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COMMISSION

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

In the Matter of:

**APPLICATION OF MARTIN GAS, INC. FOR
RATE ADJUSTMENT FOR SMALL UTILITIES
PURSUANT TO 807 KAR 5:076**

)
)
)

CASE NO. 2016-00332

**RESPONSES TO COMMISSION STAFF'S INITIAL
REQUEST FOR INFORMATION TO MARTIN GAS, INC.
DATED NOVEMBER 9, 2016**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION


IN THE MATTER OF:

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

VERIFICATION OF KEVIN JACOBS


STATE OF KENTUCKY)
)
COUNTY OF KNOTT)

Kevin Jacobs, Certified Public Accountant, being duly sworn, states that he has supervised the preparation of certain of the following responses of Martin Gas, Inc., to Commission Staff's Initial Request for Information in the above-referenced case and that the matters and things set forth in his responses are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Kevin Jacobs

Subscribed and sworn to before me on this 22nd day of November, 2016.



NOTARY PUBLIC, Notary.# _____
Commission expiration: Feb 9, 2020

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

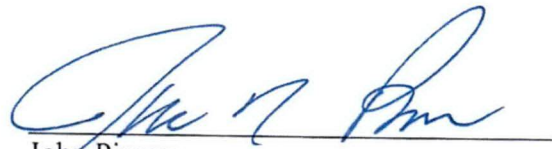
IN THE MATTER OF:

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

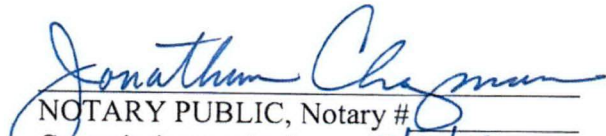
VERIFICATION OF JOHN PINSON

STATE OF KENTUCKY)
)
COUNTY OF KNOTT)

John Pinson, being duly sworn, states that he has supervised the preparation of certain of the following responses of Martin Gas, Inc., to Commission Staff's Initial Request for Information in the above-referenced case and that the matters and things set forth in his responses are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.


John Pinson

Subscribed and sworn to before me on this 23rd day of November, 2016.


NOTARY PUBLIC, Notary # _____
Commission expiration: 2/9/19

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 1

RESPONSIBLE PARTY: Kevin Jacobs

Request 1. Refer to Martin's application ("Application"), specifically, the page headed REASON FOR APPLICATION, and the paragraph referencing the recently established line of credit.

- a. Identify, by vendor and amount, all specific "outstanding obligations for gas purchases" that Martin paid using the line of credit funds.
- b. Confirm that no amount of interest expense on the line of credit is included in the expenses Martin seeks to recover through its proposed rate increase.
- c. Confirm that the term, or payment schedule, for the line of credit is 36 months.

Response 1a. Martin Gas is unable to access this information at this time due to a computer access problem. Martin Gas will supplement this response with the requested information as soon as possible.

Response 1b. Martin Gas confirms that there is no interest expense included in the expenses Martin Gas is seeking to recover through its proposed rate increase.

Responses 1c. Martin Gas confirms that the term of the loan is thirty-six (36) months.

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

PSC'S REQUEST FOR INFORMATION DATED 11/10/16

REQUEST 2

RESPONSIBLE PARTY: Kevin Jacobs

Request 2. Refer to the Application, specifically the page headed REASON FOR APPLICATION, and the paragraph that refers to Martin's intention to begin a meter replacement program.

a. Provide the total estimated cost of the meter replacement program as well as the detail concerning the estimated cost per meter.

b. Provide the average age, estimated useful life, original cost, and accumulated depreciation for the meters currently in use.

c. Provide details concerning Martin's current meter inventory, including models and manufacturers, whether they are temperature-compensating meters, and the relative ease or difficulty in maintaining them and obtaining replacement parts.

d. Provide details concerning the meter upgrade and replacement program, including models and manufacturers of replacement meters or components, whether some meters will be retained and under what circumstances, and whether Martin intends to replace existing meters with meters that have Automated Meter Reading capability.

e. Provide an estimate of the benefits of the meter upgrade and replacement program. The estimate should include, but not be limited to benefits resulting from improved meter reading accuracy and reduced meter reading cost.

