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PUBLIC SERVICE
COMMISSION

In the Matter of

**THE APPLICATION OF APACHE GAS TRANSMISSION) CASE NO
COMPANY, INC. FOR AN INCREASE IN RATES) 2007-00354**

**SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF TO
APACHE GAS TRANSMISSION COMPANY, INC**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF APACHE GAS TRANSMISSION) CASE NO
COMPANY, INC. FOR AN INCREASE IN RATES) 2007-00354

SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF
TO APACHE GAS TRANSMISSION COMPANY, INC.

Apache Gas Transmission Company, Inc. ("Apache"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before November 16, 2007. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response 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 response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Apache shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Apache fails or refuses to furnish all or part of the requested information, Apache 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.

1. Refer to Apache's responses to Items 3(e) and 3(f) of Commission Staff's First Data Request ("initial request").

a. Describe the purpose of the \$550,000 loan from the Shirey Family Trust, identified in 3(e), on which final payment was made August 1, 2006.

b. In its response to Item 3(f), Apache states that it received several loans from CFRI during 2003 and 2004 that "were needed in the regular course of business." Describe in more detail how Apache used the proceeds of these loans.

2. Refer to Apache's responses to Items 4 and 8(a) of Staff's initial request, which refer to 17.82 miles of line as the distance from the Texan Eastern interconnect to the city gate of Burkesville Gas Company ("Burkesville") and as the amount of pipeline Apache has in service. The balance sheet in Attachment 2 of Apache's application indicates that the plant in Account 101, Transmission Line, consists of 20 miles of line.

a. Explain the discrepancy between the amount of pipeline listed in the balance sheet (20 miles) and the amount listed in Apache's Response to Items 4 and 8(a) (17.82 miles).

b. If Apache has approximately 2 miles of additional line not involved in serving Burkesville, state where this line is located and state whether the cost of this line is included in the proposed rate to be charged to Burkesville.

3. Refer to Apache's response to Item 9(b) of Staff's initial request, which indicates that the 70 percent shown in Attachment 4, Exhibit C, of Apache's application resulted from calculating the amount "necessary to keep the system in working order." As 70 happens to be the resulting percentage increase, explain how the amount of the increase was determined. Include all relevant assumptions, workpapers, calculations, etc. used in the determination.

4. Refer to Apache's response to Item 9(c) of Staff's initial request and Attachment 4, Exhibit C of the application. The response indicates that the capitalized costs included in the proposed adjustment to increase maintenance expense were incurred either (1) to replace dated and worn out components with new components or (2) to replace 3-inch line with 6-inch line. Provide, by year, for the period 1997 through 2006, a breakdown of the capitalized costs of \$105,054 shown in Attachment 4, Exhibit C, between the amounts incurred to replace dated / worn out components and the amounts incurred to replace 3-inch pipe with 6-inch pipe.

5. Refer to Apache's response to Item 9(d) of Staff's initial request.

a. What is the Department of Highways' timetable for the Highway 90 road project?

b. What is Apache's experience with the relocation of lines in conjunction with a Department of Highways' road repair or construction project?

c. In some instances, the Department of Highways reimburses utilities for line relocation costs that are incurred due to a state road project. What is Apache's understanding regarding possible reimbursement of any portion of the costs it may incur if the Highway 90 project comes to fruition?

6. Refer to Apache's response to Item 10(b) of Staff's initial request and Attachment 4, Exhibit D, of the application. In the format used in that response, provide a breakdown of the legal fees that Apache has incurred since June 29, 2007. Explain why Apache's annual expenses for legal fees have varied significantly since 2004 (reference Apache's 2004, 2005, and 2006 income statements).

7. Refer to Apache's response to Item 11(c) of Staff's initial request and Attachment 3, page 1 of 2, of the application. The response indicates that payments to Holland, CPAs were the only costs, other than the amounts paid Brenda Everette in 2006, recorded as Accounting Services in either 2006 or 2007. The attachment includes a budgeted expense for 2007 of \$2,105 while the amount expensed so far in 2007 is \$1,530 for services provided by Holland, CPAs, which was for preparation of Apache's 2006 tax returns. Preparing income tax returns was also the only service provided by Holland, CPAs and charged to Accounting Services in 2006. What accounts for the additional \$575 included in the budgeted amount, which would be in addition to the amount actually expensed in 2007 for the preparation of Apache's income tax returns?

