

B&H Gas Company ("B&H") and B&S Oil and Gas Company ("B&S") (collectively, "Companies"), pursuant to 807 KAR 5:001, are to file with the Commission an original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 12, 2016. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the individual 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.

The Companies shall make timely amendment to any prior response if they obtain 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 the Companies fail or refuse to furnish all or part of the requested information, the Companies shall provide a written explanation of the specific grounds for their 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. When filing a paper containing personal information, the Companies shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the response to Commission Staff's First Request for Information, Item 3, which, in support of the statement, "The \$9.38 Mcf contract price is reflective of market price," refers to (1) the higher BTU content of the gas provided B&H's customers, (2) that the gas is being delivered at a higher pressure than is typical for gas companies, and (3) that B&S is the only supplier that can provide gas at each delivery point necessary to service B&H customers.

a. Explain how the pressure at which gas is delivered affects price and how that causes the \$9.38 per Mcf contract price to be "reflective of market price."

b. Explain how B&S's being the only supplier that can provide gas at each delivery point necessary to service B&H customers causes the \$9.38 per Mcf price contract price to be "reflective of market price."

2. Refer to the response to the Initial Request for Information of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate

Intervention, ("AG's First Request"), Item 26, in which the last sentence reads, "Respondent cannot recall the specific amount of the loan/grant, but believes it to be between \$300,000.00-\$400,000.00, and has no information about any outstanding amounts." Confirm whether the loan to which the response refers is the "Other Long-Term Debt" which has been included in B&H's annual reports filed with the Commission since 1995 and for which the balance has been shown as \$405,761 since 2004.

3. Refer to the response to the AG's First Request, Item 32.c., which repeats an earlier response provided to Staff's First Request, Item 2, in stating that "B&H has the lowest rates in the area."

a. Define "the area" as used in the aforementioned response.

b. Identify the Kentucky jurisdictional local gas distribution companies whose rates B&H compared to its rates in reaching the conclusion that it has the lowest rates in the area.

4. Refer to the response to the AG's First Request, Item 34.a., and Exhibit D to the response, which contains seven pages numbered 4-10 that appear to be pages from a document prepared for B&H by Southern Hydrocarbon Corporation ("SHC").

a. Provide the first three pages of the SHC document.

b. Pages 4-5 and 7-10 appear to reflect the results of tests of specific wells taken on April 4, 2016, or April 11, 2016. Explain what is represented by the information shown on page 6 from the four samples apparently taken on April 2, 2016.

c. Pages 4-5, which identify the well/sites to be Betsy Layne Shop and Mare Creek Shop, respectively, have "Blend" written on the line on which the well/site is identified. Pages 7-10 contain the same type of information as pages 4-5

for the well/sites Booker, Mare Creek, Betsy Layne, and Ivel, but do not have "Blend" written on them. Explain what "Blend" represents and why it is on only some of the pages.



Aaron D. Greenwell
Acting Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED APR 29 2016

cc: Parties of Record

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

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

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

*Joe F Childers
Joe F. Childers & Associates
300 Lexington Building
201 West Short Street
Lexington, KENTUCKY 40507

*Larry Cook
Assistant Attorney General
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Assistant Attorney General
Office of the Attorney General Utility & Rate
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Frankfort, KENTUCKY 40601-8204

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

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.

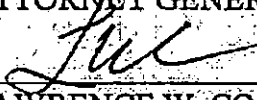
(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(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


LAWRENCE W. COOK
REBECCA W. GOODMAN
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DRIVE,
SUITE 200
FRANKFORT KY 40601-8204
(502) 696-5453
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Rebecca.Goodman@ky.gov
Larry.Cook@ky.gov

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 29th 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
Attorney General's Supplemental Data Requests

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.

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,
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Case No. 2015-00367
Attorney General's Supplemental Data Requests

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.

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

Attorney General's Supplemental Data Requests

- 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.

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,
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Attorney General's Supplemental Data Requests

- 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?

**An Investigation of the Gas Costs of B&H Gas Company Pursuant to KRS 278.2207 and
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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.