Response 2a. Martin Gas plans to replace approximately 360 meters over a thirty-six (36) month period. The current cost per meter is \$125.00. The total estimated cost over the estimated replacement period would be approximately \$45,000.00. Martin Gas has already

replaced approximately twelve (12) old meters with the new meters. Martin Gas has reconditioned the twelve (12) old meters that were replaced so that Martin Gas will have these meters to use as needed.

Response 2b. Current management does not have the exact age of most of the meters currently in use. This information was contained in an older database. However, the original meter cost and installation cost have been fully depreciated.

Response 2c. Martin Gas currently has only about five (5) old meters remaining in inventory, and also has three (3) addition meters being refurbished. The company refurbishing the meters does certify that the rebuilt meters meet all applicable regulations. The meters currently being used are a mixture of varied manufacturers, however a majority are American Meter Company meters.

Response 2d. Martin Gas plans to replace existing meters with the Sensus R-275 meter. The R-275 is a Class 250 residential diaphragm meter that combines the latest design concepts and modern engineering materials. Lighter weight and easy to handle, they are more durable, require less maintenance and offer greater life expectancy than previous meters in this class. The temperature compensation element has increased strength to minimize deflection from valve drag. A simplified crank bracket provides accurate positioning of the crank support, and its low-friction polymer material eliminates the need for lubrication. Close tolerances and molded phenolic construction of the valve seat provide smoother operation and minimize wear. The R-275 meter also accommodates external valve guides, which are easily installed in these meters. The revolutionary, patented accuWAVE diaphragm is now standard on the R-275 meter. This design has a longer life expectancy, improved long-term performance – even in extreme conditions – exceptional proof stability and a lower overall lifetime cost. Martin cannot currently afford to upgrade to a meter that allows for Automated Meter Reading.

Response 2e. By replacing the older meters which have dials that have to be read to obtain the current reading, with the Sensus R-275, which has a digital reading mechanism, the time to read the meters will be reduced and the accuracy of the reading will be enhanced.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 3

RESPONSIBLE PARTIES: John Pinson and Kevin Jacobs

Request 3. Refer to the Application, specifically, the page headed REASON FOR APPLICATION, and the paragraph that refers to Martin as having "begun an inspection of all of its pipeline system."

- a. Provide the estimated cost to repair, replace, and reroute pipelines in Martin's system.
- b. Provide the average age and estimated useful life of the pipelines Martin proposes to replace.
- c. Provide the composition of Martin's existing pipelines, whether they are cast iron, bare steel, plastic, etc., and the length of each.
- d. There is a reference to "an unacceptable line loss with the Martin system." Applying the purchases, sales and unaccounted for gas volumes in the gas account schedule in Martin's 2015 annual report on file with the Commission results in a line loss calculation for calendar year 2015 of 4.38 percent. Explain what Martin considers to be "an unacceptable line loss" and why.

Response 3a. Martin has contracted to have its pipeline inspected for leaks and have all regulators inspected beginning the first week of December 2016. Martin Gas estimates the costs to repair, replace and reroute pipeline within its service area to be approximately \$30,000.00. This is to be accomplished over a thirty-six (36) month period.

Response 3b. The average age of the pipeline to be replaced is approximately eighteen (18) years old.

Response 3c. Martin Gas' original system was entirely made up of steel and/or cast iron. Over the years, as customers were added and repairs were made a mixture of steel and plastic pipe was used. The largest segment of Martin Gas' system (approximately 12 miles) was installed using plastic pipe with tracer wire.

