

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF AUXIER ROAD GAS CO.,)
INC. FOR AN ADJUSTMENT IN RATES AND) CASE NO. 2008-00156
CERTAIN NON-RECURRING CHARGES)

COMMISSION STAFF'S SECOND INFORMATION
REQUEST TO AUXIER ROAD GAS CO.

Auxier Road Gas Co., Inc. ("Auxier Gas"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 6 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before October 24, 2008. 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.

Auxier Gas 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 Auxier Gas

fails or refuses to furnish all or part of the requested information, it 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 Auxier Gas's response to the Commission Staff's First Information Request, Item 1. Auxier Gas proposes operating expense increases of between 10 to 15 percent to reflect the impact the rising energy and transportation costs will have on its operations. Explain how adjustments based upon estimated percentage increases will meet the rate-making criteria of being known and measurable.

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.

a. Provide a list of the tenants that share the office with Auxier Gas. For each tenant listed, identify if the tenant is affiliated with Auxier Gas or Estill Branham Rental.

b. Identify the total square footage of the office and the amount that is occupied by each tenant listed in the response to 2(a).

c. Identify the current owner of the office, explain any relationship between the owner and Auxier Gas, and provide the total amount of rent paid for the office

and the amount of rent that is allocated to each tenant. Include the methodology used to allocate the rent to the tenants.

d. If the office rent is considered a less-than-arms-length transaction,¹ provide documentation to show that the actual test-period office rent of \$1,350 per month² and the proposed monthly rent of \$1,500³ are reasonable.

3. Refer to Auxier Gas' response to the Commission Staff's First Information Request, Item 6, Account No. 763: Contract Labor.

a. Auxier Gas identifies Kimberly Crisp as its employee but records paying Ms. Crisp approximately \$5,830 as a contract laborer. Explain why Auxier Gas records payments to an employee as a contract labor expense.

b. Provide a copy of the contract between Ms. Crisp and Auxier Gas or copies of Ms. Crisp's invoices to substantiate the test-period contract labor payments.

c. Describe fully the contract labor services provided by Ms. Crisp to Auxier Gas.

d. Given that this is a less-than-arm's-length transaction, provide documentation showing that the contract labor fees paid by Auxier Gas to Ms. Crisp are reasonable.

e. Auxier Gas records contract labor payments to Dustin Crum. Provide a copy of the contract between Mr. Crum and Auxier Gas or copies of Mr. Crum's invoices to substantiate the test-period contract labor payments.

¹ The current owner of the office and Auxier Gas are affiliated.

² \$16,200 (Annual Rent) ÷ 12 Months = \$1,350.

³ \$18,000 (Pro Forma Rent) ÷ 12 Months = \$1,500.

f. Describe the relationship between Mr. Crum and the current owners of Auxier Gas.

g. Provide a detailed description of the contract services provided by Sallye Branham for the payment of \$200. Include a copy of the invoice with the response.

h. Provide a detailed description and a copy of the invoice to support the "Cash Paid Out" dated April 2007 in the amount of \$250.

4. Refer to Auxier Gas's Response to Commission Staff's First Information Request, Item 6.

a. Account No. 921.06: Meals & Entertainment. Provide a complete and detailed description of each item listed in the table below, and include copies of all supporting invoices.

	<u>Description</u>	<u>Date</u>	<u>Amount</u>
(1)	Tina Croley	04/25/07	\$ 2,304.00
(2)	Business Card	05/25/07	\$ 173.94
(3)	Business Card	06/25/07	\$ 209.35

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.

	<u>Description</u>	<u>Date</u>	<u>Amount</u>
(1)	American Express	01/26/07	\$ 83.51
(2)	American Express	02/28/07	\$ 2,026.32
(3)	American Express	03/28/07	\$ 63.27
(4)	Business Card	03/22/07	\$ 105.35
(5)	Business Card	04/24/07	\$ 42.00
(6)	American Express	04/24/07	\$ 2,410.75
(7)	American Express	05/25/07	\$ 866.69
(8)	American Express	06/22/07	\$ 1,079.52
(9)	Business Card	07/09/07	\$ 136.97
(10)	American Express	07/27/07	\$ 544.60
(11)	American Express	08/26/07	\$ 206.58

	<u>Description</u>	<u>Date</u>	<u>Amount</u>
(12)	Business Card	09/14/07	\$ 27.50

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 all supporting invoices.

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

a. For each of its employees, Auxier Gas was requested to provide the title of the employee's position, the length of employment with Auxier Gas, and the list of the job duties. In response Auxier referenced Case No. 2007-00513.⁴ Provide the employee information as originally requested.

b. Sallye Branham receives \$3,000 per month for owner/manager services. Provide a detailed list of management duties performed by Ms. Branham.

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

(1) If yes, provide documentation to support the number of hours Ms. Branham devotes to the management of Auxier Gas.

(2) 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.

d. Explain if Ronald Robinson is no longer an employee of Auxier Gas.

