

November 23, 2016

Via Hand-Delivery

Ms. Talina Matthews, Ph.D.
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

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NOV 23 2016
PUBLIC SERVICE
COMMISSION

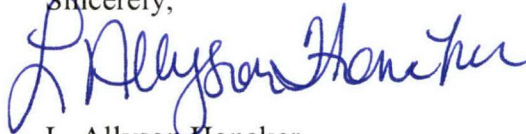
Re: *In the Matter of: The Application of Martin Gas, Inc., for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076 - Case No. 2016-00332*

Dear Ms. Matthews:

Enclosed please find for filing with the Commission in the above-referenced case an original and eight (8) copies of Martin Gas, Inc.'s Responses to Commission Staff's Initial Request for Information and Martin Gas, Inc.'s Responses to the Attorney General's Initial Request for Information. Please return a file-stamped copy to me.

Please do not hesitate to contact me if you have any questions.

Sincerely,



L. Allyson Honaker

Enclosures

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NOV 23 2016

PUBLIC SERVICE
COMMISSION

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**APPLICATION OF MARTIN GAS, INC. FOR)
RATE ADJUSTMENT FOR SMALL UTILITIES) CASE NO. 2016-00332
PURSUANT TO 807 KAR 5:076)**

**RESPONSES TO ATTORNEY GENERAL'S INITIAL DATA REQUESTS
TO MARTIN GAS, INC.
DATED NOVEMBER 10, 2016**

**MARTIN GAS, INC.
PSC CASE NO. 2016-00332
RESPONSE TO DATA REQUEST**

AG'S DATA REQUEST DATED 11/10/16

REQUEST 1

RESPONSIBLE PARTY: Kevin Jacobs

Request 1. Confirm the attachment to this request, titled "Appendix A," contains the rates Martin Gas was approved to charge customers following Case No. 2006-504.

Response 1. Martin Gas confirms that "Appendix A" contains the rates approved by the Commission in Case No. 2006-504.

**MARTIN GAS, INC.
PSC CASE NO. 2016-00332
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AG'S DATA REQUEST DATED 11/10/16

REQUEST 2

RESPONSIBLE PARTY: Kevin Jacobs

Request 2. Confirm the difference between the rates contained in "Appendix A," and the rates currently on file with the Public Service Commission are due to the company's purchased gas adjustment.

Response 2. Martin Gas confirms that the difference in rates is due to Martin Gas' PGA.

MARTIN GAS, INC.
PSC CASE NO. 2016-00332
RESPONSE TO DATA REQUEST

AG'S DATA REQUEST DATED 11/10/16

REQUEST 3

RESPONSIBLE PARTIES: Kevin Jacobs

Request 3. Confirm the Notice in Martin Gas's Response to Deficiencies wherein it states the monthly average customer bill of \$67.34 is correct. If this is not correct, provide the actual monthly average customer bill amount.

a. Further, whether or not \$67.34 is correct, provide the calculation for the average bill the company used to calculate the amount.

b. Provide a sample bill indicating the method of bill calculation as a customer would normally receive.

Response 3. The amount of the average bill published in the customer notice was incorrect. The correct average monthly bill is \$60.75.

Response 3a. Martin Gas incorrectly multiplied the entire average usage of 6.83 mcf \$8.875 and also added the minimum charge of \$9.01 to get the \$67.34 average bill. The correct calculation should have been to subtract the first mcf from the 6.83 mcf before multiplying by \$8.875 since the first mcf is included in the minimum bill charge of \$9.01 which makes the average bill \$60.75.

Response 3b. Attached to this response are three sample bills to show that the first mcf is only billed as the minimum charge. Two of the sample bills show usage while the third bill shows the bill a customer receives when there is no usage in a particular month.

MARTIN GAS INC.
P.O. BOX 783
HINDMAN KY 41822
800-771-0761

INVOICE
60-61

Statement Date: 9/29/2016

Account ID: [REDACTED]

[REDACTED]
DWARF KY 41739

For Service at:
[REDACTED]
Dwarf KY 41739

Current Reading: 56

Previous Reading: 56

Usage: 0

DATE	DESCRIPTION	AMOUNT
	Beginning Balance	\$9.65
09/13/16	MO [REDACTED]	-\$9.65
09/29/16	0 Additional Units (MCF)	\$0.00
09/29/16	1 Minimum Charge	\$9.37
	SCHOOL TAX:	\$0.28
	ACCOUNT BALANCE:	\$9.65
	AMOUNT DUE:	\$9.65

Page 1 of 1

Payment due by the 25th to avoid a 10% late charge.