8. Refer to Apache's response to Item 11(d) of Staff's initial request, which, among other things, asked that any companies for which Brenda Everette worked that share common ownership with Apache be identified. The response indicated that she

provides accounting services to other companies in which Tom Shirey is an acting officer; however, it did not identify the companies. Provide a list of the relevant companies, as originally requested.

9. Refer to Apache's response to Item 12(a) of Staff's initial request, which indicates that after 2004 there was a change in "policy to not accrue any management and accounting fees that Apache was not able to pay."

a. State whether Apache changed its policy in 2006 and began to again accrue management fees. If yes, explain why it made the policy change at that time. If no change occurred in 2006, explain why \$6,211 was recorded as management fees in 2006.

b. Provide a breakdown of the \$6,211 recorded as management fees in calendar year 2006.

10. Refer to Apache's response to Item 12(b) of Staff's initial request, which asked that Apache explain how the amount of \$1,800 was determined to be the appropriate level for the monthly management fee paid to the Shirey Family Trust. The response states that "[t]he \$1,800 seemed more than reasonable and equitable for the services provided for Apache." This response is not responsive. Explain how the \$1,800 was derived and why it is reasonable.

11. Refer to Apache's response to Item 13(a) of Staff's initial request. Explain why liability insurance for the year ended December 31, 2006 was only for a "partial year." Identify the portion of calendar year 2006 that was covered.

12. Refer to Apache's response to Item 13(b) of Staff's initial request and Apache's updates to Attachments 3 and 4 of its application. Apache has received a

new liability insurance premium for the policy year beginning October 15, 2007, in the amount of \$6,287. Explain why this amount should not be the amount included in Attachment 3 for recovery through rates.

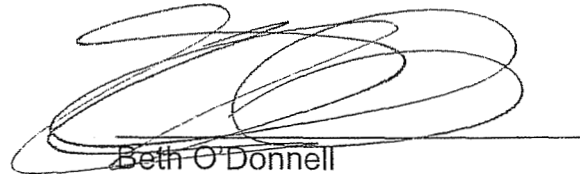
13. Refer to Apache's response to Item 13(c) of Staff's initial request. Explain what is meant by the reference to two separate insurance policies. State whether Apache carried any liability insurance in 2004 and 2005.

14. Refer to Apache's response to Item 14(b) of Staff's initial request, which refers to a 10.72 percent annual decline in total sales volumes since 2003.

a. Provide the calculation which shows the derivation of the 10.72 percent annual decrease in sales volumes since 2003.

b. Provide Apache's 2003 Mcf volumes by month, and in total.

c. Provide Apache's Mcf volumes for all months in 2007 for which the information is available.



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

DATED: November 2, 2007

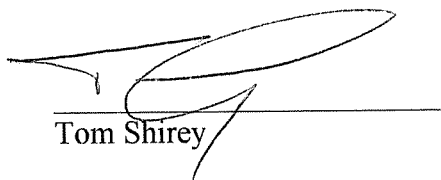
cc: All Parties

CASE #2007-00354

CERTIFICATION

I, Tom Shirey, certify that the responses contained in the *Supplemental Data Request of Commission Staff to Apache Gas Transmission Company, Inc. Case No. 2007-00354* are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

I further certify that any copies contained herein are true and exact copies of the originals.



Tom Shirey

CASE #2007-00354

CERTIFICATION

I, Brenda Everette, certify that the responses contained in the *Supplemental Data Request of Commission Staff to Apache Gas Transmission Company, Inc. Case No. 2007-00354* are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

I further certify that any copies contained herein are true and exact copies of the originals.