Response 3d. As is known a certain amount of line loss is expected and is normal. However, Martin Gas believes that a line loss acceptable to its operation should be in the 2% range.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16
REQUEST 4

RESPONSIBLE PARTY: John Pinson and Kevin Jacobs

Request 4. Refer to the Application, specifically, pages 1-2 of the SCHEDULE OF ADJUSTED OPERATIONS – GAS UTILITY (“SAO-G”) and the SUPPLEMENT TO SCHEDULE OF ADJUSTED OPERATIONS (“SSAO”).

a. Page 1 of the SAO-G does not reflect any revenues from Martin’s Non-Recurring Charges, which are set out in its tariff of file with the Commission, the first page of its Rules and Regulations. Provide the revenues Martin received in 2015 as well as in 2013 and 2014 from each of the activities for which it collects a charge from its customers (late-payment penalties, reconnections, meter installations at an existing connection, customers moving to a different location, collections, returned checks, and mobile trailer connections).

b. Page 1 of the SAO-G shows a \$15,760 adjustment to Transmission Expenses which is referenced to B. on page 2 as repairs and maintenance. Explain if this adjustment reflects the amount Martin proposes for the repairs and maintenance described on the second page of the SSAO.

c. Page 1 of the SAO-G shows an adjustment to Administrative and General Expenses of \$80,374 for which the referenced C. on page 2 refers to the SSAO “which breaks down this amount into the different categories that comprise it.” Provide a list of the items, including the dollar amounts, that make up the \$80,374 adjustment.

d. Page 1 of the SAO-G shows an adjustment to Taxes Other Than Income of \$18,535 for which the reference to D. on page 2 includes a reference to the SSAO which states, “This tax increase is a result of the increase in sales revenues.” Identify the

specific taxes to which this adjustment applies and provide the calculation of the \$18,535 adjustment.

Response 4a. The staff person who handled this particular function is no longer employed with Martin Gas or Clean Gas. Martin Gas does not currently have the ability to retrieve that information. Martin Gas is continuing to work on obtaining this data and will supplement this response if and when Martin Gas is successful in obtaining the data.

Response 4b. The adjustment does include Martin Gas' proposal for repairs and maintenance.

Response 4c. The items included in the Administrative and General Expenses are as follows:

i.	Advertising	\$ 6,000
ii.	Interest Expense	\$ 6,028
iii.	Health Insurance	\$ 6,468
iv.	Auto Insurance	\$ 2,551
v.	Workers Compensation Insurance	\$ 2,812
vi.	Management	\$10,000
vii.	Clerical Expenses	\$ 3,289
viii.	Legal Fees	\$12,000
ix.	Legal Fees for ARF	\$25,000
x.	Office Supplies	\$ 3,467
xi.	Property Insurance	\$ 1,431
xii.	Fuel	\$ 838
xiii.	Telephone	\$ 492

Response 4d. The adjustment should have been as follows:

School Tax	$\$4,151.05 \times 43\% = \$1,785.00$
Sales Tax	$\$6,433.67 \times 43\% = \$2,766.00$

MARTIN GAS, INC.
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PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 5

RESPONSIBLE PARTY: Kevin Jacobs

Request 5. Refer to the Application, specifically, page 1 of the SSAO, the paragraph identified as Advertising, which refers to Martin's starting an advertising program for the purpose of gaining customers. Martin's annual reports on file with the Commission show virtually no change in its customer count for the period 2011-2015.

- a. Explain how Martin expects to gain customers through advertising.
- b. Describe the type of newspaper advertisements Martin intends to use in its efforts to gain new customers.
- c. Explain whether Martin is familiar with Administrative Regulation 807 KAR 5:016, which establishes parameters governing the types of advertising for which the costs may be recovered through rates and the types of advertising for which the costs may not be recovered through rates.

Response 5a. Martin Gas operates in a three (3) county area which has many older homes with older heating systems. These heating systems are nearing the end of their economic lives. Martin Gas plans to advertise the availability of natural gas service and the availability of energy efficient natural gas heating systems as an alternative for heating these homes. Martin Gas also plans on including the benefits of heating a home with natural gas.

Response 5b. Martin Gas plans to advertise important safety and other information for its current natural gas customers and also for future natural gas customers. This advertising will

include but is not limited to information concerning, Kentucky 811 Call Before You Dig, the importance of installing carbon monoxide detectors within the living spaces of homes and the need to properly insulate a home to reduce heat loss.

Response 5c. Martin Gas is familiar with the components of 807 KAR 5:016.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 6

RESPONSIBLE PARTY: Kevin Jacobs

Request 6. Refer to the Application, specifically, page 1 of the SSAO, the paragraph identified as Health Insurance.

