

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 THIRD 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 October 21, 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. Refer to Bluegrass's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 3. Provide a cost justification for the increase in the customer charge from \$10.00 to the proposed \$17.50. Be sure to include quantifiable data to support the proposed \$17.50 customer charge.

2. Refer to Bluegrass's response to Staff's Second Request, Item 3. Provide Bluegrass' monthly overhead costs and payroll during the slow month period of late April through October.

3. Refer to Bluegrass's response to Staff's Second Request, Item 3. Regarding the statement, "If the minimum fee was increased to stay in line with inflation, it would approximate the \$17.50 requested amount." Provide evidence to support this claim.

4. Refer to Bluegrass's response to Staff's Second Request, Items 4 and 5.²

a. Provide the date in which the special contract between Bluegrass and Logan County School District was filed to the Commission.

b. Provide the contract between Bluegrass and Logan County School District.

c. Explain if the gas purchases and sales from Logan County School District are included in Bluegrass' Gas Cost Recovery (GCR) mechanism and explain if Logan County School District is charged the GCR rate.

5. Refer to Bluegrass's response to Staff's Second Request, Item 6.³

a. Explain why the base pay has not increased since 2011.

b. Explain how the requested base pay amount was determined.

c. Provide any contracts between Home Office, Inc. and Bluegrass.

6. Refer to Bluegrass's response to Staff's Second Request, Item 9.⁴

² The numbered items in Bluegrass's response to Staff's Second Request does not match the numbered items from Staff's Second Request. Items 4 and 5 from Bluegrass's response to Staff's Second Request is referencing Item 4 from Staff's Second Request.

³ The numbered items in Bluegrass's response to Staff's Second Request does not match the numbered items from Staff's Second Request. Item 6 from Bluegrass's response to Staff's Second Request is referencing Item 5(a)(1) from Staff's Second Request.

⁴ The numbered items in Bluegrass's response to Staff's Second Request does not match the numbered items from Staff's Second Request. Item 9 from Bluegrass's response to Staff's Second Request is referencing Item 5(b)(1) from Staff's Second Request.

a. Explain why health insurance is paid separately from the contract payments for a contract employee.

b. Explain whether base pay and health insurance for the Office Manager are the only costs paid by Bluegrass for contract employees. If not, provide the total amounts paid by category.

7. Refer to Bluegrass's response to Staff's Second Request, Item 14.⁵ As requested, refer to Item K, Rent.

a. State the entities from which Bluegrass rents its office space and equipment storage space.

b. Provide any market studies used to determine market rates.

c. Provide any rental agreements.

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

e. Provide a detailed calculation of the proposed increase

8. Refer to Bluegrass's response to Staff's Second Request, Items 16 and 17.⁶ Provide the missing attachments.

9. Refer to Bluegrass's response to Staff's Second Request, Item 18.⁷ Provide support for the assertion that fuel costs will increase 100 percent in the next year.

⁵ The numbered items in Bluegrass's response to Staff's Second Request does not match the numbered items from Staff's Second Request. Item 14 from Bluegrass's response to Staff's Second Request is referencing Item 5(g) from Staff's Second Request.

⁶ The numbered items in Bluegrass's response to Staff's Second Request does not match the numbered items from Staff's Second Request. Items 16 and 17 from Bluegrass's response to Staff's Second Request is referencing Item 5(i) and 5(j) from Staff's Second Request.

⁷ The numbered items in Bluegrass's response to Staff's Second Request does not match the numbered items from Staff's Second Request. Item 18 from Bluegrass's response to Staff's Second Request is referencing Item 5(k) from Staff's Second Request.

10. Refer to Bluegrass's response to Staff's Second Request, Item 19.⁸
- a. Explain why property taxes are based on profitability instead of assessed valuation.
 - b. Explain why Bluegrass pays property taxes separately from rental payments.
11. Refer to Bluegrass's response to Staff's Second Request, Item 21.⁹ Provide the test year amount of amortization for the \$40,000, 5-year note with Huntington National Bank, executed July 20, 2020.
12. Refer to Bluegrass's response to Staff's Second Request, Item 24.¹⁰ Provide Bluegrass's policies for recorded uncollectible accounts expense.
13. Refer to Bluegrass's response to Staff's Second Request, Item 25,¹¹ Commission Staff considers this as unresponsive. Attached, as an Appendix hereto, is a Nonrecurring Charge Cost Justification form available on the Commission's website.¹² Fill out the attached form separately for each of Bluegrass' nonrecurring charges. This should include the Collection Charge, Reconnection Charge, and Returned Check fee.