Brenda Everette

CASE #2007-00354

1. *Refer to Apache's responses to items 3(e) and 3(f) of Commission Staff's First Data Request ("initial request").*
 - a. *Describe the purpose of the \$550,000 loan from the Shirey Family Trust, identified in 3(e), on which final payment was made on August 1, 2006.*

The \$550,000.00 represents the original purchase price in 1997. By April of 1999 it was apparent that Apache would not be able to service the debt at that level so the parties agreed to reduce the original purchase price by \$475,000.00. Therefore, \$550,000.00 less \$475,000.00 equals \$75,000.00.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

1. *Refer to Apache's responses to items 3(e) and 3(f) of Commission Staff's First Data Request ("initial request").*
 - b. *In its response to Item 3(f), Apache state that it received several loans from CFRI during 2003 and 2004 that "were needed in the regular course of business." Describe in more detail how Apache used the proceeds of these loans.*

During the time period of the loans, the monthly receipts were insufficient to pay the minimum monthly bills. The monies received from the loans from CFRI were used to pay the monthly easements, loan payment to Monticello Banking Company and the loan payment for the transmission lines as discussed in item 1(a).

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

2. *Refer to Apache's responses to items 4 and 8(a) of Staff's initial request, which refer to 17.82 miles of line as the distance from the Texan Eastern interconnect to the city gate of Burkesville Gas Company ("Burkesville") and as the amount of pipeline Apache has in service. The balance sheet in Attachment 2 of Apache's application indicates that the plant in Account 101, Transmission Line, consists of 20 miles of line.*
 - a. *Explain the discrepancy between the amount of pipeline listed in the balance sheet (20 miles) and the amount listed in Apache's Response to items 4 and 8(a) (17.82 miles).*

The City Gate is defined by Apache personnel for purposes of identifying its' above ground regulator station only. The Burkesville distribution system is downstream approximately 3.03 miles. The location of the City Gate was determined by availability of easy access property that could be leased and provide a proficient delivery system. The Apache line needed to serve the City of Burkesville consist of the aggregate of 17.82 plus the 3.03 miles of transmission line is an approximate total length of 20.85 miles.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

2. *Refer to Apache's responses to items 4 and 8(a) of Staff's initial request, which refer to 17.82 miles of line as the distance from the Texan Eastern interconnect to the city gate of Burkesville Gas Company ("Burkesville") and as the amount of pipeline Apache has in service. The balance sheet in Attachment 2 of Apache's application indicates that the plant in Account 101, Transmission Line, consists of 20 miles of line.*
 - b. *If Apache has approximately 2 miles of additional line not involved in serving Burkesville, state where this line is located and state whether the cost of this line is included in the proposed rate to be charged to Burkesville.*

All 20.85 miles of line are used to serve Burkesville customers.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

3. *Refer to Apache's response to item 9(b) of Staff's initial request, which indicates that the 70 percent shown in Attachment 4, Exhibit C, of Apache's application resulted from calculating the amount "necessary to keep the system in working order." As 70 happens to be the resulting percentage increase, explain how the amount of the increase was determined. Include all relevant assumptions, workpapers, calculations, etc. used in the determination.*

Apache believes that approximately \$30,000 to \$35,000 per year would likely be an adequate amount to accommodate the need to repair and maintain the transmission system.

Supporting calculation methods to support the reasonableness of this position:

- The table as shown in Attachment 4, Exhibit C of the original application is the calculation that supported Management's belief. The 70% increase for this category was that increase necessary to generate the \$30,000 to \$35,000 to adequately provide for the repair and maintenance.

Other factors influencing Apache's position:

- In 2004 and 2005 the Company used funds totaling \$26,950.00 and \$27,722.61 respectively. Assuming cost increases for pipe cost as well as other cost, the amount of approximately \$32,000.00 does seem a reasonable amount for the stated purpose.
- There is still approximately 16,000 feet of 3" line that should be upgraded to 6". If there were not additional funds needed to comply with the Commonwealth of Kentucky Transportation Cabinet's request, it could take Apache as much as ten (10) years at the annual rate of \$30,000 to \$35,000 to complete.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

Account 767 - Maintenance of Lines - Explanation of Expenses

This increase is based on a ten (10) year average of the past ten (10) years maintenance expenses plus an additional increase of 70% because of the anticipated maintenance of State Highway 90 and to the Fort Knox line.