- a. Provide the amount of Martin's health insurance expense in 2015.
- b. Show the calculation of the \$6,466 increase which is described as representing the actual amount that Martin should have paid.
- c. Identify employees covered by Martin's employer-provided health insurance by position. Indicate whether they are full-time or part-time and whether coverage is provided for employee family members.

Response 6a. Per Martin Gas' Form 1120 (US Corporate Income Tax Return) and its PSC filed Gas Operation and Maintenance Expenses for the period ending December 13, 2015, Martin Gas paid no health insurance benefits for its two employees.

Response 6b. Clean Gas paid the health insurance premiums for the Martin Gas employees during the year of 2015. The cost Clean Gas paid on behalf of Martin Gas for health insurance premiums was \$6,466 for the year 2015.

Response 6c. The employees covered by the health insurance paid by Clean Gas on behalf of Martin Gas for 2015 were Martin Gas' field worker and the Martin Gas' office worker.

Both are full-time employees and health benefits are only provided for the employees and does not include family coverage.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16
REQUEST 7

RESPONSIBLE PARTY: Kevin Jacobs

Request 7. Refer to the Application, specifically, page 2 of the SSAO, the paragraph identified as Automobile Insurance.

- a. Provide the expense for auto insurance in 2015 and the calculation of the \$2,551 adjustment.
- b. Explain why Martin's auto insurance expense is increasing.

Response 7a. Martin Gas paid \$1,589 in automobile insurance for the year 2015, however, Clean Gas paid an additional \$2,551 on Martin Gas' behalf. The total 2015 automobile insurance premium for Martin Gas was \$4,140.

Response 7b. Martin Gas' automobile insurance is increasing by \$2,551 because Clean Gas will no longer be able to pay that amount on Martin Gas' behalf.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 8

RESPONSIBLE PARTY: Kevin Jacobs

Request 8. Refer to the Application, specifically, page 2 of the SSAO, the paragraph identified as Workers Compensation Insurance.

a. Provide the expense for worker's compensation insurance in 2015 and the calculation of the \$2,812.

b. Explain why Martin's workers' compensation insurance expense is increasing.

Response 8a. Martin Gas paid \$1,869 in Worker's Compensation premiums in 2015. Martin Gas plans to add some additional staff if this proposal is approved.

Response 8b. Martin Gas' Worker's Compensation is increasing due to the fact that Clean Gas paid a part of the Worker's Compensation premiums on Martin Gas' behalf. Martin Gas also anticipates additional wages if this proposed rate increase is approved.

MARTIN GAS, INC.
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PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 9

RESPONSIBLE PARTY: Kevin Jacobs

Request 9. Refer to the Application, specifically, page 2 of the SSAO, the paragraph identified as Management, which indicates that "Martin plans to hire additional part-time staff to implement its changes..."

- a. Provide the number of part-time employees Martin intends to hire.
- b. Provide the amount of expense Martin expects to incur for the part-time employees it plans to hire and show how it was calculated.
- c. Identify and describe the changes Martin plans to implement.

Response 9a. Martin Gas plans to hire one (1) additional employee on a part-time contract basis.

Response 9b. Martin Gas plans to pay the part-time employee \$12.00 per hour. This will result in the employee being available to Martin Gas approximately two (2) days per week for a total of sixteen hours per week.

Response 9c. Martin will utilize this employee to monitor customer inquiries regarding maintenance, service problems, scheduling of repair orders, etc. The employee will then enter this data into the computer service program so that activities can be better tracked.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 10

RESPONSIBLE PARTY: Kevin Jacobs

Request 10. Refer to the Application, specifically, page 2 of the SSAO, the paragraph identified as Clerical Expense. The description in the paragraph states that over past few years Martin has required "more accounting services from Clean Gas, Inc. as additional customers were added."

a. According to its annual reports on file with the Commission, Martin had 433 customers from 2011 to 2014 and in 2015 it had 437 customers. Given these customer levels, explain how the increase in required accounting services from Clean Gas, Inc. ("Clean Gas") is due to an increase in customers in Martin's system.

b. Provide the amount of clerical expense incurred by Martin in 2015 for services provided by Clean Gas, any known and measurable increase in that amount, and the calculation of any such increase.

