

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

**RECEIVED
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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 SUPPLEMENTAL DATA REQUESTS
TO MARTIN GAS, INC.
DATED DECEMBER 9, 2016**

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

AG'S DATA REQUEST DATED 12/9/16

REQUEST 1

RESPONSIBLE PARTY: John Pinson

1. **Request 1.** Refer to the Company's response to the Attorney General's Initial Request for Information, Item 4c, wherein the Mr. Jacob states, "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."
 - a. How many incidents to Martin Gas lines due to damaged pipelines occur each year, for the last 5 years?
 - b. Provide the annual expense for pipeline damage repair for the last 5 years.
 - c. Confirm that Martin Gas collects from parties who damage company pipelines.
 - d. How much of the total annual expense due to pipelines damage has Martin Gas recovered for the last 5 years?
 - e. How many incidents noted in the response to a, above, were caused by individuals who previously called 811?

Response 1a. Current management does not have this information for the past five (5) years. Management has the information for 2016, 2015 and 2014. In 2016 there has been one (1) damaged pipeline, in 2015 there were three (3) instances of damaged pipeline, and in 2014 there were two (2) instances within Martin's system.

Response 1b. Current management does not have this information for the past five (5) years. Management has the information for 2016, 2015 and 2014. In 2016, the cost to repair damaged pipelines was approximately \$840. In 2015, the cost to repair damaged pipelines was \$2,700. In 2014, the cost to repair damaged pipelines was \$1,800.

Response 1c. Martin's prior record of collecting for the damage has been unsuccessful. However, Martin has had one (1) damaged pipeline in 2016 and has sent letters to the contractor detailing the cost to repair the damage. Martin is following up with telephone calls to the contractors.

Response 1d. Martin has not recovered any amounts towards pipeline damage in the past 3 years. See Response 1c above for 2016 information.

Response 1e. Current management does not have this data.

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REQUEST 2

RESPONSIBLE PARTIES: Kevin Jacobs and John Pinson

1. **Request 2.** Refer to the Company's response to the AG's Initial Request 4e.
 - a. Does the Company intend on requesting employee contributions to health insurance plans going forward?
 - b. Knowing that a rate increase to customers would be requested, why didn't the Company implement employee contributions to health insurance to reduce the amount requested in this case?
 - c. Does the Company know of any other investor owned gas LDC that does not require employee contributions to health insurance?
 - i. If so, provide the names of the investor owned gas LDCs who do not require employee contributions to health insurance.

Response 2a. At this time Martin does not intend on requesting employee contributions to health insurance.

Response 2b. Martin has been able to keep the base rate of its employees lower by paying for the employees' health insurance. Martin only pays for the employees' coverage and does not pay for any family coverage.

Response 2c. Martin has no knowledge of other LDC's benefits packages.

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REQUEST 3

RESPONSIBLE PARTIES: Kevin Jacobs and John Pinson

Request 3. Refer to the Company's response to the AG's Initial Request 4f.

a. Provide documentation of the actual amount Martin Gas states the Company should have been paying for automobile insurance, totaling \$4,140.

Response 3a. Please see the attached monthly statement received by Martin for the month of September. Martin pays the same amount each month for automobile insurance through Kentucky Farm Bureau Insurance. The \$4,140 was the amount paid in the test year (2015). The current annual premium is \$4,787.52.

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

Date	Ref. No.
09/03/2016	[REDACTED]

Vendor
KENTUCKY FARM BUREAU
MUTUAL INSURANCE COMPANY
PO BOX 856045
LOUISVILLE, KY 40285-6045

PAID

Bill Due 09/13/2016
Terms
Memo

Expenses

Account	Memo	Amount	Customer:Job
Insurance Auto		398.96	

Expense Total : 398.96

Bill Total : \$398.96

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REQUEST 4

RESPONSIBLE PARTIES: Kevin Jacobs and John Pinson

Request 4. Refer to the Company's response to the AG's Initial Request 4h and 4i.

a. Has Martin Gas anticipated any other costs associated with the one part-time employee other than the hourly wage? If so, what amounts and where are these amounts reflected?

Response 4a. Martin does not anticipate any other costs associated with hiring one part-time employee other than the wages.

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REQUEST 5

RESPONSIBLE PARTY: John Pinson

Request 5. Refer to the Company's response to the AG's Initial Request 4j.

 a. Martin Gas did not provide the number of customers the Company had during the pendency of the 2006 rate case and has now. Provide the number of customers then and now as originally requested.

Response 5a. Martin had 491 customers in 2006 as reported in Case No. 2006-00504. Martin currently has 437 customers. Most of the customer reduction was from within the City of Martin when FEMA (and other state/federal agencies) conducted a large scale effort to reduce chronically flood impacted area structures and purchased several structures that had once been Martin customers.

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REQUEST 6

RESPONSIBLE PARTY: John Pinson

Request 6. Refer to the Company's response to the AG's Initial Request 4k.

a. What is the basis for the \$12,000 estimate and why does the company believe that the amount is not only reasonable, but is enough to cover the cost of the annual legal fees?

