

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

IN THE MATTER OF:

MAR 7 2016

In the Matter of:

PUBLIC SERVICE
COMMISSION

AN INVESTIGATION OF THE GAS COSTS OF B&H)
GAS COMPANY PURSUANT TO KRS 278.2207 AND) Case No.
THE WHOLESALE GAS PRICE IT IS CHARGED) 2015-00367
BY ITS AFFILIATE, B&S OIL AND GAS COMPANY,)
PURSUANT TO KRS 278.274)

ATTORNEY GENERAL'S INITIAL DATA REQUESTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Initial Data Requests to B&H Gas Company and B&S Oil & Gas Company [hereinafter separately referred to as either "B&H," "B&S," or collectively as "the companies"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the witness who will be prepared to answer questions concerning each request.
- (3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for the companies with an electronic version of these questions, upon request.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of

these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or 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.

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or

notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten

notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

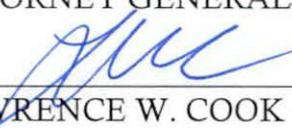
(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL



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Certificate of Service and Filing

Counsel certifies that an original and seven photocopies of the foregoing were served and filed by hand delivery to James W. Gardner, Acting Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

B & H Gas Company
P. O. Box 447
Betsy Layne, KY 41605

B & S Oil and Gas Company
P.O. Box 155
Harold, KY 41635

Joe F. Childers
Joe F. Childers & Associates
300 Lexington Bldg.
201 W. Short St.
Lexington, KY 40507

this 7th day of March, 2016



Assistant Attorney General

An Investigation of the Gas Costs of B&H Gas Company Pursuant to KRS 278.2207 and
the Wholesale Gas Price it is Charged by its Affiliate, B&S Oil And Gas Company,
Pursuant To KRS 278.274
Case No. 2015-00367
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1. Please state when Mr. Rife became an officer, director, member, principal and/or owner of:
 - a. Johnson County Gas;
 - b. B&H Gas Co. ("B&H");
 - c. B&S Oil & Gas Co. ("B&S");
 - d. Bradley & Son Oil & Gas Co.;
 - e. Bud Rife Construction Co.; and/or
 - f. Hall, Stephens, & Hall

2. Please identify any and all other corporations, LLCs, partnerships and/or any and all other business entities of any type or sort in which Mr. Rife holds an interest as an officer, director, member, partner, principal and/or owner which are engaged in gas drilling, gathering, distribution, transportation, or procurement in any state.

3. Please state whether any relative of Mr. Rife's, whether by blood or by marriage, holds or will hold any type or sort of position or title, whether as an officer, director, member, partner, principal, employee, owner, contractor or consultant, with:
 - a. Johnson County Gas;
 - b. B&H;
 - c. B&S;
 - d. Bradley & Son Oil & Gas Co.;
 - e. Bud Rife Construction Co.; and/or
 - f. Hall, Stephens, & Hall

4. If your response to the question immediately above, including its subparts is "yes," please provide the name(s) of the relative(s), together with the amount of salary, commissions, and/or any other type or sort of remuneration.

5. Do B&H and/or B&S maintain any contracts with vendors whose principals are in any manner related, by blood or marriage, to B&H's and/or B&S' officers, directors, members, partners, principals, employees, owners, and/or their independent contractors or consultants? If yes:
 - a. Please provide copies of any such contract, and a breakdown of how much money was spent per contract per year for the last ten (10) calendar years; and

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- b. Please state whether the contracts were awarded pursuant to a bid process, and if so, provide specifics of that bid process.

