

Question 26:

Identify the service agreement with each affiliate, state whether the service agreement has been previously filed with the Commission, and, if so, identify the proceeding in which it was filed. Provide each service agreement that has not been previously filed with the Commission.

CONTRACT

THIS CONTRACT, made this 1st day of January, 2018, by and between B & H GAS COMPANY, INC., by and through, Bud Rife, whose address is P.O. Box 447, Betsy Layne, Kentucky 41605, and Bud Rife, whose address is P.O. Box 155, Harold, Kentucky 41635.

WITNESSETH:

WHEREAS, Bud Rife, which owns property and or holds oil and gas leases at Tram, Floyd County, Kentucky, and B & H GAS COMPANY, INC., the parties, hereby covenant and agree, as follows:

1. That B & H Gas Company, Inc., shall pay Bud Rife the sum of Two Thousand Dollars (\$2,000.00) per month for rental of necessary office space;
2. That the parties agree that B & H Gas Company, Inc., shall pay Bud Rife the sum of Six Hundred Dollars (\$600.00) per month for rental of two (2) trucks for a total of One Thousand Two Hundred Dollars (\$1,200.00) per month which, also, includes payment for applicable insurance and maintenance of trucks;
3. That B & H Gas Company, Inc., shall be responsible for any and all legal fees and expenses that Bud Rife may incur for any legal work performed or litigation in Kentucky;
4. That all transaction shall be arms length transactions.

The Parties hereto expressly represent that they understand and agree that all terms of this Contract are contractual in nature. The parties agree that their heirs, assigns, subsidiaries, employees, owners, stockholders and officers shall be bound by the terms of this Contract. They further expressly represent and warrant, that they are competent, and

possess complete authority to execute and enter into this Contract, and that in negotiating and executing this Contract, they have consulted with and been advised by counsel, of their own choosing, or had an opportunity to do so, concerning the meaning and legal effects of each of its terms and provisions. Also, they have carefully read this Contract in its entirety, and have agreed to its terms and provisions and acknowledge that there are no promises, inducements, representations nor agreements of any kind in connection with this Contract other than those expressly set forth herein. The parties execute this Contract voluntarily, without duress or coercion of any kind and they intend and agree that this is a final and binding Contract.



B & H GAS COMPANY, INC.
Bud Rife, President

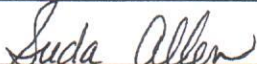


BUD RIFE

STATE OF KENTUCKY
COUNTY OF FLOYD

Subscribed, sworn to and acknowledged to before me by B & H Gas Company, Inc., by and through Bud Rife, on this 1st day of January, 2018.

My Commission expires: 1/14/22

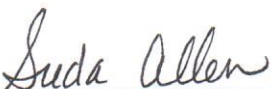


NOTARY PUBLIC

STATE OF KENTUCKY
COUNTY OF FLOYD

Subscribed and sworn and acknowledged to before me by Bud Rife, on this 1st day of January, 2018.

My Commission expires: 1/14/22



NOTARY PUBLIC

CONTRACT

THIS CONTRACT, made this 1st day of January, 2018, by and between B & H GAS COMPANY, INC., by and through, Bud Rife, whose address is P.O. Box 447, Harold, Kentucky 41635, and BUD RIFE CONSTRUCTION COMPANY, INC., whose address is P.O. Box 155, Harold, Kentucky 41635.