⁴ Case No. 2007-00513, The Application of Auxier Road Gas Corporation for Approval of Transfer of Auxier Road Gas Corporation Stock (Ky. PSC April 7, 2008).

e. Auxier Gas reports test-period payroll expense of \$232,608. Using the table below, identify the test-period salary paid to each employee and the account(s) the salaries are recorded in.

	<u>Employee Name</u>	<u>Test-Period Salary</u>	<u>Account No. & Title</u>	<u>Account No. & Title</u>	<u>Account No. & Title</u>
(1)	Estill Branham				
(2)	Sallye Branham				
(3)	Kimberly Crisp				
(4)	Susan Crum				
(5)	Tim Dasco, Jr				
(6)	Alvis Scott				
(7)	Ronald Robinson				
	Totals	\$ 232,608			

f. Provide documentation showing that Tim Dasco, Jr. worked 260 hours⁵ of overtime in the test period.

6. Refer to Auxier Gas's response to Staff's First Information Request, Item 6.

a. Provide a detailed explanation and breakdown of Account 146: N/R, with a test period balance of \$7,000.00.

b. Provide a detailed explanation and breakdown of Account 190: Loan to Stockholder with a test period balance of \$1,245.50.

c. Provide a detailed explanation and breakdown of the transactions Auxier Gas recorded in Account 240: Accrued Salaries.

d. Provide a detailed explanation and documentation for the following transactions recorded in Account 921-05: Office Supplies and Expense:

	<u>Description</u>	<u>Date</u>	<u>Amount</u>
(1)	Susan Annette Crum	01/10/07	101.32
(2)	Sallye Branham	03/21/07	589.40
(3)	Sallye Branham	03/28/07	271.84

⁵ 5 (Hours per Week) x 52 (Weeks) = 260 Hours.

	<u>Description</u>	<u>Date</u>	<u>Amount</u>
(4)	Sallye Branham	05/09/07	189.87
(5)	Sallye Branham	05/18/07	247.93
(6)	Sallye Branham	09/26/07	215.00
(7)	Shirt Gallery	12/18/07	310.85

e. In the test period, Auxier Gas recorded in Account No. 923.01: Accounting, a payment of \$2,500 to Ms. Crisp. Provide a detailed explanation and invoice documenting the \$2,500.00 payment to Ms. Crisp.

f. Provide a detailed explanation and documentation for the payment to Ms. Branham of \$1,348.68 recorded in Account 998.04: Taxes Other Than Income.

7. Identify any payments Auxier Gas made to Estill Branham in the test period and identify the account where the payment is recorded.

8. Refer to Auxier Gas's response to the Commission Staff's First Information Request, Items 10(a)(9) and 11. Health insurance and pensions are the only fringe benefits Auxier Gas offers its employees. In Item 11, Commission Staff requested Auxier Gas to "[I]ndicate which fringe benefits, if any, are limited to management or full-time employees." Provide the fringe benefit information as originally requested.

9. Refer to Auxier Gas's response to Staff's First Information Request, Item 10(a)(9).

a. Explain why Kimberly Crisp and Susan Crum are the only Auxier Gas employees who are receiving health insurance coverage.

b. Do Kimberly Crisp and Susan Crum contribute toward their health insurance coverage?

c. Explain why Alvis Scott and Ronald Robinson are the only Auxier Gas employees who do not receive a pension.

10. Refer to Auxier Gas's response to the Commission Staff's First Information Request, Item 13. Adding machine tape is partially covering the copies of the property insurance invoices provided by Auxier Gas. Provide new copies of the invoices that do not have the adding machine tape that is covering the policy descriptions.

11. Refer to Auxier Gas's response to the Commission Staff's First Information Request, Item 14. The workers' compensation invoice provided for the policy period from August 12, 2008 through August 12, 2009 states that the installment is \$1,757. Provide an invoice that gives the total annual premium for that same period.

12. Refer to Auxier Gas's response to the Commission Staff's First Information Request, Item 16(b). Provide the loan amortization schedule as originally requested.

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

a. The number of miles from Auxier Gas's offices and the customer farthest from the offices.

b. The mileage rate used to calculate the cost of travel to and from a customer's property.

c. An explanation of how Auxier Gas calculated the cost of wear and tear on its vehicles.


d. Explain why the supplies for the Reconnection Charge for Re-establishing 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.