6. Please state whether Bud Rife, and any individuals related to him by blood or marriage, have received any type or sort of bonus or remuneration during the past five (5) years from the entities listed below, and if so, the amount(s) thereof:
 - a. Johnson County Gas;
 - b. B&H;
 - c. B&S;
 - d. Bradley & Son Oil & Gas Co.;
 - e. Bud Rife Construction Co.; and/or
 - f. Hall, Stephens, & Hall

7. Please confirm that B&H receives between 95% - 100% of its gas supply from B&S.

8. Please identify the source(s) of the gas that B&S procures, including any from outside of Kentucky.

9. Identify all customers of B&S other than B&H, including any from outside of Kentucky.

10. Provide copies of all documents setting forth the criteria B&S uses in procuring gas from entities not affiliated in any manner with B&S, and in which Bud Rife holds no interest of any type or sort.

11. Please provide copies of all documents setting forth the costs B&S incurs in obtaining gas for B&H.

12. Please provide copies of all RFPs which B&S issued for gas supply during the last ten (10) years.

13. Please provide copies of all RFPs that B&H issued for gas supply during the last ten (10) years.

14. As a result of Johnson County Gas Company's bankruptcy petition, did Mr. Rife become personally responsible for any of Johnson County Gas Co.'s debts? If so,

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state whether those debts have been paid, and if not, the amount for which he remains responsible.

15. Is Mr. Rife personally responsible for any of the debts of:

- a. B&H;
- b. B&S;
- c. Bradley & Son Oil & Gas Co.;
- d. Bud Rife Construction Co.; and/or
- e. Hall, Stephens, & Hall

16. Is B&H, and/or B&S affiliated with an entity known as Hall, Stephens, & Hall?

17. Is Hall, Stephens, & Hall now, or has it ever been a gas supplier for: (a) B&H Gas; and/or (b) Johnson County Gas?

18. Does: (i) B&H Gas; and/or (ii) Johnson County Gas, now, or have they ever obtained gas supply from:

- a. Bradco Oil Company (a/k/a Bradley & Son Oil & Gas Co.);
- b. Columbia Gas Co.;
- c. Atmos Energy Marketing;
- d. Constellation NewEnergy; and/ or
- e. B&S Oil & Gas Co.?

19. Please confirm that in Case No. 2012-00140, Johnson County Gas and Mr. Rife stated in response to the Commission Staff's first data request, item no. 6, that B&H shares office space with Johnson County Gas, and that both entities pay a monthly rent to Mr. Rife.

- a. Does Johnson County Gas continue to maintain offices in the same location as B&H, and/or B&S?
- b. Please identify any and all other businesses that share office space at this location.

20. Has Bud Rife ever filed for bankruptcy?

21. Is B&H contemplating, or does it have plans to file for bankruptcy?

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22. Has B&S ever filed for bankruptcy? If so, please provide the bankruptcy court case number, together with those of any adversary proceedings filed under that bankruptcy petition.
 - a. Is B&S contemplating, or does it have plans to file for bankruptcy?
23. Where is the northern-most terminus of B&H's system, and in what county?
24. Please provide a ledger of all B&H vendors, including but not limited to B&S, Bud Rife Construction Company, Inc., and Hall, Stephens, & Hall, from calendar year ending Dec. 31, 2012 through January, 2016. The ledger should set forth transaction dates, amounts paid out and amounts received.
25. Regarding B&H's transactions with: (a) Bud Rife Construction Company, Inc.; (b) Hall, Stephens, & Hall; (c) B&S; and (d) Johnson County Gas, state whether any RFPs were issued, and provide copies of same.
26. Has B&H ever received any loans from: (a) the Kentucky Municipal Gas Utility Investment Trust; (b) the Governor's Office for Local Development; (c) the Department for Local Government; and/or (d) Kentucky Gas System Restoration Project Revolving Loan Fund? If the answer is "yes," please identify the amounts of all such loans, the date of all such loans, and the any outstanding amounts on those loans.
27. State the nature of the services that Bud Rife Construction Company, Inc. provided to B&H.
28. Please state whether Mr. Rife's management fee received from B&H includes services he provides for repairs and maintenance.
29. Please confirm that in Johnson County Gas's rate case, Case No. 2012-00140, the Commission approved a volumetric charge of \$8.60 per Mcf, and a gas cost recovery rate of \$6.4140.
30. Please confirm that by Order dated May 17, 1989 in Case No. 89-018, p. 2, the Commission noted that, "Mr. Rife should be aware that after the transfer in this case is approved B&H and Bradley & Son will be considered affiliated companies . . . and