Listed below are the amounts of the actual expenses and a detail of how they appear on Apache's financial statements for each fiscal year ended. The 70% increase is calculated from this average and added to the total expected maintenance expense.

Year	Financial Statement Account Detail		Total Maintenance Expenses
	Maintenance Expense	Capitalized Expenses	
1997	10,114.00	0.00	10,114.00
1998	20,879.30	0.00	20,879.30
1999	1,305.00	0.00	1,305.00
2000	11,430.00	0.00	11,430.00
2001	2,927.91	1,010.00	3,937.91
2002	0.00	54,756.19	54,756.19
2003	3,401.67	(1,561.06)	1,840.61
2004	0.00	23,126.37	23,126.37
2005	20,113.94	27,722.61	47,836.55
2006	15,423.70	0.00	15,423.70
Ten Year Total	85,595.52	105,054.11	190,649.63
Average	8,559.55	10,505.41	19,064.96
70% Increase	5,991.68	7,353.79	13,345.47
TOTAL 2007 ANTICIPATED MAINTENANCE EXPENSE			32,410.44

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4. Refer to Apache's response to Item 9 (c) of Staff's initial request and Attachment 4, Exhibit C of the application. The response indicates that the capitalized costs included in the proposed adjustment to increase maintenance expense were incurred either (1) to replace dated and worn out components with new components or (2) to replace 3-inch line with 6-inch line. Provide, by year, for the period 1997 through 2006, a breakdown of the capitalized costs of \$105,054 shown in Attachment 4, Exhibit C, between the amounts incurred to replace dated / worn out components and the amounts incurred to replace 3-inch pipe with 6-inch pipe.

<u>Year</u>	<u>Description of Services</u>	<u>Amount</u>
1997	No Capitalized Costs	0.00
1998	No Capitalized Costs	0.00
1999	No Capitalized Costs	0.00
2000	No Capitalized Costs	0.00
2001	Engineering costs	1,010.00
2002	Engineering, construction, parts and legal fees involved in improvements and maintenance to the High Pressure Regulator Station	54,756.19
2003	Credit for parts charged in 2002 for improvements and maintenance to the High Pressure Regulator Station	(1,561.06)
2004	Replace 2200 feet of 3" plastic line with 6" plastic line	26,950.00
2004	Credit for parts and labor charged in 2002 for improvements and maintenance made to the High Pressure Regulator Station	(3,823.63)
2005	Move transmission line due to the Kentucky Transportation Cabinet relocation of a bridge on State Highway 3115	27,722.61
2006	No Capitalized Costs	0.00
Total All Years		105,054.11

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

5. *Refer to Apache's response to Item 9(d) of Staff's initial request.*

a. What is the Department of Highways' timetable for the Highway 90 road project?

According to Bill Rynearson of QK4 Engineering, all of the gas relocations depend on acquiring the right-of-ways in those areas. They are aiming to start relocations in February or March of 2008 with a completion by November, 2008.

According to Alan L. Edwards, Chief Utility Agent with the Kentucky Transportation Cabinet, QK4 is designing the project, buying right of ways, relocating utilities and constructing the roadway. Bill Rynearson is the agent for QK4 that is overseeing the utility relocation.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

5. *Refer to Apache's response to Item 9(d) of Staff's initial request.*

b. What is Apache's experience with the relocation of lines in conjunction with a Department of Highways' road repair or construction project?

Since Apache is a privately owned company, reimbursements are allowed by the Kentucky Transportation Cabinet *only* if facilities required to be relocated are located on private easements prior to the project beginning. The Kentucky Transportation Cabinet does not reimburse privately owned companies for costs associated with the relocation of lines which are located on public right of ways prior to the project beginning.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

5. *Refer to Apache's response to Item 9(d) of Staff's initial request.*

c. In some instances, the Department of Highways reimburses utilities for line relocation costs that are incurred due to a state road project. What is Apache's understanding regarding possible reimbursement of any portion of the costs it may incur if the Highway 90 project comes to fruition?