Response 6a. Martin has retained the services of Rose Camenisch Mains, PLLC in Lexington, Kentucky to represent Martin in the litigation with Vinland Energy. Litigation can be a very lengthy process and the cost of discovery, etc., is difficult to estimate. Martin believes this litigation will take some time and impact its expenses and therefore Martin should make allowances for this legal expense. Through December 2016 Martin has paid Rose Comenisch Mains, PLLC a total of \$16,435.

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REQUEST 7

RESPONSIBLE PARTIES: Kevin Jacobs and John Pinson

Request 7. Refer to the Company's response to the AG's Initial Request 41, additional responses and the Application generally.

a. After reducing the estimated full amount of Legal Fees for this Application, although continuing to assume a 3 year amortization of rate case expense, in addition to all other changes made to the filing pursuant to the Company's responses to data requests, what is the revised revenue request proposed by the Company?

b. What percentage increase to the average customer bill does the revenue increase represent?

Response 7a. Martin is requesting a revenue adjustment of \$150,016.

Response 7b. Martin believes the percentage of increase to the customer bill will be approximately sixty percent (60%).

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REQUEST 8

RESPONSIBLE PARTY: John Pinson

Request 8. Refer to the Company's response to the Staff's First Request 15b.

- a. What are the terms of the \$12,200 loan?
- b. Since the loan is originally from William and Lois Weinberg, who are no longer shareholders, does Martin Gas believe they should have documents or a note evidencing the terms of the debt?

Response 8a. Martin has not negotiated a repayment schedule with William and Lois Weinberg at this time. Martin noted in the Supplement to the SAO-G that Martin intended to formalize a repayment schedule if the rate increase was approved. Martin's goal is to repay the loan over a three year period, subject to Commission approval. Martin will meet with William and Lois Weinberg to work out all of the terms of the loan. Martin will submit that proposal to the Commission for approval prior to executing any formal documents.

Response 8b. Martin does believe a formal document should be executed to document the terms of the debt including the principal, interest and repayment schedule. Martin plans on executing this with William and Lois Weinberg if the rate increase is approved.

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REQUEST 9.

RESPONSIBLE PARTY: John Pinson

Request 9. Does Martin Gas believe that the customers it currently serves can afford to pay for service under the proposed rates?

 a. What allowance for non-payment does the Company anticipate due to customers not being able to pay the new rate?

 b. Has the Company received any feedback from customers after becoming aware of the rate increase request?

Response 9. Yes Martin believes its customers can afford the proposed rate increase.

Response 9a. At this time Martin has not made any allowances for non-payment. However, Martin is aware that there could be some customers burdened during the winter heating season and would permit these customers to work out a reasonable payment plan to pay the balance. Martin would also encourage customers to consider a budget payment plan and will counsel the customers as to the advantages of a budget payment plan.

Response 9b. Martin has received no feedback from customers concerning the proposed rate increase.

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REQUEST 10

RESPONSIBLE PARTY: John Pinson

Request 10. If ordered, would Martin Gas commit to implementing the rate increase gradually, so as to reduce the impact on customers?

a. Did Martin Gas consider implementing the rate increase gradually in preparation of filing this case? If so, please provide the rationale for not doing so.

b. If the Company did not consider increasing the rates gradually, provide the rationale for not doing so, and whether or not the Company believes customers will be affected by the sharp rise in costs.

Response 10. If required to do so, Martin would consider a gradual rate increase.

Response 10a. Martin did consider a rate increase to be implemented gradually over a two-year period. However, since Clean Gas is no longer in a position to supplement Martin financially this would make it difficult for Martin to meet its financial needs. Martin has to be financially stable and able to "stand on its own" and Martin believes that the operational improvements and the rate increase will help Martin achieve this.

Response 10b. See Response to 10a. above. Martin is aware that any rate increase could affect customers; however, Martin's customers have also reaped the benefit of lower rates for many years while Clean Gas supplemented Martin financially. Martin will offer payment plans to customers who need them and also offer and counsel customers on budget payment plans.

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REQUEST 11

RESPONSIBLE PARTY: John Pinson

Request 11.

Refer to the Company's response to the AG's Initial Request 4c.

a. Does Martin Gas believe that advertising and/or expense of issuing notices regarding "call before you dig", carbon monoxide and the benefits of heating homes with natural gas are all recoverable according to Commission regulations and Kentucky Statutes?

b. Does Martin Gas believe that advertising and/or expense of issuing notices regarding "call before you dig" and the awareness of carbon monoxide is an efficient use of customer's funds in hopes of obtaining more customers?

c. How many additional customers does Martin Gas project will come into the system based upon the estimated amount of annual advertising?

Response 11a.

Martin has reviewed 807 KAR 5:016 and believes the types of messaging through advertising Martin is considering would fall within the scope of 807 KAR 5:016.

Response 11b.

Martin does believe that this type of advertising will provide a material safety benefit to its existing customers and help to gain new customers. Martin will focus on advertising aimed at how to use energy safely and wisely, the benefits to properly insulating homes and the availability of programs that can aid in proper insulation, carbon monoxide awareness, leak detecting and what to do in the event of a leak.

Response 11c. There are several small "rural" subdivisions in Martin's service area where construction is taking place. Residents will become aware, if they are not already, that natural gas is a more economical energy source. Martin estimates to gain 15-20 new customers each year throughout its three county service territory.