4/4/16 at 12:31:22.55

Page: 1

B & H Gas Company, Inc. 2015							
Vendor Ledgers							
For the Period From Jan 1, 2015 to Dec 31, 2015							
<small>Filter Criteria Includes: 1) IDs from Bud Rife Rent to BUDRIE CONSTRUCTION. Report order is by ID.</small>							
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	2/1/15	7717	CDJ		928.00	928.00	0.00
	3/1/15	7758	CDJ		10,722.81	10,722.81	0.00
	4/1/15	7771	CDJ		2,784.00	2,784.00	0.00
	5/1/15	7803	CDJ		928.00	928.00	0.00
	6/1/15	7845	CDJ		928.00	928.00	0.00
	10/2/15	7841	CDJ		1,859.00	1,859.00	0.00
	12/1/15	7894	CDJ		3,712.00	3,712.00	0.00
BUDRIE CONSTRUCTI	2/1/15	7710	CDJ		2,000.00	2,000.00	0.00
BUDRIE 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
	3/5/15	7740	CDJ		2,500.00	2,500.00	0.00
	3/5/15	7748	CDJ		3,000.00	3,000.00	0.00
	4/1/15	7775	CDJ		3,000.00	3,000.00	0.00
	4/1/15	7779	CDJ		2,000.00	2,000.00	0.00
	12/1/15	7883	CDJ		1,400.00	1,400.00	0.00
Report Total					47,780.84	47,780.84	0.00

- Provide the street address of the office from which Bud Rife Construction Co. conducts its operations.
- Provide the number of employees of Bud Rife Construction Co.
- Confirm that from 2/1/15 through and including 12/1/15, B&H paid \$24,400.00 to Bud Rife Construction Co.
- 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.
- 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?

An Investigation of the Gas Costs of B&H Gas Company Pursuant to KRS 278.2207 and
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Attorney General's Supplemental Data Requests

- (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.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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 INITIAL 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 Initial 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"] 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



LAWRENCE W. COOK
REBECCA W. GOODMAN
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DRIVE,
SUITE 200
FRANKFORT KY 40601-8204
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Rebecca.Goodman@ky.gov
Larry.Cook@ky.gov

Certificate of Service and Filing

Counsel certifies that an original and seven photocopies of the foregoing were served and filed by hand delivery to James W. Gardner, 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 prepaid, 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 7th day of March, 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
Attorney General's Initial Data Requests

1. Please state when Mr. Rife became an officer, director, member, principal and/or owner of:
 - a. Johnson County Gas;
 - b. B&H Gas Co. ("B&H");
 - c. B&S Oil & Gas Co. ("B&S");
 - d. Bradley & Son Oil & Gas Co.;
 - e. Bud Rife Construction Co.; and/or
 - f. Hall, Stephens, & Hall
2. Please identify any and all other corporations, LLCs, partnerships and/or any and all other business entities of any type or sort in which Mr. Rife holds an interest as an officer, director, member, partner, principal and/or owner which are engaged in gas drilling, gathering, distribution, transportation, or procurement in any state.
3. Please state whether any relative of Mr. Rife's, whether by blood or by marriage, holds or will hold any type or sort of position or title, whether as an officer, director, member, partner, principal, employee, owner, contractor or consultant, with:
 - a. Johnson County Gas;
 - b. B&H;
 - c. B&S;
 - d. Bradley & Son Oil & Gas Co.;
 - e. Bud Rife Construction Co.; and/or
 - f. Hall, Stephens, & Hall
4. If your response to the question immediately above, including its subparts is "yes," please provide the name(s) of the relative(s), together with the amount of salary, commissions, and/or any other type or sort of remuneration.
5. Do B&H and/or B&S maintain any contracts with vendors whose principals are in any manner related, by blood or marriage, to B&H's and/or B&S' officers, directors, members, partners, principals, employees, owners, and/or their independent contractors or consultants? If yes:
 - a. Please provide copies of any such contract, and a breakdown of how much money was spent per contract per year for the last ten (10) calendar years; and

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- b. Please state whether the contracts were awarded pursuant to a bid process, and if so, provide specifics of that bid process.
6. Please state whether Bud Rife, and any individuals related to him by blood or marriage, have received any type or sort of bonus or remuneration during the past five (5) years from the entities listed below, and if so, the amount(s) thereof:
 - a. Johnson County Gas;
 - b. B&H;
 - c. B&S;
 - d. Bradley & Son Oil & Gas Co.;
 - e. Bud Rife Construction Co.; and/or
 - f. Hall, Stephens, & Hall
7. Please confirm that B&H receives between 95% - 100% of its gas supply from B&S.
8. Please identify the source(s) of the gas that B&S procures, including any from outside of Kentucky.
9. Identify all customers of B&S other than B&H, including any from outside of Kentucky.
10. Provide copies of all documents setting forth the criteria B&S uses in procuring gas from entities not affiliated in any manner with B&S, and in which Bud Rife holds no interest of any type or sort.
11. Please provide copies of all documents setting forth the costs B&S incurs in obtaining gas for B&H.
12. Please provide copies of all RFPs which B&S issued for gas supply during the last ten (10) years.
13. Please provide copies of all RFPs that B&H issued for gas supply during the last ten (10) years.
14. As a result of Johnson County Gas Company's bankruptcy petition, did Mr. Rife become personally responsible for any of Johnson County Gas Co.'s debts? If so,

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Attorney General's Initial Data Requests

state whether those debts have been paid, and if not, the amount for which he remains responsible.