Return This Stub with Payment

[REDACTED]
DWARF KY 41739

Statement Date: 9/29/2016

Account ID: [REDACTED]

AMOUNT PAID: _____

TOTAL DUE: \$9.65

MARTIN GAS INC.
P.O. BOX 783
HINDMAN KY 41822

MARTIN GAS INC.
P.O. BOX 783
HINDMAN KY 41822
800-771-0761

INVOICE
60-25

Statement Date: 9/29/2016

Account ID: [REDACTED]

[REDACTED]
HAZARD KY 41701

For Service at:

[REDACTED]
HAZARD KY 41701

Current Reading: 1282

Previous Reading: 1281

Usage: 1

DATE	DESCRIPTION	AMOUNT
	Beginning Balance	\$9.65
09/08/16	Check [REDACTED]	-\$9.65
09/29/16	1 Minimum Charge	\$9.37
09/29/16	0 Additional Units (MCF)	\$0.00

SCHOOL TAX: \$0.28

ACCOUNT BALANCE: \$9.65

AMOUNT DUE: \$9.65

Page 1 of 1

Payment due by the 25th to avoid a 10% late charge.

Return This Stub with Payment

[REDACTED]
HAZARD KY 41701

Statement Date: 9/29/2016

Account ID: [REDACTED]

AMOUNT PAID: _____

TOTAL DUE: \$9.65

MARTIN GAS INC.
P.O. BOX 783
HINDMAN KY 41822

EXHIBIT "A"

MARTIN GAS INC.
P.O. BOX 783
HINDMAN KY 41822
800-771-0761

INVOICE
73-327

Statement Date: 10/31/2016

Account ID: [REDACTED]

[REDACTED]
MARTIN KY 41649

For Service at:
[REDACTED]
MARTIN KY 41649

Current Reading: 947

Previous Reading: 944

Usage: 3

DATE	DESCRIPTION	AMOUNT
	Beginning Balance	\$120.37
10/31/16	Check [REDACTED]	-\$120.37
10/31/16	2 Additional Units (MCF)	\$18.50
10/31/16	1 Minimum Charge	\$9.37

SCHOOL TAX: \$0.00

ACCOUNT BALANCE: \$27.87

AMOUNT DUE: \$27.87

Payment due by the 25th to avoid a 10% late charge.

Return This Stub with Payment

[REDACTED]
MARTIN KY 41649

Statement Date: 10/31/2016

Account ID: [REDACTED]

AMOUNT PAID: _____

TOTAL DUE: \$27.87

MARTIN GAS INC.
P.O. BOX 783
HINDMAN KY 41822

MARTIN GAS, INC.
PSC CASE NO. 2016-00332
RESPONSE TO DATA REQUEST

AG'S DATA REQUEST DATED 11/10/16

REQUEST 4

RESPONSIBLE PARTY: Kevin Jacobs

Request 4. Reference the portion of the Application titled "Administrative and General Expenses" to answer the following requests.

- a. In addition to the following requests, provide a detailed description of each item listed under Administrative and General Expenses, as well as the exact amount included as a test-year adjustment.
- b. Provide the amount of revenue and tax rate used to determine the increase and the total amount of Taxes and Taxes Other than Income Taxes.
- c. Provide documentation, contracts or rates which evidence the new advertising expense will be \$6,000 a year.
- d. Provide the total amount of health insurance premiums paid by the company or affiliate companies for employees of Martin Gas for each of the past two (2) years.
- e. Provide the total amount of health insurance premiums paid by the employees of Martin Gas for each the past two (2) years.
- f. Provide the rationale for such a large increase in automobile insurance.
- g. Provide the rationale for the expense increase in Work Compensation Insurance.
- h. How many additional part-time staff does Martin Gas intend to hire? Further, at what rate does Martin Gas intend to hire additional part-time staff and has the company provided for additional costs associated with the hiring of these workers?

i. Provide the total expenses associated with the hiring of additional part-time staff, itemized by cost.

j. Provide the total adjustment for clerical expenses. Further, provide the amount of clerical expenses in the test-year used for the 2006 rate case, and the number of customers then and now.

k. Are "Legal Fees" included as an adjustment to the test year in the application? If so, provide the rationale and documentation for doing so, and in particular why this should be considered an on-going expense if the purpose is to recover the cost of current litigation.

l. Confirm the amount of Legal Fees for This Application, estimated to be \$25,000, was not included as an adjustment to the test year in the application. If it was included as an adjustment to the test-year, provide the rationale for doing so.

m. Provide the costs incurred by Martin Gas as part of this proceeding. As an on-going request, provide updates for the rate-case expense associated with this proceeding.

