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September 25, 2017

John S. Lyons
Acting Executive Director
Public Service Commission
P.O. Box 625
Frankfort, KY 40602

Re: Case No. 2017-00214
Martin Gas, Inc. Alleged Failure to Comply with KRS 278.300(1) and KRS
278.160

Dear Mr. Lyons:

Enclosed for filing is the Stipulation of Facts and Settlement Agreement entered into between Commission Staff and Martin Gas, Inc. Please bring this document to the Commission's attention for its review and consideration.

Sincerely,



Jennifer L. Fell
Staff Attorney

JLF/ph

Enclosure

cc: Parties of Record

STIPULATION OF FACTS AND SETTLEMENT AGREEMENT

By Order dated May 31, 2017, the Commission initiated this proceeding to determine whether Martin Gas, Inc. ("Martin Gas") should be subject to the penalties described in KRS 278.990 for allegedly violating KRS 278.300(1), for failure to request Commission approval for issuing evidence of indebtedness in the amount of \$40,000 in April of 2016, and KRS 278.160, for failure to timely implement rates set by the Commission in previous Purchased Gas Adjustment ("PGA") cases in 2015 and 2016.

On July 26, 2017, Martin Gas filed a response to the Commission's May 31, 2017 Order. Along with the response, Martin Gas also filed a motion requesting an Informal Conference ("IC") with Commission Staff ("Staff") to discuss the issues related to this matter. An IC was subsequently held at the Commission's offices on August 17, 2017. Discussions during the IC and subsequent discussions between Martin Gas and Staff counsel resulted in the following Stipulation of Facts and Settlement Agreement ("Stipulation"), which is submitted for the Commission's consideration in rendering its decision:

1. Martin Gas acknowledges the violations of KRS 278.300(1) and KRS 278.160, to which it previously admitted in Case No. 2016-00332,¹ its Alternative Rate Filing case before this Commission.

2. Martin Gas has undertaken various remedial measures with regard to board member awareness and documented procedures to ensure future compliance with Commission statutes and regulations.²

¹ Case No. 2016-00332, *Application of Martin Gas, Inc. for Rate Adjustment for Small Utilities Pursuant to KAR 5:076* (Ky. PSC April 6, 2017).

² See August 22, 2017 Staff IC Memorandum.

3. Martin Gas has begun refunds to its customers for its past over-collection of purchased gas cost through its PGA pursuant to the Commission's final Order in Case No. 2016-00332.

3. Martin Gas agrees to pay a civil penalty, pursuant to KRS 278.990, in the amount of \$4,000, payable in four monthly installments, with the first payment of \$1,000 due on October 1, 2017. The Commission's acceptance of this Stipulation will satisfy and resolve any and all claims against Martin Gas for any violation of KRS Chapter 278 or for any penalty under KRS 278.990 arising out of the failure to request Commission approval for the issuance of indebtedness in the amount of \$40,000 in April 2016, and the untimely implementation of rates approved by the Commission in PGA cases in 2015 and 2016. The scope of this proceeding is limited by the Commission's May 31, 2017 Order as to whether Martin Gas should be assessed penalties under KRS 278.990 for violations of KRS 278.300(1) and KRS 278.160. The Commission's acceptance of this Stipulation shall not be construed as a finding of willful violation of any Commission statute or order.

4. In the event that the Commission does not accept this Stipulation in its entirety, Martin Gas and Staff reserve their rights to withdraw therefrom and require that a hearing be held on any and all issues involved herein, and that none of the provisions contained herein shall be binding upon the parties thereto, used as an admission by Martin Gas of any liability in any legal proceeding or lawsuit arising out of the facts set forth in the May 31, 2017 Order, or otherwise used as an admission by either party.

5. This Stipulation is for use only in Commission Case No. 2017-00214, and neither party hereto shall be bound by any part of this Stipulation in any other

proceeding, except that this Stipulation may be used in any proceeding by the Commission to enforce the terms of this Stipulation or to conduct a further investigation of Martin Gas's service or safety practices, and Martin Gas shall not be precluded or estopped from raising any issue, claim, or defense therein by reason of the execution of this Stipulation.

6. Martin Gas and Staff agree that the foregoing Stipulation is reasonable for the purpose of resolving all issues in Commission Case No. 2017-00214, is in the public interest, and should be adopted in its entirety by the Commission. If so adopted by the Commission, Martin Gas waives its right to a hearing and will not file any petition for rehearing or seek judicial appeal.

IN WITNESS WHEREOF, the parties hereto have hereunto affixed their signatures this 25th day of September, 2017.

Martin Gas, Inc.

By: Zach W. Limberg
Title: Manager

Staff of the Kentucky Public Service Commission

By: Justin Zell

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