It is our understanding that Apache's transmission lines requiring relocation due to the current Highway 90 project cross State Highway 90 in five (5) different locations. Four (4) of these locations have already been determined to exist on public right of ways. The engineering firm is still in the process of determining if the location of the fifth line exists on private easements or public right of ways. Apache will file for reimbursement with the Commonwealth of Kentucky Transportation Cabinet on the required relocation of any lines existing on private easements.

According to Bill Ryneerson of QK4, the Highway 90 project is definitely moving forward.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

6. Refer to Apache's response to Item 10(b) of Staff's initial request and Attachment 4, Exhibit D, of the application. In the format used in this response, provide a breakdown of the legal fees that Apache has incurred since June 29, 2007. Explain why Apache's annual expenses for legal fees have varied significantly since 2004 (reference Apache's 2004, 2005, and 2006 income statements).

<u>Billing Date</u>	<u>Billing Period</u>	<u>Payee</u>	<u>Billing Amount</u>	<u>Description of Services</u>
8/1/2007	7/02/07 - 7/24/07	Kenneth A. Meredith II - Attorney at Law	417.49	Attorney Fees ¹
8/23/2007	6/29/07 - 8/23/07	Kenneth A. Meredith II - Attorney at Law	1,522.27	Attorney Fees ²
8/29/2007	8/01/07 - 8/24/07	Kenneth A. Meredith II - Attorney at Law	115.27	Attorney Fees ³
9/5/2007	8/09/07 - 9/05/07	Kenneth A. Meredith II - Attorney at Law	285.50	Attorney Fees ⁴
10/1/2007	9/10/07 - 9/18/07	Kenneth A. Meredith II - Attorney at Law	89.99	Attorney Fees ⁵

- ¹ Legal services pertaining to the renewal of the existing loan with Monticello Banking Company, review loan documents, reviewed letter on security agreement, draft letter to Apache, reviewed accountant engagement letter, drafted corporate resolution on loan renewal, cost of photocopying.
- ² Legal services pertaining to the 13 to 14 year old lawsuit of Roy Norris and Emma Anderson, reviewed motion concerning possible dismissal for lack of prosecution, drafted summary of lack of prosecution by Plaintiffs in both case, file with Cumberland County Clerk, reviewed prior pleadings in both files, reviewed e-mail concerning ledger on payments to Emma Anderson, Roy Norris and Carol Walker, attend hearing in Burkesville, draft and telefax letter to client concerning status of pending motions, travel time, mileage, cost of photocopying.
- ³ Legal services pertaining to the renewal of the existing loan with Monticello Banking Company, phone conference with Tom Shirey concerning collateral for loan, reviewed revisions to loan agreement, reviewed return of corporate resolution concerning accountant.
- ⁴ Legal services pertaining to the transportation agreement with Apache and Cagles Foods, phone conference with Brenda Everette, reviewed previous file, drafted changes from 2006 transportation agreement to 2007 with annexed exhibits, drafted letter to Apache, cost of photocopying and telefaxing.
- ⁵ Legal services pertaining to the transportation agreement with Apache and Cagles Foods, phone conference with Brenda Everette and Tom Shirey, drafted letter to client concerning status of agreement, cost of telefaxing.

As you can see from the above billing details, the majority of the legal fees pertain to the easement lawsuit that has been pending for 13 to 14 years. During the year 2005, the plaintiffs filed new legal motions which required legal responses from Apache. There was no activity on this lawsuit during 2006, but new legal motions were filed during 2007, again requiring legal responses from Apache. Also, the loan existing since 2002 with Monticello Banking Company matured during 2007 and required renewal during this year.

