

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

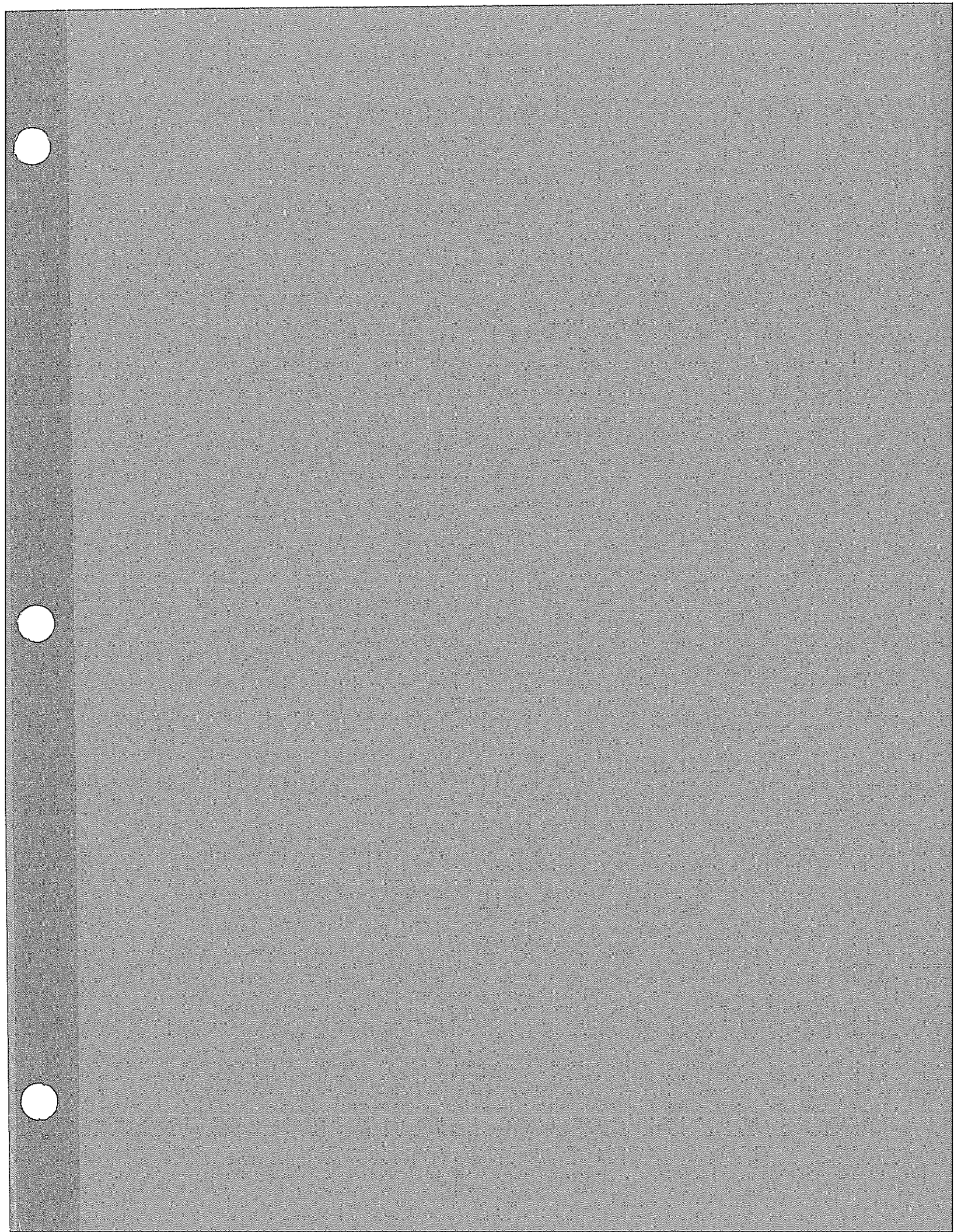
SECOND DATA REQUEST FROM COMMISSION STAFF)	CASE NO.
SUPPLEMENTAL RESPONSES)	2008-00156

AUXIER ROAD GAS COMPANY, INC.