Response 4a.

i.	Wages	\$51,119.00
ii.	Advertising	6,000.00
iii.	Interest Expense	7,366.00
iv.	Interest Expense-Customer Deposits	59.00
v.	Health Insurance	7,563.00
vi.	Automobile Insurance	4,140.00
vii.	Worker's Compensation Insurance	4,681.00
viii.	Management Fees	56,911.00
ix.	Accounting Expense	6,768.00
x.	Clerical Expense	9,600.00
xi.	Legal Fees	12,000.00

xii.	Legal Fees for ARF Filing	25,000.00
xiii.	Bank Charges	70.00
xiv.	Office Supplies	3,600.00
xv.	Property Insurance	10,680.00
xvi.	Fuel Expense	18,000.00
xvii.	Drug Tests	80.00
<u>xviii.</u>	<u>Telephone</u>	<u>2,156.00</u>
Total		\$226,151.00

Response 4b.

The increase in sales revenue was 43% mcf

2015 School Tax - $\$4,151.05 \times 43\% = \$1,785$

2015 Sales Tax - $\$6,433.67 \times 43\% = \$2,766$

Also, the amounts listed above in Response 4a for Management Fees, Accounting Expense, Legal Fees and Clerical Expense will all be converted to payroll deductions and will add \$11,010.00 to payroll tax expense. This would be a total of \$15,561.00. In the original calculation, \$2,964.00 was allocated for income tax and should not be included.

Response 4c.

Martin Gas recently published certain items in the Knott County newspaper. The rate for the advertisement was \$180.00 for a one-time publishing of the advertisement. Martin Gas plans to advertise and/or issue notices regarding "Kentucky 811 – Call Before You Dig", in an effort to bring awareness to area residents of the importance of locating natural gas lines before digging and to help mitigate damage to natural gas lines. Martin Gas also intends to publish awareness notices regarding carbon monoxide effects and the need for customers to install carbon monoxide detectors in their homes and businesses. In addition, Martin Gas plans to publish notices showing the benefits of natural gas and the difference heating with natural gas can bring verses electricity. Martin Gas believes that by providing safety information and benefit information to

the public will help to maintain its current customer base as well as bring additional customers to Martin Gas and to help lower repair expenses for damaged pipeline.

Response 4d. \$15,126 total (2014 was \$6,888 and 2015 was \$8,238)

Response 4e. Martin Gas employees did not pay any amount towards the health insurance during the past two (2) years.

Response 4f. Many of the operational expenses of Martin Gas, including automobile insurance, have in the past, been paid by Clean Gas, Inc. Clean Gas is another family owned natural gas drilling and producer. In 2011, Clean Gas sold much of its income producing assets and is now unable to continue to subsidize Martin Gas. The \$4,140.00 increase in automobile insurance is merely the actual amount Martin Gas should have been paying for automobile insurance but Clean Gas was paying on Martin Gas' behalf. This automobile insurance provides insurance coverage for the field worker's truck.

Response 4g. Please refer to Response 4f above. Worker's Compensation Insurance is another expense that Clean Gas has been paying on behalf of Martin Gas and can no longer continue to pay for Martin Gas. The \$4,681.00 increase is an estimate of what the Worker's Compensation expense will be. The actual amount will not be fully known until wages and other items are set.

Response 4h. Martin Gas plans to employ at least one part-time employee at a rate of \$12.00 per hour. The employee will work two days per week or sixteen hours per week.

Response 4i. The total cost for the hiring of the part-time staff would be approximately \$9,600 plus the normal withholdings, etc. which would be approximately 15% additional costs.

Response 4j. The total adjustment for clerical expense is \$3,289. The clerical expenses for the test-year for the 2006 rate case were not itemized.

Response 4k. The Legal Fees are included as an adjustment to the test year. Martin Gas is involved in certain litigation that is expected to last for some time. Martin does not know at this time if \$12,000.00 annually will actually be sufficient to cover the costs of these legal fees.

Response 4l. The amount of Legal Fees for this Application was included in the test year. It has been many years since Martin Gas' last rate increase and this amount was included by mistake. Martin Gas would request that the rate case expenses associated with this case be recovered and amortized over a three year period.

Response 4m. To date, Martin Gas has incurred the following expenses related to this rate case:

Publishing Costs:	\$3,509.00
Copies and mileage for PSC filings (current through October billing)	\$ 147.38
Legal Fees (current through October billing)	\$7,496.38