Although the original lawsuit was filed against KET (previous owners of the Apache line) for unpaid easement fees prior to Apache's acquisition of the line, Apache's position has continued to be that the plaintiffs should seek remunerations from KET for any unpaid easement fees prior to Apache's ownership.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

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7. *Refer to Apache's response to Item 11(c) of Staff's initial request and Attachment 3, page 1 of 2, of the application. The response indicates that payments to Holland, CPAs were the only costs, other than the amounts paid Brenda Everette in 2006, recorded as Accounting Services in either 2006 or 2007. The attachment includes a budgeted expense for 2007 of \$2,105 while the amount expensed so far in 2007 is \$1,530 for services provided by Holland, CPAs, which was for preparation of Apache's 2006 tax returns. Preparing income tax returns was also the only service provided by Holland, CPAs and charged to Accounting Services in 2006. What accounts for the additional \$575 included in the budgeted amount, which would be in addition to the amount actually expensed in 2007 for the preparation of Apache's income tax returns?*

In the initial response to 11(c) Apache incorrectly stated that the charge of \$1,530.00 from Holland CPAs during the six months ended June 30, 2007 included preparation of the state and federal income tax returns and also property tax returns. However, the \$1,530.00 charge was for preparation of the corporation income tax returns only. There was an additional charge of \$575.00 for preparation of the property tax returns. This charge was paid by Apache on July 1, 2007. Copies of the invoices from Holland CPAs are included.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**



P O Box 104
927 College Street
Bowling Green KY 42102-0104
Phone: (270) 782-0700
Fax: (270) 782-0932

Client ID: 85096

APACHE GAS TRANSMISSION INC
5005 LIVE OAK
GREENVILLE TX 75402

Date: 5/31/2007
Invoice #: 37726
Date Due: 6/22/2007

Return top portion and write Client # on check.

Amount enclosed \$ _____

For Professional Services Rendered as Follows:

APACHE GAS TRANSMISSION INC

Preparation of 2007 Property Tax Returns.

575.00

New Charges: \$575.00

Plus Prior Balance: 0.00

New Balance: \$575.00

Aged Balances						
<u>5/31/2007</u>	<u>4/30/2007</u>	<u>3/31/2007</u>	<u>2/28/2007</u>	<u>1/31/2007</u>	<u>12/31/2006+</u>	<u>Total</u>
575.00	0.00	0.00	0.00	0.00	0.00	\$575.00

Billing Inquiries contact Peggy Gray. Payments received after month-end not reflected.



P O Box 104
 927 College Street
 Bowling Green KY 42102-0104
 Phone: (270) 782-0700
 Fax: (270) 782-0932

Client ID: 85096

APACHE GAS TRANSMISSION INC
 5005 LIVE OAK
 GREENVILLE TX 75402

Date: 3/31/2007
 Invoice #: 36580
 Date Due: 4/16/2007

Return top portion and write Client # on check.

Amount enclosed \$ _____

For Professional Services Rendered as Follows:

APACHE GAS TRANSMISSION INC

Consultation: Year-end assistance 1,530.00
 Preparation of Corporation Tax Returns *

* excludes Tangible Return to be completed by 5/01/07

New Charges: \$1,530.00
 Plus Prior Balance: 0.00
 New Balance: \$1,530.00

Aged Balances						
<u>3/31/2007</u>	<u>2/28/2007</u>	<u>1/31/2007</u>	<u>12/31/2006</u>	<u>11/30/2006</u>	<u>10/31/2006+</u>	<u>Total</u>
1,530.00	0.00	0.00	0.00	0.00	0.00	\$1,530.00

Billing Inquiries contact Peggy Gray. Payments received after month-end not reflected.

CASE #2007-00354

8. *Refer to Apache's response to Item 11(d) of Staff's initial request, which, among other things, asked that any companies for which Brenda Everette worked that share common ownership with Apache to be identified. The response indicated that she provides accounting services to other companies in which Tom Shirey is an acting officer; however, it did not identify the companies. Provide a list of the relevant companies, as originally requested.*

Apache Gas Transmission Company, Inc. is owned by the eight Shirey children. Tom Shirey acts as President of Apache Gas Transmission Company, Inc. There are no other companies that share common ownership with Apache. Therefore the correct answer for question 11(d) would be that *there are no other companies that share common ownership* for which Brenda Everette provides services for.