14. Refer to Auxier Gas's response to the Commission Staff's First Information Request, Item 3.

a. Provide the date that Chesapeake Energy ("Chesapeake") became a customer of Auxier Gas.

b. Provide the volume of natural gas sold to Chesapeake during the test year.

c. If no gas was sold to Chesapeake during the test year, provide an estimate of the gas Auxier Gas expects to sell to Chesapeake in a typical year.


for Stephanie Stumbo
w/peach.3.002
Stephanie Stumbo
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: October 7, 2008

cc: Parties of Record

Case No. 2008-00156

Auxier Road Gas Co.
Case No. 2008-00156
Employee Benefits

Schedule 1
Page 1 of 1
Witness Responsible:

	<u>Description</u>	<u>Date</u>	<u>Amount</u>
(1)	To record bank withdraw	01/31/07	\$ 251.25
(2)	Asthma & Allergy	01/11/07	\$ 216.80
(3)	Aetna	01/24/07	\$ 73.40
(4)	To record bank withdraw	01/31/07	\$ 109.37
(5)	To record bank withdraw	01/31/07	\$ 95.15
(6)	To Rec 1/07 Cash Paid Out	01/31/07	\$ 89.53
(7)	To Rec. 1/07 Cash Receipts	01/31/07	\$ (152.00)
(8)	Platinum Plus for Business	01/11/07	\$ 230.71
(9)	Rite Aid	02/05/07	\$ 228.95
(10)	Asthma & Allergy	02/05/07	\$ 241.52
(11)	Internal Med. Eastern	02/19/07	\$ 84.56
(12)	Aetna	02/19/07	\$ 220.20
(13)	Rite Aid	02/28/07	\$ 68.74
(14)	To record bank withdrawal	02/28/07	\$ 251.25
(15)	To record bank withdrawal	02/28/07	\$ 109.37
(16)	To record bank withdrawal	02/28/07	\$ 95.15
(17)	To Rec. 2/07 Cash Receipts	02/28/07	\$ (152.00)
(18)	To record bank withdrawal	03/31/07	\$ 251.25
(19)	To record bank withdrawal	03/31/07	\$ 109.37
(20)	To record bank withdrawal	03/31/07	\$ 95.15
(21)	CMS Medicare Insurance	03/07/07	\$ 280.15
(22)	Rite Aid	03/07/07	\$ 113.19
(23)	Rite Aid	03/28/07	\$ 114.15
(24)	To record bank withdrawal	04/30/07	\$ 251.25
(25)	To record bank withdrawal	04/30/07	\$ 109.37
(26)	To record bank withdrawal	04/30/07	\$ 95.15
(27)	Rite Aid	04/13/07	\$ 40.00
(28)	Rite Aid	04/25/07	\$ 110.16
(29)	To record bank withdrawal	05/31/07	\$ 251.25
(30)	To record bank withdrawal	05/31/07	\$ 109.37
(31)	To record bank withdrawal	05/31/07	\$ 95.15
(32)	Aetna	05/15/07	\$ 220.20
(33)	Rite Aid	05/16/07	\$ 268.03
(34)	To Rec. 5/07 Cash Receipts	05/31/07	\$ (304.00)
(35)	Business Card	05/25/07	\$ 262.70

	<u>Description</u>	<u>Date</u>	<u>Amount</u>
(36)	To record bank withdrawal	06/30/07	\$ 251.25
(37)	To record bank withdrawal	06/30/07	\$ 122.49
(38)	To record bank withdrawal	06/30/07	\$ 95.15
(39)	Rite Aid	06/10/07	\$ 77.60
(40)	Business Card	06/25/07	\$ 178.78
(41)	Highlands Regional	07/18/07	\$ 20.00
(42)	To record bank withdrawal	07/31/07	\$ 251.25
(43)	To record bank withdrawal	07/31/07	\$ 122.49
(44)	To record bank withdrawal	07/31/07	\$ 95.15
(45)	To Rec. 7/07 Cash Receipts	07/31/07	\$ (304.00)
(46)	Aetna	08/21/07	\$ 146.80
(47)	To record bank withdraw	08/31/07	\$ 251.25
(48)	To record bank withdrawal	08/31/07	\$ 122.49
(49)	To record bank withdraw	08/31/07	\$ 95.15
(50)	To Rec. 8/07 Cash Receipts	08/31/07	\$ (383.79)
(51)	To Rec 8/07 Cash Paid	08/31/07	\$ 100.00
(52)	To record bank withdraw	09/30/07	\$ 251.25
(53)	To record bank withdraw	09/30/07	\$ 122.46
(54)	To record bank withdraw	09/30/07	\$ 106.56
(55)	Aetna	09/18/07	\$ 929.87
(56)	To Rec. 9/07 Cash Receipts	09/30/07	\$ (383.79)
(57)	Aetna	10/15/07	\$ 146.80
(58)	Aetna	10/15/07	\$ 146.80
(59)	To record bank withdrawal	10/31/07	\$ 251.25
(60)	To record bank withdrawal	10/31/07	\$ 122.49
(61)	To record bank withdrawal	10/31/07	\$ 106.56
(62)	To record bank withdrawal	11/30/07	\$ 251.25
(63)	To record bank withdrawal	11/30/07	\$ 122.49
(64)	To record bank withdrawal	11/30/07	\$ 106.56
(65)	To record bank withdrawal	12/31/07	\$ 32.25
(66)	To record bank withdrawal	12/31/07	\$ 122.49
(67)	To record bank withdrawal	12/31/07	\$ 106.56