

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

MARTIN GAS, INC.)
)
_____)
)
FAILURE TO COMPLY WITH)
KRS 278.300(1) AND KRS 278.160)

CASE NO.
2017-00214

RESPONSE OF MARTIN GAS, INC.
TO THE COMMISSION'S ORDER OF MAY 31, 2017 AND
MOTION TO SCHEDULE AN INFORMAL CONFERENCE

On May 31, 2017, the Kentucky Public Service Commission ("Commission") issued an Order directing Martin Gas, Inc. ("Martin Gas"), to file a written response to the alleged violations set forth in the Order. For its response to the May 31, 2017 Order Martin Gas respectfully states as follows:

1. Martin Gas admits that in its recent Alternative Rate Filing ("ARF"), Martin Gas included a \$40,000 promissory note as a basis for the rate adjustment, which Martin Gas did not seek Commission approval prior to obtaining the loan.
2. Martin Gas admitted in the ARF case that it was an error on Martin Gas' part to not seek Commission approval prior to obtaining the \$40,000 loan.
3. Martin Gas has since put procedures in place where prior Commission approval will be sought and obtained prior to loans, requiring approval under KRS 278.300, being entered into. Martin Gas' management and stockholders have all been provided copies of KRS 278.300 and each have read and fully understand the instances contained in

KRS 278.300 where Commission approval is required prior to incurring debt. A copy of KRS 278.990 has also been provided so that management and stockholders are aware of the penalties involved with failure to comply with KRS 278.300.

4. Martin Gas agrees that during the ARF proceeding, Martin Gas admitted that its, for a time period, Purchased Gas Adjustment (“PGA”) rates were not correctly billed to its customers.
5. Martin Gas explained in the ARF proceeding that this error was due to a former employee not imputing the calculations on a timely basis. This employee had been employed for more than twelve years. There was no system in place to ensure that data she was responsible for entering was actually properly entered into the accounting system.
6. Martin Gas no longer employs said employee and has since put procedures into place so that new PGA rates are entered into the Company’s billing system as soon as the Commission’s Order containing such new rate is received. Martin Gas has installed a procedure of checks and balances to ensure that this type of error does not occur in the future.
7. Martin Gas denies that the alleged violations of KRS 278.300(1) and KRS 278.160 were willful.
8. Martin Gas has already begun the process of refunding the over-collection of the PGA to its customers as outlined in the ARF case.
9. Martin Gas requests that no penalties be assessed against it in this matter. Martin Gas has taken the steps necessary to ensure that these violations do not occur in the future. Martin Gas admitted to the violations during the course of its ARF proceeding. Martin

Gas is a small company and the cost of a hearing and penalties in this matter will put a further financial strain on the company.

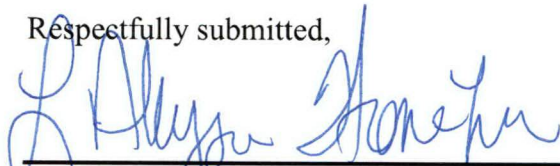
10. Martin Gas respectfully requests the Commission to cancel the August 8, 2017 hearing in this matter and to instead schedule an informal conference for the purpose of: (a) narrowing the issues to be heard if a hearing proves necessary; and (b) discussing whether a settlement of the issues raised in the Commission's May 31, 2017 Order might be possible.

11. Martin Gas states that any allegations for which a response is required, and that has not been expressly admitted herein, is hereby expressly denied.

NOW, THEREFORE, Martin Gas respectfully requests that an informal conference be scheduled with Commission Staff for the purpose of discussing the issues involved in this case, settlement and expediting resolution of this proceeding; that the August 8, 2017 hearing be cancelled and that no penalties be assessed in this matter.

This 26th day of July, 2017.

Respectfully submitted,



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