

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BLUEGRASS)	CASE NO.
GAS SALES, INC. FOR A RATE ADJUSTMENT)	2021-00483
PURSUANT TO 807 KAR 5:076)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO BLUEGRASS GAS SALES, INC.

Bluegrass Gas Sales, Inc. (Bluegrass), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested is due on February 25, 2022. The Commission directs Bluegrass to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Bluegrass shall make timely amendment to any prior response if Bluegrass obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Bluegrass fails or refuses to furnish all or part of the requested information, Bluegrass shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Bluegrass shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. State the last time Bluegrass performed a cost of service study (COSS) to review the appropriateness of its current rate and rate design.
 - a. Explain whether Bluegrass considered filing a COSS with the current rate application and the reasoning for not filing one.
 - b. Explain whether any material changes to Bluegrass's system would cause a new COSS to be prepared since the last time it completed one.

c. If there have been no material changes to the Bluegrass's system, explain when Bluegrass anticipates completing a new COSS.

d. Provide a copy of the most recent COSS that has been performed for Bluegrass's system in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

2. Provide Bluegrass's nonrecurring charges in a schedule listing the number of occurrences per charge, the cost per charge, the total dollar amount billed, and the total dollar amount collected during the test year.

3. Refer the Application, Attachment #1, Customer Notice.

a. Explain if Bluegrass is proposing to create two separate customer classes for commercial customers.

b. Explain how Bluegrass will differentiate between the Commercial – Small and Commercial – Large classes.

4. Refer to the Application, Attachment #2, Reasons for Application and Attachment #3, Proposed Rates.

a. Provide a list of the alternative methods Bluegrass considered to increase its rates.

b. Explain why Bluegrass chose to use the same Gas Base Rate of \$6.4100 per Mcf for the residential and commercial classes.

c. Provide cost support calculations for the proposed residential customer charge of \$17.50.

d. Provide the cost support calculations for the proposed commercial charge of \$25.00.

e. Provide the cost support calculations for the proposed Gas Base Rates of \$6.4100 per Mcf for residential and commercial customers.

f. Bluegrass states that the minimum rates are below what most utilities are currently charging. Provide a list of all the minimum rates for each regulated gas utility in the Commonwealth of Kentucky.

g. Provide support for the statement that increasing the reconnect charges will bring the cost more in-line with the market and cover the higher costs to perform the reconnect.

h. Provide support for the proposed reconnect charge using the Commission's cost justification sheets.

i. Regarding the planned upgrades and system improvements,

(1) Provide a list on the planned upgrades and system improvements Bluegrass is planning to implement.

(2) Provide the estimated cost savings for each planned upgrade and system improvement.

5. Refer to the Application, Attachment #4, Statement of Adjusted Operations.

a. Provide support for the \$29,955.33 gross revenues for the Logan County School District, including the Mcf sold.

b. Provide support for the \$18,344.58 cost of gas for the Logan County School District.

c. Explain whether any operations and maintenance expenses are allocated to the Logan County School District. If not, explain why not.

d. Explain whether the \$11,610.75 in margins for this special contract customer provides a benefit to Bluegrass's other customers.

6. Refer to the Application, Attachment #5, Normalized Base Rate Revenue Calculation, Note A – Additional.

a. Total residential volumetric sales are listed as \$147,155.16. The base rate of \$5.1416 times the MCF Sales of 28,621 is \$147,157.73. Reconcile this difference.

b. Provide Note A – Additional in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

c. The total of the purchased gas costs and transportation costs are \$229,012.99 yet the adjustment to remove them from gas revenues is \$198,237.07. Explain why Bluegrass did not make an adjustment of \$30,775.92 to the gas cost recovery to account for the under recovery in the purchased gas adjustment.

7. Refer to the Application, Attachment #5, Adjustments to Support Rate Request Documentation.

a. Refer to Item C, Management Fees. Provide the basis for the proposed annual expense of \$25,000 and explain the duties and responsibilities covered under this contract.

b. Refer to Item D, Salaries – Accounting/Administrative. Explain why these salaries are separate from the management fees. Include the duties and responsibilities covered by these salaries.

c. Refer to Item E, Salaries – Operations and Management Fees. Explain why these salaries are separate from the management fees. Include the duties and responsibilities covered by these salaries.

d. Refer to Item F, Insurance – Health.

(1) Explain who is covered by the insurance.

(2) Provide a breakdown of the increase.

(3) Explain whether employees contribute to health insurance.

e. Refer to Item G, Contract Labor Costs.

(1) Provide a list of the contracted labor used by Bluegrass and what services the contracted labor provides to Bluegrass.