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accordingly, purchase gas transactions between the two will be closely scrutinized and Bradley & Son will be regulated by this Commission . . ." [emphasis added]

31. With regard to the response of B&H and B&S to PSC 1-2 in the current case:

- a. please provide a current quote from Equitable for gas supply;
- b. identify what measures that Equitable, B&H, and/or B&S could take to increase the line pressure to a level sufficient to allow for Equitable to supply more gas to B&H.

32. Regarding the response of B&H and B&S to PSC 1-4 and 1-5 in the current case, does Mr. Rife agree that it is accurate to say that B&H and B&S are, for regulatory purposes, one and the same? If not, why not?

- a. If you disagree with this statement, please state how the two companies could reach such an agreement independently from each other, in an at-arm's-length transaction?
- b. Regarding the response to PSC 1-5, does Mr. Rife negotiate with himself?
- c. Given the companies' statement in their response to PSC 1-5 that B&H's customers have been "consistently unable to pay for gas at the current rate," would B&H agree that is appropriate to either obtain a price reduction from B&S, or obtain a new gas supply? If not, why not?

33. Regarding the Commission's Informal Conference Memorandum dated Jan. 21, 2016, Mr. Rife advised the Commission that most of the records pertaining to both B&H and B&S were destroyed in two fires, one in December 2015 and the other in January 2016.

- a. Please state what portion of the companies' combined records were destroyed after the December 2015 fire.
- b. In the December fire, were more of B&H's records destroyed, or more of B&S' records?
- c. Following the December 2015 fire, from what location did the companies conduct business?
- d. Identify all measures the companies took to preserve the records that remained following the December fire.
- e. Were any of the records for B&H and/or B&S stored on computer drives? If so: (i) did one or both fires destroy the computers, and if so, in which

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fire were they destroyed?; and (ii) did B&H, B&S and Mr. Rife ever back up records on a separate hard drive?

- f. Were any records pertaining to Johnson County Gas destroyed or damaged in one or both fires? If so, does this impair the ability of Mr. Rife to operate Johnson County Gas? Please explain.
- g. Have authorities investigated the cause of the December fire? Please provide the identity of any such applicable agencies.
- h. Have authorities investigated the cause of the January fire? Please provide the identity of any such applicable agencies.
- i. Has or have the cause(s) of one or both fires been determined? If so, please identify.
- j. As a result of one or both fires, is B&H able to operate its system in a safe and reliable manner?
- k. As a result of one or both fires, is B&H giving any consideration to selling its system, or to filing bankruptcy?
- l. Since the fires have destroyed most of B&H's records, how will the company be able to file a base rate case?
- m. Do B&H and/or B&S have insurance policies that could cover the losses incurred in one or both policies? If so, please provide copies of declarations pages applicable to such policies.

34. Regarding the Commission's Informal Conference Memorandum dated Jan. 21, 2016:

- a. Mr. Rife told Commission staff that the BTU content of the gas from B&S's wells is 1350. Do the companies have any records regarding such testing? If so, please provide copies.
- b. Mr. Rife stated that B&S's gas is delivered at a higher pressure than is common for most utilities. Given the combination of higher BTU and higher pressure, do B&H's customers need to take any precautions or modifications to their gas-burning furnaces and appliances?
- c. If B&H and/or B&S plan on obtaining a new building to house their operations, will they seek recovery for such expenses in an ARF case? If so:
 - (i) What portion will Johnson County Gas contribute to the expenses of obtaining a new building?
 - (ii) Please provide the methodology that Mr. Rife will use for determining the allocation of costs to B&H and Johnson County ratepayers.