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COMMISSION



SUPPLEMENTAL RESPONSE

2. Refer to Auxier Gas's response to the Commission Staff's First information Request, Items 1 and 6. During the test period, Auxier Gas paid \$16,200 for the rental of its office to Estill Branham Rental. Auxier Gas is proposing to increase office rent expense by \$1,800 to \$18,000.

d. If the office is considered a less-than-arms-length transaction, provide documentation to show that the actual test-period office rent of \$1,350 per month and the proposed monthly rent of \$1,500 are reasonable.

WITNESS: Sallye M. Branham

RESPONSE: Market research/analysis per Redd, Brown & Williams Real Estate Services, Appraiser, Paul David Brown, Jr., GAA, IFAS, indicates an estimated market lease rate of \$4-\$6 per square foot. This figures to approximately \$2,200/month. (5,285 sq. ft. x \$5 = \$26,425. / 12 = \$2,202.) Please see attached appraisal.

From: Cindy Legg <clegg@rbandw.com>

To: sbcrum@aol.com

Cc: 'Paul David Brown' <pdbrown@rbandw.com>

Subject: Auxier Road Gas Appraisal

Date: Wed, 22 Oct 2008 9:54 am

Attachments: auxier_road_gas.pdf (2955K)

Kim/Susan –

Per your request, I've attached the appraisal report in PDF format. If you have any trouble opening, please let me know. Paul David asked me to relay to you the following:

Market research/analysis indicates an estimated market lease rate of \$4-\$6 per square foot (as shown in the income approach). This figures to approximately \$2200/month. If you have any questions, please feel free to call. Thank you.

Cindy K. Legg, KY Cert Gen Appr
REDD, BROWN & WILLIAMS REAL ESTATE SVC
606-789-8119

SUPPLEMENTAL RESPONSE

4. Refer to Auxier Gas's Response to Commission Staff's First Information Request, Item 6.
 - b. Account No. 921.07: Travel. Provide a complete and detailed description of each item listed in the table below, and include copies of all supporting invoices.

WITNESS: Sallye M. Branham

RESPONSE: Mr. Branham at all times had Auxier in his best interest on company time and personal time. Mrs. Branham stated Mr. Branham even during what would normally be "time off" would visit his attorney and even his United States Congressman concerning Auxier and the gas industry in general. Mr. Branham supervised his service men and the well being of the company in person or from a cell phone directing them at any hour.

- (1) AMEX, 1/26/07, \$83.51 (Stony Rivers, Nashville, TN, \$51.22 personal lunch for Estill and Sallye Branham; Desha's, Lexington, KY, \$32.29 personal lunch for Estill and Sallye Branham.)
- (2) AMEX, 2/28/07, \$2,026.32 (Airline tickets, Fort Myers, FL; Fort Lauderdale, FL - personal trip for Estill and Sallye Branham; Washington, Nat'l)
- (3) AMEX, 3/28/07, \$63.27 (Chop House, Charleston, WV personal lunch for Estill and Sallye Branham.)
- (4) Business Card, 3/22/07, \$105.35 (TLF Gene's 5th Ave Floor personal lunch for Estill and Sallye Branham.)
- (5) Business Card, 4/24/07, \$42.00 (Cincinnati, OH airport parking personal Estill and Sallye Branham)
- (6) AMEX, 4/24/07, \$2,410.75 (hotels, food & beverages, car rental: Midway, KY, Washington, DC, Erlanger, KY, Fort Lauderdale, FL - personal Estill and Sallye Branham)

- (7) AMEX, 5/25/07, \$866.69 (Food & beverage: Lexington and Louisville, KY personal for Estill and Sallye Branham.)
- (8) AMEX, 6/10/07, \$1,079.52 (Food & beverage: Cincinnati, OH, Newport, KY; airline tickets: Boston, MA - meeting APGA, Estill and Sallye Branham.)
- (9) Business Card, 6/6/07, \$136.97 (McCormick and Schmicks, Cincinnati, OH lunch for Estill and Sallye Branham before leaving out to Boston, MA for APGA meeting.)
- (10) AMEX, 7/27/07, \$544.60 (Airline tickets: Albany, NY - APGA annual meeting - Estill and Sallye Branham.)
- (11) AMEX, 8/08/07, \$206.58 (Car rental: Albany, NY - APGA annual meeting - Estill and Sallye Branham.)
- (12) Business Card, 8/8/07, \$27.50 (Yeager Airport, Charleston, WV, parking fees - APGA annual meeting - Estill and Sallye Branham)

4.c. Account No. 926: Employee Benefits. Provide a complete and detailed description of each item listed in the table attached hereto as Schedule 1, and include copies of supporting invoices.

