

# Slone & Bates, P.S.C.

ATTORNEYS AT LAW

P.O. BOX 787 • 79 W. MAIN STREET  
HINDMAN, KY 41822

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PHONE:  
(606) 785-5581

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January 5, 2006

FAX:  
(606) 785-0933

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EMAIL:  
slonebates@tgtel.com

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Hon. Beth A. O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40601

Re: Kinzer Drilling Farm Tap Increase  
Case No. 2005-00478

RECEIVED

JAN 9 2006

PUBLIC SERVICE  
COMMISSION

Dear Ms. O'Donnell:

We submit for filing the original Interrogatories and Requests For Production of Documents in the above-captioned case. Thank you for your attention to this matter.

Sincerely,

*Timothy C. Bates*

Timothy C. Bates

Commonwealth of Kentucky  
Before the Public Service Commission

In Re: J.W. Kinzer Drilling Company's            ) Case No.  
Request to Increase the Cost of                 ) 2005-00478  
Natural Gas for Farm Tap Gas                 )  
Rates

FIRST SET OF INTERROGATORIES  
AND REQUESTS FOR PRODUCTION OF  
DOCUMENTS TO J.W. KINZER DRILLING

1. Please state the name, position, title, educational background and address of all individuals answering these discovery requests.
2. Please state in detail Kinzer's basis for requesting an increase in the farm tap rate. Please produce any and all documents supporting Kinzer's position.
3. Please provide in detail an explanation of how an increase in the cost of natural gas in general makes it more expensive for Kinzer to produce and sell the natural gas it currently provides to the 182 farm tap customers in question.
4. Please explain in detail the "BTU factor" referred to in Patrick G. McNamee's correspondence to the Public Service Commission on November 23, 2005 and how it supports Kinzer's position in the matter at hand.
5. Please explain in detail the reference to the "NYSEX" in Patrick G. McNamee's correspondence to the Public Service Commission on November 23, 2005 and how it supports Kinzer's position in the matter at hand.
6. Please state with specificity when Kinzer began using the NYSEX to base its rate to its 182 farm tap customers.
7. Please admit that all or some of the 182 farm tap customers have granted Kinzer easements to use their property in exchange for a low gas rate.
8. Please produce all documentation of the "labor cost" referred to in Patrick G. McNamee's November 23, 2005 letter to the Public

Service Commission for the years 2000 through 2005. Be sure to provide copies of all wages, taxes, health insurance costs, etc. referred to in said letter.

9. Please provide a detailed explanation as to why the “vehicle costs” referred to in Patrick G. McNamee’ letter of November 23, 2005 to Public Service Commission should be used to justify a rate increase.

10. Admit or deny that the “labor costs”, referred to in Patrick G. McNamee’s letter of November 23,2005 to the Public Service Commission, is a cost Kinzer would have to bear in order to monitor and maintain gas wells which currently exist on or near properties possessed by some or all of the 182 farm tap customers in question, regardless of whether gas is sold to these farm tap customers or not.

11. Admit or deny that the “vehicle costs”referred to in Patrick G. McNamee’s letter of November 23,2005 to the Public Service Commission, is a cost Kinzer would have to bear in order to maintain and monitor gas wells which currently exist on or near properties possessed by farm tap customers, regardless of whether gas is sold to these farm tap customers or not.

12. Admit or deny that the “tool cost” referred to in Patrick G. McNamee’s letter of November 23,2005, is a cost Kinzer would have to bear in order to monitor and maintain gas wells which exist on or near properties possessed farm tap customers, regardless of whether gas is sold to these farm tap customers or not.

13. Admit or deny that the “rent costs” referred to in Patrick G. McNamee’ letter of November 23,2005, is a cost Kinzer would have to bear in order to drill, maintain and produce gas wells on the properties in question regardless if gas is sold to farm tap customers or not.

14. Explain in detail why an increase in the cost of natural gas makes an increase in the farm tap rate necessary. Please provide copies of all documents in support of Kinzer's position.

15. Please provide a copy of all reports associated with any audits conducted by or on behalf of Kinzer Drilling Company or any of its parent or subsidiary companies during the last five (5) years. Be sure to include any and all governmental audits.

16. Please indicate whether Kinzer utilizes financial statement budgets and/or forecasts. If so, please describe the financial statement budgets and/or forecasts developed and relied upon by Kinzer and produce copies of any such document for the last five (5) years.

17. Please describe whether Kinzer's budgets or financial statements include any assumptions regarding rate increases or decreases. If so, please describe the basis for which the amounts for increases or decreases are included.

18. Please indicate whether Kinzer utilizes budgets or financial statements to evaluate whether it should file for a rate increase, to decide on the time frame for such a filing, and to decide on the general amount of such request. If so, explain in detail.

19. Please provide a copy of Kinzer Drilling's earnings report for 2002, 2003, 2004, and 2005.

20. Please provide a copy of all tax returns for Kinzer Drilling for the last five (5) years.

21. Please provide a copy of any and all documents used by Kinzer to determine the "cost" Kinzer bears to provide farm tap services to the 182 farm tap customers referred to in Patrick G. McNamee'

November 23, 2005 letter. Please provide copies of all documents for the last five (5) years.

22. For the years 2000 through 2005 please provide all of the following information for Kinzer Drilling:

- a. Gas volumes (mcf) rates to retail customers.
- b. Gas volumes (mcf) produced.
- c. Gas volumes (mcf) purchased.
- e. Gas volumes (mcf) rates to farm tap customers.
- f. Gas volumes (mcf) produced for each gas well on any farm tap customer's property.

23. Please provide the percentage of gas that Kinzer Drilling anticipates it will purchase, rather than produce to supply its 182 farm tap customers with gas from 2006 through 2016.

24. State what percentage of gas, if any, is currently purchased by Kinzer in order to provide gas to its 182 farm tap customers.

25. Please provide the names of all current third party gas suppliers Kinzer uses. Please provide a copy of any and all contracts relating to such.

26. Please provide a copy of any and all index or indices that Kinzer uses to determine the rate to charge its farm tap customers.

27. Please give a detailed account of how the decision to seek a rate increase was made. Be specific as to the individuals involved in the decision making process, their position and title, what information they used in reaching their decision, as well as the time frame involved.

Respectfully submitted,

SLONE & BATES, P.S.C.  
ATTORNEYS AT LAW  
P.O. BOX 787  
HINDMAN, KENTUCKY 41822  
(606) 785-5581

BY: Timothy C. Bates  
TIMOTHY C. BATES  
ATTORNEY AT LAW

### CERTIFICATE OF SERVICE

This is to certify that the attached Interrogatories and Requests have been served by mailing a copy the same, postage prepaid to the following persons on this 5 th day of January, 2006:

Patrick G. McNamee  
J.W. Kinzer Drilling Co.  
P.O. Box 155  
Allen, KY 41601

Beth O'Donnell  
Kentucky Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

Timothy C. Bates  
TIMOTHY C. BATES