Response 10a. Martin Gas should have stated that the increase in required accounting services from Clean Gas was due to "an increase in customer accounting related services" instead of "an increase in customers". Clean Gas has been providing numerous accounting services on Martin Gas' behalf including provided the notices of intent to disconnect, disconnect notices, monthly aging reports as well as various other management related reports to provide Martin Gas with additional data needed to better manage Martin Gas' operations.

Response 10.b. In addition to the above noted items, Clean Gas has always provided Martin Gas with all of its postage, envelopes, stationary, copying and printing expenses. The amount for postage alone is over \$200.00 per month.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16
REQUEST 11

RESPONSIBLE PARTY: Kevin Jacobs

Request 11. Refer to the Application, specifically, page 2 of the SSAO, the paragraph identified as Legal Fees.

a. Provide a more detailed description of Martin's litigation involving claims for gas purchases including the number of claims, when each claim was initiated, and when Martin anticipates each claim will be resolved.

b. Explain whether legal costs were incurred in 2015 in connection with the aforementioned litigation and, if such costs were incurred, provide the amount.

c. Explain why \$12,000 is the amount Martin anticipates it will incur annually in legal fees for the referenced litigation.

Response 11a. Martin Gas is involved in litigation with Vinland Energy, LLC, Lexington Kentucky. This litigation involves a claim Vinland Energy is making regarding certain amounts Vinland Energy claims is owed to it by Martin Gas for gas delivered onto Martin Gas' system.

Response 11b. There were no legal expenses related to this litigation during 2015 since the litigation was filed in April 2016.

Response 11c. Martin Gas cannot be certain when these issues will be fully litigated. Martin Gas believes that it should make allowances for expenses related to this litigation for at least a few years.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 12

RESPONSIBLE PARTY: Kevin Jacobs

Request 12. Refer to the Application, specifically, page 2 of the SSAO, the paragraph identified as Legal Fees for this Application. Explain how the amount of \$25,000 was determined to be the expected legal costs for this case and show how it was calculated (hours worked, hourly rates, etc.)

Response 12. Martin Gas has retained the services of Goss Samford, PLLC. Goss Samford provided an estimate to Martin Gas. This estimate was a broad estimate (\$10,000 - \$40,000) since it was unknown prior to the filing the amount of work that would be involved, i.e. the number of rounds of data requests, whether a staff report would be completed, whether or not a hearing would be necessary and how much preparation would be needed for said hearing. Martin Gas chose to include a mid-range figure of that estimate (\$25,000) but reserves the right to update the actual rate case expenses incurred.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 13

RESPONSIBLE PARTY: Kevin Jacobs

Request 13. Refer to the Application, specifically page 2 of the SSAO, the paragraph identified as Office Supplies. Provide the expense incurred by Martin in 2015 for office supplies and show the calculation of the proposed increase of \$3,467.

Response 13. Martin Gas has never paid for office supplies. These costs have been paid by Clean Gas on Martin Gas' behalf. These supplies include envelopes, paper, Xerox/printing of invoices, postage, etc. The postage is \$212.00 per month or \$2,544.00 per year.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 14

RESPONSIBLE PARTY: Kevin Jacobs

Request 14. Refer to the Application, specifically, page 2 of the SSAO, the paragraph identified as Property Insurance. Clarify that the discussion of the increase means that, while the 2015 cost was \$10,680, Martin recorded \$9,249, or \$1,431 less than \$10,680.

Response 14. Due to the invoice dates and the dates when payments were made, Martin Gas did not fully record its property insurance costs for 2015. The total costs for 2015 was \$10,680.00.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16
REQUEST 15

RESPONSIBLE PARTY: Kevin Jacobs

Request 15. Refer to the Application, specifically, pages 2-3 of the SSAO, the section identified as Accounts Payable.

a. Provide the year Martin incurred the payable of \$51,245 to Heritage Gas Company, LLC and state whether \$51,245 was the original amount of the payable.

b. Provide the year Martin received the loan from shareholders with the current balance of \$12,200 and state whether \$12,200 was the original amount of the loan. If \$12,200 was not the original amount, provide the original amount and state when Martin made payment(s) to reduce the balance to the current \$12,200.