However, Brenda Everette provides accounting services to the following other companies for which Tom Shirey is an acting officer:

Burkesville Gas Company, Inc. – Accounting services include, but is not limited to, monthly processing of all information pertaining to the financial records, payroll, completion of federal and state payroll reports, preparation of all state and federal reports as required, Gas Cost Recovery filings, bank reconciliations, works closely with the CPA, works closely with attorney, daily conferences with the employees at Burkesville to receive updates on daily activities, regular meetings and conferences with Tom Shirey in order to review and update him on day to day issues, travel to Burkesville when necessary, attend PSC inspections, respond to other miscellaneous issues as they arise. Brenda Everette also provides some management services to Burkesville.

Consolidated Financial Resources, Inc. (CFRI) – CFRI has its own accounting personnel. Brenda Everette provides accounting support to the CFRI accounting personnel.

Volunteer Fire Departments – Brenda Everette assists volunteer fire departments to prepare unaudited financial statements for the purposes of obtaining financing.

Summit National Holding Corporation – Summit has its own accounting personnel. Brenda Everette provides accounting support to the Summit accounting personnel.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

9. *Refer to Apache's response to Item 12(a) of Staff's initial request, which indicates that after 2004 there was a change in "policy to not accrue any management and accounting fees that Apache was not able to pay."*
- a. State whether Apache changed its policy in 2006 and began to again accrue management fees. If yes, explain why it made the policy change at that time. If no change occurred in 2006, explain why \$6,211 was recorded as management fees in 2006.*

The policy did not change in 2006. The policy as stated in Apache's first response to the Commission Staff included that "was not able to pay."

Because the Shirey Family Trust agreed to the original purchase price reduction (see 1(a)) and the final payment was made on the note during August 2006, the Shirey Family Trust's position is that Apache should pay for services rendered.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

9. *Refer to Apache's response to Item 12(a) of Staff's initial request, which indicates that after 2004 there was a change in "policy to not accrue any management and accounting fees that Apache was not able to pay."*
- b. Provide a breakdown of the \$6,211 recorded as management fees in calendar year 2006.*

The management for fiscal year ending 2006 began in August for \$211.15 plus \$1,500.00 from September to December totaling \$6,211.15. The average monthly management charge from the Shirey Family Trust increased to \$1,800.00 due to its revised estimate of the job requirements.

Mr. Shirey does not keep up with each individual task nor the amount of time spent on each individual task. Mr. Shirey devotes an average of 18 hours per month providing services and expertise to Apache.

However, some of the services provided by Mr. Shirey include:

- Attendance of annual Board of Directors meetings.
- Reviewing previous year financials and approving for preparation of tax returns.
- Reviewing federal and state tax returns.
- Reviewing state property tax returns.
- Reviewing current tax assessments.
- Reviewing the Operation, Maintenance and Transportation agreement between Apache and Burkesville.
- Reviewing information provided by personnel for preparation of the Integrity Management Plan.
- Review reports for the Department of Transportation form PHMSA F7100-2.1
- Sign and review each check before payment.
- Reviews on a weekly basis the current and projected cash flows.
- Reviews financial information weekly with Brenda Everette.
- Reviews with Brenda Everette the weekly MCF volumes delivered.
- Reviewed and discussed with bank and attorney the loan renewal of the existing loan with Monticello Banking Company.
- Explores and researches opportunities to improve sales.
- Works with Brenda Everette in making decisions that are in the best interest of Apache.
- Manages and reviews all work performed by both Brenda Everette and Joshua Shirey.
- Conferences with attorney on all legal affairs of Apache.
- Receives weekly updates from Brenda Everette on all activity related to Apache.
- Reviews and supervises the preparation of the current financial records.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

10. *Refer to Apache's response to Item 12(b) of Staff's initial request, which, asked that Apache explain how the amount of \$1,800 was determined to be the appropriate level for the monthly management fee paid to the Shirey Family Trust. The response states that "[t]he \$1,800 seemed more than reasonable and equitable for the services provided for Apache." This response is not responsive. Explain how the \$1,800 was derived and why it is reasonable.*

Although Mr. Shirey is a salaried employee, his billing rate is approximately \$100.00 per hour for each hour that he spends on providing his services to a company in which he is an acting officer. Mr. Shirey dedicates an average of 18 hours per month to Apache. This calculates to \$1,800.00 per month.