15. Is Mr. Rife personally responsible for any of the debts of:

- a. B&H;
- b. B&S;
- c. Bradley & Son Oil & Gas Co.;
- d. Bud Rife Construction Co.; and/or
- e. Hall, Stephens, & Hall

16. Is B&H, and/or B&S affiliated with an entity known as Hall, Stephens, & Hall?

17. Is Hall, Stephens, & Hall now, or has it ever been a gas supplier for: (a) B&H Gas; and/or (b) Johnson County Gas?

18. Does: (i) B&H Gas; and/or (ii) Johnson County Gas, now, or have they ever obtained gas supply from:

- a. Bradco Oil Company (a/k/a Bradley & Son Oil & Gas Co.);
- b. Columbia Gas Co.;
- c. Atmos Energy Marketing;
- d. Constellation NewEnergy; and/ or
- e. B&S Oil & Gas Co.?

19. Please confirm that in Case No. 2012-00140, Johnson County Gas and Mr. Rife stated in response to the Commission Staff's first data request, item no. 6, that B&H shares office space with Johnson County Gas, and that both entities pay a monthly rent to Mr. Rife.

- a. Does Johnson County Gas continue to maintain offices in the same location as B&H, and/or B&S?
- b. Please identify any and all other businesses that share office space at this location.

20. Has Bud Rife ever filed for bankruptcy?

21. Is B&H contemplating, or does it have plans to file for bankruptcy?

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22. Has B&S ever filed for bankruptcy? If so, please provide the bankruptcy court case number, together with those of any adversary proceedings filed under that bankruptcy petition.
- a. Is B&S contemplating, or does it have plans to file for bankruptcy?
23. Where is the northern-most terminus of B&H's system, and in what county?
24. Please provide a ledger of all B&H vendors, including but not limited to B&S, Bud Rife Construction Company, Inc., and Hall, Stephens, & Hall, from calendar year ending Dec. 31, 2012 through January, 2016. The ledger should set forth transaction dates, amounts paid out and amounts received.
25. Regarding B&H's transactions with: (a) Bud Rife Construction Company, Inc.; (b) Hall, Stephens, & Hall; (c) B&S; and (d) Johnson County Gas, state whether any RFPs were issued, and provide copies of same.
26. Has B&H ever received any loans from: (a) the Kentucky Municipal Gas Utility Investment Trust; (b) the Governor's Office for Local Development; (c) the Department for Local Government; and/or (d) Kentucky Gas System Restoration Project Revolving Loan Fund? If the answer is "yes," please identify the amounts of all such loans, the date of all such loans, and the any outstanding amounts on those loans.
27. State the nature of the services that Bud Rife Construction Company, Inc. provided to B&H.
28. Please state whether Mr. Rife's management fee received from B&H includes services he provides for repairs and maintenance.
29. Please confirm that in Johnson County Gas's rate case, Case No. 2012-00140, the Commission approved a volumetric charge of \$8.60 per Mcf, and a gas cost recovery rate of \$6.4140.
30. Please confirm that by Order dated May 17, 1989 in Case No. 89-018, p. 2, the Commission noted that, "Mr. Rife should be aware that after the transfer in this case is approved B&H and Bradley & Son will be considered affiliated companies . . . and

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accordingly, purchase gas transactions between the two will be closely scrutinized and Bradley & Son will be regulated by this Commission . . ." [emphasis added]

31. With regard to the response of B&H and B&S to PSC 1-2 in the current case:
- a. please provide a current quote from Equitable for gas supply;
 - b. identify what measures that Equitable, B&H, and/or B&S could take to increase the line pressure to a level sufficient to allow for Equitable to supply more gas to B&H.
32. Regarding the response of B&H and B&S to PSC 1-4 and 1-5 in the current case, does Mr. Rife agree that it is accurate to say that B&H and B&S are, for regulatory purposes, one and the same? If not, why not?
- a. If you disagree with this statement, please state how the two companies could reach such an agreement independently from each other, in an at-arm's-length transaction?
 - b. Regarding the response to PSC 1-5, does Mr. Rife negotiate with himself?
 - c. Given the companies' statement in their response to PSC 1-5 that B&H's customers have been "consistently unable to pay for gas at the current rate," would B&H agree that is appropriate to either obtain a price reduction from B&S, or obtain a new gas supply? If not, why not?
33. Regarding the Commission's Informal Conference Memorandum dated Jan. 21, 2016, Mr. Rife advised the Commission that most of the records pertaining to both B&H and B&S were destroyed in two fires, one in December 2015 and the other in January 2016.
- a. Please state what portion of the companies' combined records were destroyed after the December 2015 fire.
 - b. In the December fire, were more of B&H's records destroyed, or more of B&S' records?
 - c. Following the December 2015 fire, from what location did the companies conduct business?
 - d. Identify all measures the companies took to preserve the records that remained following the December fire.
 - e. Were any of the records for B&H and/or B&S stored on computer drives? If so: (i) did one or both fires destroy the computers, and if so, in which

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fire were they destroyed?; and (ii) did B&H, B&S and Mr. Rife ever back up records on a separate hard drive?