WITNESS: Sallye M. Branham

RESPONSE: Six (6) payments of \$251.25 Modern Woodman of the World – Life Insurance on Estill Branham

One (1) payment of \$32.25 Modern Woodman of the World – Life Insurance on Sallye Branham

Seven (7) payments of \$122.49 United World Health – Health Insurance Estill and Sallye Branham

Three (3) payments of \$95.15 United World Health – Health Insurance Sallye Branham

Three (3) payments of \$146.80 Aetna – Health Insurance Sallye Branham

7/7/07 Cash Receipts of \$304.00 – Ron Robinson contribution to health insurance

8/31/07 and 9/30/07 payments of \$383.79 each – Susan Crum contribution to health insurance

Four (4) payments of \$106.56 United World Health – Health insurance Estill and Sallye Branham

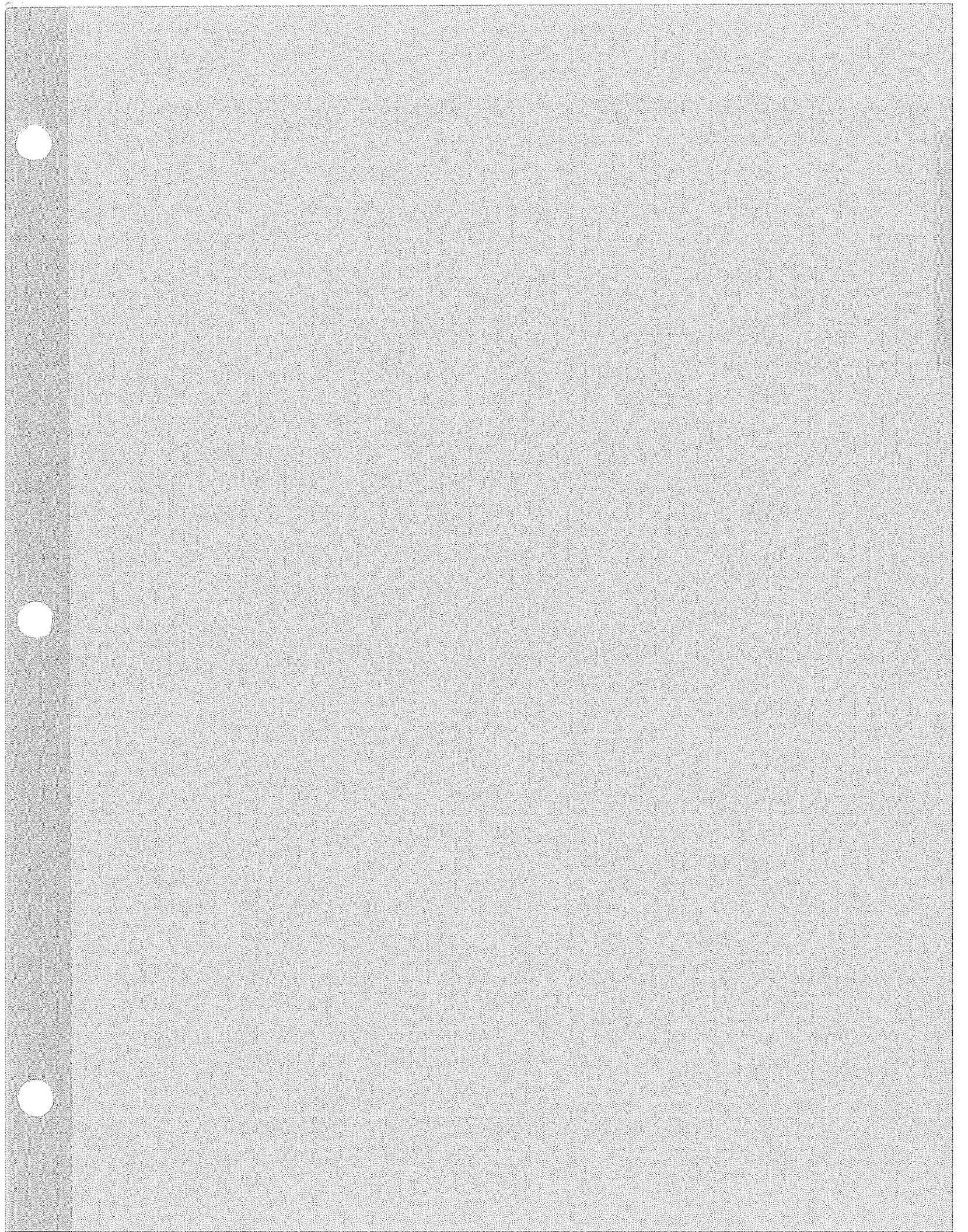
One (1) payment of \$929.87 Aetna – health insurance Estill and Sallye Branham

