

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF B&H GAS COMPANY FOR) CASE NO.
AN ALTERNATIVE RATE ADJUSTMENT) 2020-00364

VERIFICATION OF RESPONSES TO DATA REQUESTS
SERVED UPON B&H GAS COMPANY

I hereby certify that all of the responses to the data requests served upon B&H Gas Company by Commission staff are accurate to the best of my knowledge and belief.

Dated this 18th day of February, 2021.

B&H GAS COMPANY

BY:


BUD RIFE, MANAGER

COMMONWEALTH OF KENTUCKY)

COUNTY OF FLOYD)

Subscribed, sworn to and acknowledged before me by Bud Rife, in his position of Manager of B&H Gas Company.

My commission expires: January 14, 2022



NOTARY PUBLIC, STATE AT LARGE
NOTARY ID NO.: 592986

Respectfully submitted,



JOE F. CHILDERS
BETHANY N. BAXTER

JOE F. CHILDERS & ASSOCIATES
The Lexington Building
201 West Short Street
Suite 300
Lexington, Kentucky 40507
Telephone: (859) 253-9824
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Joe@Jchilderslaw.com
Bethany@Jchilderslaw.com

CERTIFICATE OF SERVICE

This is to certify that a true copy of the foregoing document in this action is being electronically transmitted to the Commission on February __, 2021; and that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding. Per the Commission's general standing Order issued in Case No. 2020-00085 on March 16, 2020, this filing will not be mailed in paper medium to the Commission.



JOE F. CHILDERS

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF B & H GAS)	CASE NO.
COMPANY, INC. FOR AN ALTERNATIVE)	2020-00364
RATE ADJUSTMENT)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO B & H GAS COMPANY, INC.

B & H Gas Company, Inc. (B & H), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due on February 15, 2021. Pursuant to the Commission's Orders in Case No. 2020-00085,¹ issued March 16, 2020, and March 24, 2020, B & H SHALL NOT FILE the original paper copy of all requested information at this time, but rather shall file original paper copies within 30 days of the lifting of the current state of emergency. All responses in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

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

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

B & H shall make timely amendment to any prior response if B & H obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which B & H fails or refuses to furnish all or part of the requested information, B & H 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. When filing a paper containing personal information, B & H shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, ARF Form 1 – Attachment SAO-G, the Schedule of Adjusted Operations, page 2. Provide the current legal fees and estimated remaining fees for the processing of this case.

2. Refer to B & H's response to Commission Staff's First Request for Information (Staff's First Request), Items 1(a). Annually for 2017 through 2019, provide B & H's meter testing expenses and number of meters tested.

3. Refer to B & H's response to Staff's First Request, Items 1(a) and 26. State which entity employs Jimmy Lawson and David Hunt and which affiliate agreement covers meter reading.

4. Refer to B & H's response to Staff's First Request, Item 1(b).

a. State how often mapping services are performed.

b. Provide the referenced Alchemy Engineering Associates, Inc. invoice.

c. Explain why uncollectible accounts are not recorded on B & H's annual report.

d. For calendar years 2017 through 2019, provide B & H's uncollectible accounts expense and the number of unpaid bills each year.

5. Refer to the response to Staff's First Request for Information, Item 4. B & H's Annual Reports for the years 2015 through 2018 all indicate average customer numbers of 258. In 2019, B & H's Annual Report sets out 250 average customers for the year. State whether it is correct that B & H lost eight customers, and if so, whether it expects the loss of eight customers to be permanent.

6. Refer to the response to Staff's First Request, Item 5. Confirm that B & H is receptive to guidance that a rate design consisting of a customer charge and a flat charge for all Mcf consumed is more straightforward and transparent for customers, as well as preferable to Staff and most frequently approved by the Commission for small Local Distribution Companies.

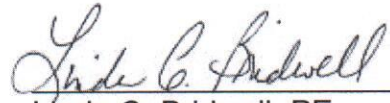
7. Refer to the response to Staff's First Request, Item 9. Provide corrections of all filing requirements necessitated by the classification of \$2,610.77 as Miscellaneous Revenues.

8. Refer to B & H's response to Staff's First Request, Items 19 and 20. Confirm that B & H does not have outstanding notes or bonds payable.

9. Refer to B & H's response to Staff's First Request, Item 23. Explain why shared expenses for 2020 are less than half of the 2019 amount.

10. Refer to B & H's response to Staff's First Request, Item 26, attached agreement between B & H and Bud Rife Construction Company, Inc. (Rife Construction), and KRS 278.2207, Section 1(b), which states, "Services and products provided to the utility by an affiliate shall be priced at the affiliate's fully distributed cost but in no event greater than market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology." Explain whether rental amounts charged to B & H from Rife Construction include the 10 percent markup included in the agreement. If so, provide the total rental amounts charged in 2019.