- f. Were any records pertaining to Johnson County Gas destroyed or damaged in one or both fires? If so, does this impair the ability of Mr. Rife to operate Johnson County Gas? Please explain.
- g. Have authorities investigated the cause of the December fire? Please provide the identity of any such applicable agencies.
- h. Have authorities investigated the cause of the January fire? Please provide the identity of any such applicable agencies.
- i. Has or have the cause(s) of one or both fires been determined? If so, please identify.
- j. As a result of one or both fires, is B&H able to operate its system in a safe and reliable manner?
- k. As a result of one or both fires, is B&H giving any consideration to selling its system, or to filing bankruptcy?
- l. Since the fires have destroyed most of B&H's records, how will the company be able to file a base rate case?
- m. Do B&H and/or B&S have insurance policies that could cover the losses incurred in one or both policies? If so, please provide copies of declarations pages applicable to such policies.

34. Regarding the Commission's Informal Conference Memorandum dated Jan. 21, 2016:

- a. Mr. Rife told Commission staff that the BTU content of the gas from B&S's wells is 1350. Do the companies have any records regarding such testing? If so, please provide copies.
- b. Mr. Rife stated that B&S's gas is delivered at a higher pressure than is common for most utilities. Given the combination of higher BTU and higher pressure, do B&H's customers need to take any precautions or modifications to their gas-burning furnaces and appliances?
- c. If B&H and/or B&S plan on obtaining a new building to house their operations, will they seek recovery for such expenses in an ARF case? If so:
 - (i) What portion will Johnson County Gas contribute to the expenses of obtaining a new building?
 - (ii) Please provide the methodology that Mr. Rife will use for determining the allocation of costs to B&H and Johnson County ratepayers.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

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.

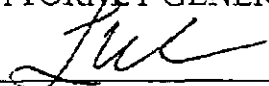
(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(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 29th 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
Attorney General's Supplemental Data Requests

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; (ii) 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.

4/4/16 at 13:21:22.55

Page: 1

B & H Gas Company, Inc. 2015 Vendor Ledgers For the Period From Jan 1, 2015 to Dec 31, 2015						
Filter Criteria Includes: 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
Bud Rife Rent	1/1/15	7687	CDJ		1,531.83	1,531.83
Bud Rife	2/1/16	7717	CDJ		928.00	928.00
	3/1/16	7758	CDJ		10,722.81	10,722.81
	4/1/16	7771	CDJ		2,784.00	2,784.00
	5/1/16	7803	CDJ		928.00	928.00
	6/1/16	7845	CDJ		928.00	928.00
	10/3/16	7841	CDJ		1,655.00	1,655.00
	12/1/16	7894	CDJ		3,712.00	3,712.00
BUDRIFE CONSTRUCTI	2/1/15	7710	CDJ		2,000.00	2,000.00
BUDRIFE CONSTRUCTI	2/1/15	7718	CDJ		2,500.00	2,500.00
	2/1/15	7730	CDJ		2,000.00	2,000.00
	3/1/15	7757	CDJ		6,000.00	6,000.00
	3/6/15	7740	CDJ		2,500.00	2,500.00
	3/6/16	7746	CDJ		3,000.00	3,000.00
	4/1/16	7775	CDJ		3,000.00	3,000.00
	4/1/16	7779	CDJ		2,000.00	2,000.00
	12/1/16	7893	CDJ		1,400.00	1,400.00
Report Total					47,780.64	47,780.64

- Provide the street address of the office from which Bud Rife Construction Co. conducts its operations.
- Provide the number of employees of Bud Rife Construction Co.
- Confirm that from 2/1/15 through and including 12/1/15, B&H paid \$24,400.00 to Bud Rife Construction Co.
- 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.
- 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.

Respondent – Exhibit 3

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

or

In the Confidential File Materials at PSC

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

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

*B & S Oil and Gas Company
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Harold, KENTUCKY 41635

*Bud Rife
President
B & H Gas Company
P. O. Box 447
Betsy Layne, KY 41605

*Bethany Baxter
Joe F. Childers & Associates
300 Lexington Building
201 West Short Street
Lexington, KENTUCKY 40507

*Joe F Childers
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