One (1) payment of 100.00 Retirement gift to Al Scott – Mr. Scott was permanently laid off until the death of Estill Branham. Al was brought back to work.

One (1) payment of \$77.60 to Rite Aid for prescriptions for Sallye Branham, Kleenex for gas office

One (1) payment of \$178.78 Business Card to Rite Aid for prescriptions for Estill Branham.

One (1) payment of \$20.00 Highland Regional Medical Center – Kim Crisp co-payment.



SUPPLEMENTAL RESPONSE

5. Refer to Auxier Gas's response to the Commission Staff's First Information Request, Item 10(a).

c. Does Ms. Branham track the amount of hours she spends performing the management of Auxier Gas?

WITNESS: Sallye Branham

RESPONSE: No; however, Ms. Branham works 40 hours per week but does not track her various duties performed on an hourly basis. We are few in number and our duties and responsibilities change sometimes daily.

c.1. If no, given that this is a less-than-arm's length transaction, provide documentation to show that Ms. Branham's annual salary of \$36,000 is reasonable.

WITNESS: Sallye Branham

RESPONSE: Given that Ms. Branham works 40 hours per week which equates to 17.31/hr we feel this is reasonable in comparison to other local utilities. Area C/D class natural gas distribution companies such as Elam Gas president Wilma Ison had a salary in 2007 of \$77,600; Jed Weinburg president of Martin Gas had a 2007 salary of \$50,000. After the passing of Mr. Estill Branham, my husband, President of Auxier Road Gas Co., Inc., I assumed many of the responsibilities of Estill. This was in addition to my own duties with the company; with no increase in salary. I have been with Auxier Road Gas Co., Inc. for 42 years. I had no increase in 2008. Some of my office duties consist of Accounts Receivable, Accounts Payable, insurance needs, working up mail, quarterly and monthly taxes, assisting and working with customers with problems of paying bills. Waiting on customers, going in the field to adjust and check our pressure at our gas feed at any hour deemed necessary. Working with and oversight of employees with daily duties and certification needs. I do various tasks and duties throughout the day, week and month. I feel and know I have not listed all the tasks but have given an overview. A natural gas utility comes with an enormous amount of responsibility. I am constantly looking out for the best interest of each of our customers.

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13. Refer to Auxier Gas's response to the Commission Staff's First Information Request, Item 22. Provide the following information:

d. Explain why the supplies for the Reconnection Charge for Reestablishing Service within 12 months and the Service Charge for Insufficient Funds have higher costs than the Reconnection Charge for Nonpayment and the Collection Fee-Delinquent Bill, even though the first two charges use fewer supplies.

Witness: Sallye Branham

Response: Customer fills out a new deposit form when coming back on within 12 months. Deposits forms are duplicate forms and are significantly more expensive than the other supplies. Costs for the Service Charge for Insufficient Funds are mainly keeping track of the situation and usually several phone conversations and paper to record customer's response.

SUPPLEMENTAL RESPONSE

See attached NONRECURRING CHARGE COST JUSTIFICATION for Reconnection Charge – Nonpayment which was originally filed incorrectly after review by our office staff.