Response 15a. Heritage Gas, LLC (a Weinberg family owned entity) sold gas to Martin Gas for a period of time. The payable was booked on November 23, 2005. The original amount of the payable was \$51,245. There have been no payments made to principal or interest on this payable.

Response 15b. Martin Gas received the loan from shareholders in the amount of \$12,200. This amount was booked on April 18, 2015. The \$12,200 was the original amount of the payable and there have been no payments made to the principal or interest of this payable.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16
REQUEST 16

RESPONSIBLE PARTY: Kevin Jacobs

Request 16. Refer to the Application, specifically, ARF FORM 1 – ATTACHMENT RR-OR, which is used to perform the revenue requirement calculation using the operating ratio method. After adjustments, total pro forma operating expenses for the 2015 test year are \$492,568 as shown on the SAO-G. Subtracting the \$189,124 cost of natural gas from this amount leaves \$303,444 in non-gas pro forma operating expenses. Reconcile this amount with the \$314,300 in pro forma operating expenses used on the first line of the attachment to begin the revenue requirement calculation.

Response 16. The pro-forma operating expenses should be \$303,444.00.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 17

RESPONSIBLE PARTY: Kevin Jacobs

Request 17. Refer to the Application, the Supplement to Declining Block Rates Analysis, filed October 10, 2016. State how long Martin has billed its minimum bill rate structure as though it contained a customer charge and a flat-rate volumetric rate for all gas consumed.

Response 17. Martin Gas made an error in completing the Supplement to Declining Block Rates. Martin Gas does not bill the customers for the first mcf of gas consumed separately from the minimum bill charge. The minimum bill charge includes the first mcf consumed. However, if no natural gas is consumed in any given month, the minimum bill charge is still charged. From data retrieved from the current software, Martin Gas was only able to confirm the minimum bill charge since early 2013. However, a review of Martin Gas' PGA filings shows the minimum bill charge and mcf charge were listed in Case No. 2008-00312 and in each of Martin Gas' PGA filings since.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16
REQUEST 18

RESPONSIBLE PARTY: Kevin Jacobs

Request 18. Refer to the Application, the Revenue Table showing Revenue from Proposed Rates, filed October 10, 2016.

a. State what base rate is proposed and what gas cost is used in the proposed \$14.285 per Mcf rate.

b. Subtracting the \$366,067 Revenue from Present Rates on the previous table from the \$590,491 Revenue from Proposed Rates produces a revenue increase in the amount of \$224,424. Confirm the amount of revenue increase that Martin is proposing.

Response 18a. Martin is proposing a base rate of \$9.690 and the gas cost recovery is \$4.595 for a total of \$14.285 per mcf rate.

Response 18b. Due to the calculation error of charging for the first mcf twice in the Revenue from Proposed Rates calculation, Martin Gas is requesting a \$150,016 revenue increase.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 19

RESPONSIBLE PARTY: Kevin Jacobs

Request 19. Refer to the schedule of Gas Operation and Maintenance Expenses in Martin's 2015 annual report on file with the Commission, specifically, to Administrative and General Expenses. Refer also to its annual reports from 2010 through 2014.

a. Provide a breakdown of the \$51,119 shown for Administrative and General Salaries, Account 920, for 2015, which shows by position, the employees and amounts of their salaries.

b. Provide a breakdown of the \$59,990 shown for Outside Services Employed, Account 923, for 2015, which identifies each service provider and shows the amount the service provider was paid by Martin. Include a description of the services provided by each service provider.

c. Martin's 2013 and 2014 annual reports include amounts similar to its Outside Services Employed expense for 2015. The annual reports for the preceding three years, 2010, 2011, and 2012, show no expense for Outside Services Employed. Explain what has caused Martin to incur roughly \$60,000 annually for the last three years for this specific expense after it reported no amount for the three prior years.

Response 19a. The breakdown of the \$51,119 is as follows:

Field worker salary - \$31,095.00

Office employee salary - \$20,024.00

Response 19b. Management fees (President, Zach Weinberg); \$46,911.00; Accounting fees (Kevin Jacobs, CPA \$6000.00 and \$768.00 for accounting software update) \$6,768.00; Clerical fees (Clean Gas Inc., for the use of a Clean Gas Inc., employee providing part-time clerical work) \$6,311.00.