WITNESSETH:

WHEREAS, BUD RIFE CONSTRUCTION COMPANY, INC., and B & H GAS COMPANY, INC., the parties, hereby covenant and agree, as follows:

1. That Bud Rife Construction Company, Inc., shall perform work for B & H Gas Company, Inc., and the minimum amount of hours billed shall be two (2) hours. All transactions shall be arms length transactions;
2. That any unpaid bill shall become an interest free loan from Bud Rife Construction, Inc., to B & H Gas Company, Inc.;
3. That the parties agree that a billing statement shall be furnished for each job performed with the rates set forth per hour for labor and equipment and per foot for material;
4. That if equipment must be rented, that B & H Gas Company, Inc., shall be billed at cost plus ten percent (10%);
5. That Bud Rife Construction Company, Inc., shall maintain appropriate workers' compensation insurance coverage;
6. That Bud Rife Construction Company, Inc., shall use fittings, pipe, meter and other materials which shall be provided by B & H Gas Company, Inc.;

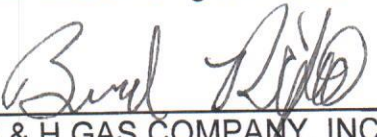
7. That all work shall be tested pursuant to the Public Service Commission regulations;

8. That a work order shall be provided and B & H Gas Company, Inc., shall perform the services to be done in accordance with the work order;

9. That Bud Rife Construction Company, Inc. shall furnish all necessary tools;

10. If more trucks are required than are rented monthly by B & H Gas Company, Inc., then, the additional trucks shall be billed at the regular rate charged by Bud Rife Construction Company, Inc.

The Parties hereto expressly represent that they understand and agree that all terms of this Contract are contractual in nature. The parties agree that their heirs, assigns, subsidiaries, employees, owners, stockholders and officers shall be bound by the terms of this Contract. They further expressly represent and warrant, that they are competent, and possess complete authority to execute and enter into this Contract, and that in negotiating and executing this Contract, they have consulted with and been advised by counsel, of their own choosing, or had an opportunity to do so, concerning the meaning and legal effects of each of its terms and provisions. Also, they have carefully read this Contract in its entirety, and have agreed to its terms and provisions and acknowledge that there are no promises, inducements, representations nor agreements of any kind in connection with this Contract other than those expressly set forth herein. The parties execute this Contract voluntarily, without duress or coercion of any kind and they intend and agree that this is a final and binding Contract.



B & H GAS COMPANY, INC.
Bud Rife, President



BUD RIFE CONSTRUCTION COMPANY, INC.
Bud Rife, President

STATE OF KENTUCKY
COUNTY OF FLOYD

Subscribed, sworn to and acknowledged to before me by B & H Gas Company, Inc.,
by and through Bud Rife, on this 1st day of January, 2018.

My Commission expires: 1/14/22

Suda Allen
NOTARY PUBLIC

STATE OF KENTUCKY
COUNTY OF FLOYD

Subscribed and sworn and acknowledged to before me by Bud Rife Construction
Company, Inc., by and through Bud Rife, on this 1st day of January 2018,
2018.

My Commission expires: 1/14/22

Suda Allen
NOTARY PUBLIC





Bud Rife Construction

PO Box 155
 Harold, KY 41635
 OFFICE: (606)478-5264
 CELL: (606)794-5264
 FAX: (606) 478-5266
 E-Mail: budri@mikrotec.com
 Website: www.budrifeconstruction.com

Estimate

Date: 03/05/2018
 698

For: Invoice # B&H Gas Company Inc
 PO Box 447
 Betsy Layne, KY 41605

| Code | Description | Quantity | Rate | Amount |
|--------|---|----------|------------|------------|
| SE-01 | Hydro Seeder (Per Day) | 1 | \$3,000.00 | \$3,000.00 |
| T-07 | Mack Crane Truck | 1 | \$90.00 | \$90.00 |
| T-38 | PICKUP TRUCKS (PER DAY) | 1 | \$130.00 | \$130.00 |
| B-81.2 | 8" Horizontal Bore with casing MCL-24 | 1 | \$140.00 | \$140.00 |
| B-90 | 12" DIRECTIONAL BORE DIRT 12" PIPE INCLUDED | 1 | \$135.00 | \$135.00 |
| B-76 | 4" ROCK DIRECTIONAL BORE ADD \$50.00 FOR CASING | 1 | \$45.00 | \$45.00 |
| LA-39 | OPERATOR | 1 | \$35.00 | \$35.00 |
| T-62 | MACK ROLLBACK (PER HR) | 1 | \$90.00 | \$90.00 |
| ST-54 | BENDING AND LIFTING TOOLS | 1 | \$700.00 | \$700.00 |
| LA-25 | LIGHT PLANTS (PER HR) | 1 | \$50.00 | \$50.00 |
| HE-29 | 3000 LBS HYD HAMMER FOR PC 120 | 1 | \$115.00 | \$115.00 |
| SE-58 | RIP-RAP IN PLACE PER TON | 1 | \$70.00 | \$70.00 |
| ST-65 | LARGE ELECTRIC JACKHAMMER | 1 | \$175.00 | \$175.00 |
| T-01 | Mack Rollback | 1 hour | \$90.00 | \$90.00 |