⁸ The numbered items in Bluegrass's response to Staff's Second Request does not match the numbered items from Staff's Second Request. Item 19 from Bluegrass's response to Staff's Second Request is referencing Item 5(l) from Staff's Second Request.

⁹ The numbered items in Bluegrass's response to Staff's Second Request does not match the numbered items from Staff's Second Request. Item 21 from Bluegrass's response to Staff's Second Request is referencing Item 7 from Staff's Second Request.

¹⁰ The numbered items in Bluegrass's response to Staff's Second Request does not match the numbered items from Staff's Second Request. Item 24 from Bluegrass's response to Staff's Second Request is referencing Item 8(c) from Staff's Second Request.

¹¹ The numbered items in Bluegrass's response to Staff's Second Request does not match the numbered items from Staff's Second Request. Item 25 from Bluegrass's response to Staff's Second Request is referencing Item 9 from Staff's Second Request.

¹² The Nonrecurring Charge Cost Justification form is located on the Kentucky Public Service Commission's website at <https://psc.ky.gov/Home/UtilForms>.

14. Refer to the Amended Application, unnumbered page 94 and 95, Attachment #11, the form titled, "Statement of Disclosure of Related Party Transactions".

a. Explain in detail the relationship between Bluegrass and Home Office, Inc. regarding gas procurement, gas sales, and gas transportation and transmission.

b. Explain in detail the relationship between Bluegrass and Natural Gas of Kentucky, Inc. regarding gas procurement, gas sales, and gas transportation and transmission.

c. Explain if Bluegrass believes it is not in violation of KRS 278.274(3) regarding its GCR rate reports. If so, explain why.

15. Refer to the Amended Application, unnumbered page 94 and 95, Attachment #11, the form titled, "Statement of Disclosure of Related Party Transactions" regarding Natural Gas of Kentucky, Inc. Under the box labeled as Type of Service Provided by Related Party is the statement, "All Gas Transport / Transmission Services (all services previously approved by PSC)". Explain in detail what services provided to Bluegrass were approved by the Commission and the case number in which the Commission approved these services.

16. Provide the total amount collected for late fees and the number of instances for which late fees were charged during 2017.

17. Explain if Bluegrass charges a fee for after-hours service. If so, provide the charge, the total amount collected for after-hour service, and the number of instances for which an after-hours fee were charged during 2017, 2018, 2019, 2020, and 2021.

18. Refer to KRS 278.2213, regarding relations between utilities and affiliates. For each of the following subsections, explain how Bluegrass ensures compliance and provide any relevant documentation.

a. A utility and its affiliate shall be separate corporate entities and maintain separate books and records. If a utility and nonregulated affiliate have common officers, directors, or employees, the fees, compensation, and expenses of the individuals involved shall be subject to the cost allocation requirements set forth in KRS 278.2203 and 278.2207. Any utility that provides nonregulated activities shall separately account for all investments, revenues, and expenses in accordance with its filed cost allocation manual.

b. A utility shall not provide advertising space in its billing envelope to its affiliates or for its nonregulated activities unless it offers the same to competing service providers on the same terms it provides to its affiliates. This subsection applies to nonregulated activities only.

c. A utility shall not attempt to persuade customers to do business with its affiliates by offering rebates or discounts on tariffed services

d. All dealings between a utility and a nonregulated affiliate shall be at arm's length.

e. Neither a utility nor its employees or agents shall solicit business on behalf of an affiliate or for its nonutility services.

f. The utility's name, trademark, brand, or logo shall not be used by a nonregulated affiliate in any type of visual or audio media without a disclaimer. The

Commission shall develop specifications for the disclaimer. The disclaimer shall be approved by the Commission prior to use in any advertisement by the utility's affiliate.

g. A utility shall not enter into any arrangements for financing nonregulated activities through an affiliate that would permit a creditor upon default to have recourse to the assets of the utility.



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

DATED OCT 14 2022

cc: Parties of Record

APPENDIX

APPENDIX TO COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION IN CASE NO. 2021-00483 DATED OCT 14 2022

ONE PAGE TO FOLLOW

NONRECURRING CHARGE COST JUSTIFICATION

Type of Charge: _____

1. Field Expense:

A. Materials (Itemize)

		\$ _____

B. Labor (Time and Wage)

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Total Field Expense		\$ _____
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2. Clerical and Office Expense

A. Supplies

		\$ _____
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B. Labor

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Total Clerical and Office Expense		\$ _____
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3. Miscellaneous Expense

A. Transportation

		\$ _____
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B. Other (Itemize)

Total Miscellaneous Expense		\$ _____
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Total Nonrecurring Charge Expense		\$ _____
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