Response 19c. Martin Gas is and has been forced to pay more of its own expenses since Clean Gas sold most of its operating and earning assets. Clean Gas is no longer able to subsidize Martin Gas.

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

**PSC'S REQUEST FOR INFORMATION DATED 11/9/16
REQUEST 20**

RESPONSIBLE PARTY: Kevin Jacobs

Request 20. Refer to the Gas Utility Plant in Service schedules in Martin's 2013, 2014, and 2015 annual reports on file with the Commission. Confirm that the amount of \$453,399 shown in Account 377, Compressor Station Equipment, in the 2014 and 2015 reports was unintentionally moved to that account from Account 376, Mains, in 2013 as the beginning and ending balances for those accounts in the 2013 annual report indicate. If this cannot be confirmed, explain why.

Response 20. Martin Gas' accountant inadvertently listed the \$453,399 on the incorrect line of the Annual Report. Martin Gas confirms that this amount should be listed as Compressor Station Equipment.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 21

RESPONSIBLE PARTY: Kevin Jacobs

Request 21. Refer to Martin's tariff, the first Rules and Regulations page.

a. Confirm that Martin is not proposing any change to its Non-Recurring Charges.

b. Confirm that Martin is aware that it is no longer required to pay 6 percent interest on deposits, and that its tariff should be revised to reflect the current language of KRS 278.460 regarding the requirement for utilities to pay interest on deposits.

Response 21a. Martin Gas confirms that it is not proposing any changes to its Non-Recurring Charges.

Response 21b. Martin Gas confirms that it is no longer required to pay 6% interest on customer deposits. Martin Gas confirms that its tariff should and will be revised to reflect the current language of KRS 278.460.

MARTIN GAS, INC.
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PSC'S REQUEST FOR INFORMATION DATED 11/9/16
REQUEST 22

RESPONSIBLE PARTY: Kevin Jacobs

Request 22. Refer to Martin's 2013, 2014 and 2015 annual reports, page 29 of 42. Confirm that Martin has reported no expense amounts in Account 904, Uncollectible Accounts, for these three years. If this cannot be confirmed, explain why.

Response 22. Martin Gas does confirm that it has reported no Uncollectible Accounts for the periods of 2013, 2014, and 2015. Martin Gas will develop a written charge off policy, and adhere to the guidelines implemented.

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

PSC'S REQUEST FOR INFORMATION DATED 11/9/16

REQUEST 23

RESPONSIBLE PARTY: John Pinson

Request 23. Regarding the equipment on Martin's system:

a. Explain whether Martin has regulating stations. If not, explain why not and how Martin regulates the pressure on its system.

b. Explain whether Martin has measurement equipment on its system. If so, provide the level of investment and number of measurement stations. If not, explain why not and how Martin measures natural gas coming on its system.

Response 23a. Martin Gas does have regulating equipment on its system. Martin Gas has eleven (11) regulating stations and those are operating as required. Martin Gas has contracted to have a leak survey as well as a regulator survey/inspection to be completed in the next month.

Response 23b. Martin Gas does have measurement equipment in place to measure the gas coming into its system. Martin Gas currently purchases gas from EQT Production. The measuring meter cost was approximately \$8,000.00 when installed several years ago. This meter is inspected regularly by Martin Gas and by EQT Production. The measuring meter cost was approximately \$8,000.00 when installed several years ago. This meter is inspected regularly by Martin Gas and by EQT Production for a number of indicators including, but not limited to accuracy.

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

**PSC'S REQUEST FOR INFORMATION DATED 11/9/16
REQUEST 24**

RESPONSIBLE PARTY: Kevin Jacobs

Request 24. Provide the amount Martin expects to spend for the corrections set out in the findings from the Commission Inspection Report dated September 23, 2015.

Response 24. Martin Gas expects to spend approximately \$10,000 to correct the findings contained in the September 23, 2015 Commission Inspection Report and to continue on-going regulatory requirements.