Bud Rife Construction - Estimate 698 - 03/05/2018

| Code | Description | Quantity | Rate | Amount |
|-----------|---|----------|----------|----------|
| HE-48 | BUSH HOG W/MUSTANG | 1 | \$90.00 | \$90.00 |
| B-78 | 6" DIRT DIRECTIONAL BORE | 1 | \$60.00 | \$60.00 |
| HE-64 | GENIE LIFT 40FT BOOM (PER HR) | 1 | \$75.00 | \$75.00 |
| SE-16 | LARGE VIB PLATE TAMPER | 1 | \$220.00 | \$220.00 |
| T-50 | MOROOKA TRACK DUMP TRUCK 1500 | 1 | \$105.00 | \$105.00 |
| B-86 | 12" CASING | 1 | \$85.00 | \$85.00 |
| MISC-68 | MARKING PAINT | 1 | \$55.00 | \$55.00 |
| B-72 | 2" DIRT DIRECTIONAL BORE | 1 | \$30.00 | \$30.00 |
| B-63 | DRILL FOR DRILLING 24", 30" AND 36" HOLES. (PRICE PER FT) | 1 | \$110.00 | \$110.00 |
| MISC-93.5 | 2011 Tahoe | 1 | \$750.00 | \$750.00 |
| LA-41 | LABOR (1 Man) | 1 | \$25.00 | \$25.00 |
| LA-42 | FOREMAN & 1 MAN | 1 | \$60.00 | \$60.00 |
| HE-04 | Bobcat Skid Steer Loader | 1 | \$70.00 | \$70.00 |
| SE-21 | WATER PUMP (PER DAY) | 1 day | \$130.00 | \$130.00 |
| ST-55 | HAND HELD JACK HAMMER (ELECTRIC PER DAY) | 1 | \$90.00 | \$90.00 |
| T-56 | 4 WHEELER | 1 | \$40.00 | \$40.00 |
| HE-05 | Mustang Skid Steer Loader | 1 | \$65.00 | \$65.00 |
| LA-57 | 1 FOREMEN & 2 MEN | 1 hour | \$85.00 | \$85.00 |
| HE-06 | 6510 DitchWitch | 1 | \$80.00 | \$80.00 |
| ST-52 | CHAIN SAW (PER DAY) | 1 | \$90.00 | \$90.00 |
| B-89 | 12" DIRECTIONAL BORE ROCK 12" PIPE INCLUDED | 1 | \$215.00 | \$215.00 |
| T-08 | Mack Dump Truck (25 Yard Bed) | 1 | \$90.00 | \$90.00 |
| SE-18 | LARGE VIB ROLLER | 1 | \$85.00 | \$85.00 |
| HE-70 | LORAIN 20 TON CRANE | 1 | \$250.00 | \$250.00 |