(2) Provide the contract labor costs for 2019, 2020, and 2021.

f. Refer to Item H, Bank Fees. Provide these fees for 2019, 2020, and 2021.

g. Refer to Item I, Office Expense/Supplies. Provide a detailed calculation of the proposed adjustment.

h. Refer to Item J, Postage. Provide a detailed calculation of the proposed adjustment.

i. Refer to Item K, Rent.

(1) Provide any market studies and rental agreements.

(2) Provide the square footage used per renter and explain how rental payments are allocated between renters.

(3) Provide a detailed calculation of the proposed increase.

j. Refer to Item L, Repairs and Maintenance.

- (1) Provide a detailed calculation of the proposed adjustment.
 - (2) Explain the parties that are paid for the repairs and maintenance.
- k. Refer to Item M, Insurance – Liability and Property.
 - (1) Provide a detailed calculation of the proposed adjustment.
 - (2) Provide the insurance policy and explain which items are covered.
- l. Refer to Item O, Rate Case Fees Adjustment.
 - (1) Provide an itemized estimate of rate case expenses.
 - (2) In the same detail as above, provide the cost incurred to date.
- m. Refer to Item P, Truck Maintenance/Gasoline. Provide a detailed calculation of the proposed adjustment.
- n. Refer to Item Q, Property Tax. Provide a detailed calculation of the proposed adjustment.
- o. Refer to Item R, Other Costs. Provide a detailed calculation of the proposed adjustment.
- p. Refer to Item S.
 - (1) Provide the basis for the cost and estimated life of the proposed security system.
 - (2) Provide the basis for the cost and estimated life of the proposed new billing/accounting system.
 - (3) Provide the basis for the cost and estimated life of the proposed meter station upgrades.

8. Refer to the Application, Attachment #6, Billing Analysis.
 - a. Provide the annual usage in Mcf for the Logan County School customer.
 - b. Provide the cost support for the Gas Cost Recovery Rate Revenue of \$130,063.28.
 - c. Provide in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

9. Refer to the Application, Attachment #6, Billing Analysis. Also, refer to the Annual Report of Bluegrass Gas Sales, Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2020 (2020 Annual Report), page 26 of 42.

- a. Provide the annual customer count for residential customers for the 2020 test year. If this amount is different from the amount provided in the 2020 Annual Report, explain why.

- b. Provide the annual customer count for commercial customers for the 2020 test year. If this amount is different from the amount provided in the 2020 Annual Report, explain why.

10. Refer to the Application, Attachment #8 and the amortization schedules included in Bluegrass's response to filing deficiencies. For each debt with a term of longer than two years, state whether Bluegrass requested and received approval pursuant to KRS 278.300. If so, provide the case number. If not, explain why not.

11. Refer to Bluegrass's response to filing deficiencies, ARF Form 1 – Attachment RR-OR. Confirm that interest expense is included in the pro forma operating expenses.

12. Refer to the 2020 Annual Report, page 29 of 42.
 - a. In calendar year 2020, Bluegrass reports “Meter Reading Labor” of \$400. Describe the manner in which Bluegrass performs meter reading, including the number of meter reader and whether they are Bluegrass employees or outside contractors. If they are Bluegrass employees, provide their annual or hourly compensation rates, or both, and identify and describe the job duties they perform other than meter reading.
 - b. In calendar year 2020, Bluegrass reports no expenses for “Customer Records and Collection.” Describe in detail the manner in which Bluegrass performs the customer billing and collections and how it maintains the customer records. Explain whether customer billing and collections are performed by Bluegrass employees, or by outside contractors.
 - c. In calendar year 2020, Bluegrass reports “Uncollectible Accounts” of \$5,109. Describe in detail how these expenses occurred.
13. Explain why there is no income from nonrecurring charges listed in the Application.
14. Refer to Bluegrass’s Tariff, PSC KY No. 1, Original Sheet No. 7, Rules and Regulations, Section 12, Special Charges. Provide support for the \$15 returned check fee.
15. Provide the total amount collected for late fees and the number of instances for which late fees were charged during the test year.
16. Provide the number of disconnections and reconnections for 2019, 2020, and 2021.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED FEB 10 2022

cc: Parties of Record

Case No. 2021-00483

*Daniel M Sullivan
Bluegrass Gas Sales, Inc.
3620 Rockland Mills Road
Center City, KY 42214

*Bluegrass Gas Sales, Inc.
3620 Rockland Mills Road
Center City, KY 42214

*Julie Parsons
Bluegrass Gas Sales, Inc.
3620 Rockland Mills Road
Center City, KY 42214

*Mark O'Brien
Bluegrass Gas Sales, Inc.
3620 Rockland Mills Road
Center City, KY 42214