This amount is fair and reasonable for the services and expertise provided by Mr. Shirey as compared to billings by other companies for which Mr. Shirey is an acting officer.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

11. *Refer to Apache's response to Item 13(a) of Staff's initial request. Explain why liability insurance for the year ended December 31, 2006 was only for a "partial year." Identify the portion of calendar year 2006 that was covered.*

All of 2006 was covered.

In previous fiscal years ended, Apache's and Burkesville's insurance were incorporated in one insurance policy. Management made a decision during the fiscal year 2006 to insure Apache on a separate individual policy.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

12. *Refer to Apache's response to Item 13(b) of Staff's initial request and Apache's updates to Attachments 3 and 4 of its application. Apache has received a new liability insurance premium for the policy year beginning October 15, 2007, in the amount of \$6,287. Explain why this amount should not be the amount included in Attachment 3 for recovery through rates.*

The policy period for the premium in the amount of \$6,287.20 is for the period of 10/15/07 to 10/15/08. Apache based its 2007 budgeted premium on the actual premium cost for the fiscal year ending 2007. The premium for the policy period ending 10/15/07 was higher than the renewal premium. Based on the policies in effect during the fiscal year 2007, the actual insurance premium cost will be \$6,796.84.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

13. *Refer to Apache's response to Item 13(c) of Staff's initial request. Explain what is meant by the reference to two separate insurance policies. State whether Apache carried any liability insurance in 2004 and 2005.*

In previous years, Apache was insured under the same policy as Burkesville Gas Company. During the fiscal year 2006, Apache was removed from the Burkesville insurance policy and was issued a separate individual policy.

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

14. Refer to Apache's response to item 14(b) Staff's initial request, which refers to a 10.72 percent annual decline in total sales volumes since 2003.

a. Provide the calculation which shows the derivation of the 10.72 percent annual decrease in sales volumes since 2003.

In the initial response to 14(b), Apache hand calculated the average decline of 10.72%. However, calculation in Excel produced a slightly different result of 10.78%.

Listed below is the calculation of how Apache arrived at the average decline of 10.78%:

<u>Year</u>	<u>MCF Volume of Sales</u>	<u>Year</u>	<u>MCF Volume of Sales</u>	<u>MCF Decrease in Sales Volumes</u>	<u>% of Decrease in Sales Volumes</u>
2003	50,016	2004	43,270	6,746	13.49%
2004	43,270	2005	42,513	757	1.75%
2005	42,513	2006	35,377	7,136	16.79%
Total	135,799		121,160	14,639	10.78%

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

14. *Refer to Apache's response to item 14(b) Staff's initial request, which refers to a 10.72 percent annual decline in total sales volumes since 2003.*

b. Provide Apache's 2003 Mcf volumes by month, and in total.

<u>Month</u>	<u>MCF Volume</u>
January	12,985
February	10,204
March	5,134
April	2,420
May	890
June	958
July	787
August	674
September	746
October	2,179
<hr/>	
Subtotal - 10 Months	36,977
November	4,043
December	8,996
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Total - 12 Months	50,016

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**

CASE #2007-00354

14. *Refer to Apache's response to item 14(b) Staff's initial request, which refers to a 10.72 percent annual decline in total sales volumes since 2003.*

c. *Provide Apache's Mcf volumes for all months in 2007 for which the information is available*

<u>Month</u>	<u>MCF Volume</u>
January	7,213
February	8,867
March	3,771
April	2,625
May	1,042
June	731
July	729
August	746
September	696
October	1,188
Total to Date	27,608

**Name of witness responsible for responding to this question:
Tom Shirey and Brenda Everette**