| Code | Description | Quantity | Rate | Amount |
|---------|--|----------|----------|----------|
| PROD-71 | GRAVEL IN PLACE PER TON | 1 | \$60.00 | \$60.00 |
| HE-37 | D61EX KOMATSU DOZER | 1 | \$135.00 | \$135.00 |
| HE-03 | WA320 Komatsu Wheel Loader | 1 hour | \$90.00 | \$90.00 |
| HE-27 | PC 160 KOMATSU EXCAVATOR | 1 | \$135.00 | \$135.00 |
| GL-1.2 | 1 1/4" X 3/4" REDUCER | 1 | \$19.00 | \$19.00 |
| LA-67 | 1 Supervisor 1 Foreman 1 Laborer | 1 hour | \$95.00 | \$95.00 |
| SE-60 | AIR COMPRESSOR 160 CFM | 1 | \$55.00 | \$55.00 |
| HE-34 | HYD HAMMER FOR SMALL EXCAVATOR | 1 | \$70.00 | \$70.00 |
| T-30 | Mack Rollback | 1 | \$90.00 | \$90.00 |
| SE-17 | SMALL VIB ROLLER | 1 | \$200.00 | \$200.00 |
| SE-51 | SCAFFOLDING (PER DAY) (PER BUCK) | 1 | \$110.00 | \$110.00 |
| HE-26 | SKID STEER WITH BROOM | 1 | \$110.00 | \$110.00 |
| T-46 | VOLVO TRACTOR & TRAILER | 1 hour | \$100.00 | \$100.00 |
| LA-43 | FOREMAN & 2 MEN | 1 | \$95.00 | \$95.00 |
| B-82 | 10" DIRT DIRECTIONAL BORE | 1 | \$40.00 | \$40.00 |
| HE-28 | PC 120 KOMATSU EXCAVATOR | 1 | \$115.00 | \$115.00 |
| T-09 | International Dump Truck (9 Yard Bed) | 1 | \$65.00 | \$65.00 |
| SE-19 | TRENCH ROLLER | 1 hour | \$50.00 | \$50.00 |
| B-84 | 12" DIRT DIRECTIONAL BORE | 1 | \$120.00 | \$120.00 |
| GL-1.9 | 1" TRANSITION | 1 | \$35.00 | \$35.00 |
| B-12 | HORIZONTAL BORING MACHINE 12" PER FOOT | 1 | \$150.00 | \$150.00 |
| LA-01 | SUPERVISOR | 1 | \$35.00 | \$35.00 |
| ST-69 | SMALL TOOLS AND MISC. | 1 | \$50.00 | \$50.00 |
| LA-40 | FOREMAN | 1 | \$35.00 | \$35.00 |

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| Code | Description | Quantity | Rate | Amount |
|---------|--|----------|------------|------------|
| B-79 | 6" ROCK DIRECTIONAL BORE ADD \$55.00 FOR CASING | 1 | \$60.00 | \$60.00 |
| SE-66 | STEAM PRESSURE WASHER (PER HR) | 1 hour | \$60.00 | \$60.00 |
| SE-24 | CONCRETE SAWS (PER DAY) | 1 | \$160.00 | \$160.00 |
| HE-32 | PC 60 KOMATSU EXCAVATOR | 1 | \$90.00 | \$90.00 |
| SE-53 | STRAW BLOWER (PER HR) | 1 hour | \$60.00 | \$60.00 |
| B-77 | 4" DIRT DIRECTIONAL BORE | 1 | \$45.00 | \$45.00 |
| HE-23 | D5H CAT DOZER | 1 | \$115.00 | \$115.00 |
| SE-20 | LAZERS (PER DAY) | 1 | \$80.00 | \$80.00 |
| B-14 | AIR HAMMER TOOL 3" HOLE PER FT. | 1 | \$60.00 | \$60.00 |
| HE-31 | HAMMER FOR PC 88 | 1 | \$110.00 | \$110.00 |
| B-80 | 8" DIRT DIRECTIONAL BORE | 1 | \$80.00 | \$80.00 |
| T-11 | Fuso Ton Dump 4/YRD Bed | 1 | \$55.00 | \$55.00 |
| | HAUL IN FILL DIRT TO GRADE LEVEL AND COMPACT FILL | 1 | \$2,000.00 | \$2,000.00 |
| GL-1.65 | FUSION EQUIPMENT | 1 | \$45.00 | \$45.00 |
| B-81 | 8" ROCK DIRECTIONAL BORE | 1 | \$80.00 | \$80.00 |
| B-13 | HORIZONTAL BORING 6" OR 8" PER FT. | 1 | \$120.00 | \$120.00 |
| PROD-87 | PIPE BEDDING | 1 | \$24.00 | \$24.00 |
| B-85 | 12" ROCK DIRECTIONAL BORE | 1 | \$120.00 | \$120.00 |
| B-81.1 | 8" Horizontal Bore MCL-24 | 1 | \$100.00 | \$100.00 |
| B-75 | 3" ROCK DIRECTIONAL BORE | 1 | \$30.00 | \$30.00 |
| HE-35 | 3805 MUSTANG EXCAVATOR | 1 | \$60.00 | \$60.00 |
| SE-47 | VERMEER BRUSH CHIPPER (PER HR) | 1 hour | \$85.00 | \$85.00 |
| HE-36 | KOMATSU 39 PX DOZER | 1 | \$105.00 | \$105.00 |
| B-74 | 3" DIRT DIRECTIONAL BORE | 1 | \$30.00 | \$30.00 |

| Code | Description | Quantity | Rate | Amount |
|-------|---|----------|--------------|--------------------|
| HE-49 | MUSTANG W/AUGER ATTACHMENT | 1 | \$90.00 | \$90.00 |
| B-73 | 2" ROCK DIRECTIONAL BORE ADD \$15.00 FOR CASING | 1 | \$30.00 | \$30.00 |
| SE-22 | WELDER, OXYGEN, ACETYLENE, AND ELECTRIC FUSION EQUIPMENT. | 1 hour | \$85.00 | \$85.00 |
| SE-15 | TAMPER PER DAY (JUMPING JACK) | 1 day | \$135.00 | \$135.00 |
| LA-44 | 1 Supervisor, 1 Foreman, 2 men | 1 | \$120.00 | \$120.00 |
| HE-33 | PC 35 KOMATSU EXCAVATOR | 1 | \$70.00 | \$70.00 |
| SE-59 | POWER WHEEL BARROW | 1 | \$45.00 | \$45.00 |
| LA-61 | DITCHWITCH PER FT. | 1 | \$3.00 | \$3.00 |
| B-83 | 10" ROCK DIRECTIONAL BORE | 1 | \$100.00 | \$100.00 |
| | | | Subtotal | \$14,331.00 |
| | | | Total | \$14,331.00 |
| | | | Total | \$14,331.00 |

Question 27:

Refer to KRS 278.010(18), which defines an affiliate as a person that controls or that is controlled by, or is under common control with, a utility. Refer also to KRS 278.010(19), which defines control as the power to direct the management or policies of a person through ownership, by contract, or otherwise.

- a. Confirm that transactions for services made between B & H and affiliates are not arms-length transactions. Explain in full detail if not confirmed.
- b. Explain whether B & H is aware that the Commission closely scrutinizes transactions that are less than arms-length in order to ensure that unreasonable costs are not passed on to the ratepayers.

Response:

KRS 278.010(25) defines arm's length as the standard of conduct under which unrelated parties, each party acting in its own best interest, would negotiate and carry out a particular transaction. Since an affiliate is a description of relatedness and arm's length requires unrelated parties, then transactions between affiliates cannot be arm's length. KRS 278.274(3) specifically states that "it shall be presumed that natural gas purchases from affiliated companies are not conducted at arm's length."

However, transactions should still be conducted as if they were arm's length. KRS 278.2207 describes transactions between a utility and its affiliates.

B&H is not aware of a specific requirement that the Commission must closely scrutinize less than arm's length transactions. KRS 278.274(1) says "the commission shall review the utilities purchasing practices." The level of review is not specified. B&H is not aware of the Commission's internal policies and procedures. B&H is happy to provide information to support the request for a rate increase.