11. Provide a copy of a recent bill for a residential and a nonresidential customer, with the customers' personal information redacted.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED JAN 28 2021

cc: Parties of Record

Case No. 2020-00364

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

*Bud Rife
President
B & H Gas Company
P. O. Box 447
Betsy Layne, KY 41605

*Joe F Childers
Joe F. Childers & Associates
300 Lexington Building
201 West Short Street
Lexington, KENTUCKY 40507

B&H Case No. 2020-00364

RESPONSES TO STAFF'S SECOND REQUEST FOR INFORMATION TO B&H GAS COMPANY INC

1. YTD legal fees paid for Case 2018-00433	\$1931.91
YTD legal fees for Case 2020-00364 billed	475.00
Estimated remaining amount for Case 2020-00364	<u>\$5000.00</u>
TOTAL FEES	\$7406.91

2. YEAR	# OF METERS TESTED	EXPENSES PAID BY B&H FOR TESTING METERS
2017	10	\$2616.48
2018	0	0
2019	0	0

3. Bud Rife Construction Company employs Jimmy Lawson and David Hunt. B&H Gas Co., Inc. and Bud Rife Construction Co., Inc. have a contract that covers meter reading.

4. a. Mapping services are performed as needed and when funds are available. The last time the maps were updated was 1990.

b. Please see Exhibit 4b.

c. They are included in Customer Accounts Receivable.

d. 2017	\$985.69	14 bills
2018	\$1339.28	11 bills
2019	\$219.90	6 bills

5. Yes, it is correct but not expected to be permanent. B&H currently has 255 customers.

6. Yes. B&H would be very appreciative of any guidance or suggestions from PSC in this area.

7. Please see Exhibit 7.

8. B&H does not have any outstanding notes or bonds payable.

9. The calendar year was requested for 2019 and only the first six months of 2020 and there were still bills that remained unpaid for 2020.

10. Bud Rife Construction Company Inc. did not rent any equipment to perform work for B&H and no amounts were charged. Please see Exhibit 10. Item number 4 of the contract between Bud Rife Construction Company Inc and B&H Gas Company Inc. has been modified so that B&H Gas Company will not be charged a markup for equipment rental now or in the future.

11. Please see Exhibit 11.

Alchemy Engineering Associates, Inc.

546 West Old Middlecreek Road
 Prestonsburg, KY 41653

Invoice

Exhibit 4b

Date	Invoice #
5/13/2020	412373

Bill To
Bud Rife Construction Co. PO Box 155 Harold, KY 41635

Payments can be made by check,
 money order, or credit card.

Description	Quantity	Rate	Terms	Due Date
			Serviced	Amount
Harold Area Gas Line Mapping Project				
Survey Crew - 2 Man	6	85.00	2/4/2019	510.00
Mileage	50	0.65	2/4/2019	32.50
Survey Crew - 1 Man	8	65.00	2/5/2019	520.00
Mileage	50	0.65	2/5/2019	32.50
Survey Crew - 2 Man	6	85.00	2/6/2019	510.00
Mileage	50	0.65	2/6/2019	32.50
Survey Crew - 2 Man	8.5	85.00	2/14/2019	722.50
Mileage	50	0.65	2/14/2019	32.50
Survey Crew - 2 Man	8	85.00	2/15/2019	680.00
Mileage	50	0.65	2/15/2019	32.50
Drafting	5	60.00	2/20/2019	300.00
Drafting	2	60.00	3/1/2019	120.00
Drafting	3	60.00	3/6/2019	180.00
Drafting	5	60.00	3/7/2019	300.00
Drafting	3	60.00	3/21/2019	180.00
Drafting	3	60.00	3/22/2019	180.00
Drafting	5	60.00	3/25/2019	300.00
Drafting	6	60.00	4/1/2019	360.00
Drafting	3.5	60.00	4/2/2019	210.00
Engineering Technician	3	60.00	4/30/2019	180.00
Engineering Technician	7	60.00	5/1/2019	420.00
Engineering Technician	8	60.00	5/2/2019	480.00
Engineering Technician	8	60.00	5/3/2019	480.00
Engineering Technician	8	60.00	5/6/2019	480.00
Engineering Technician	8	60.00	5/7/2019	480.00
Engineering Technician	6.5	60.00	5/8/2019	390.00
Engineering Technician	2	60.00	5/15/2019	120.00
Plan Review and Certification	1	160.00		160.00

PAST DUE

Total	\$8,425.00
Payments/Credits	\$0.00
Balance Due	\$8,425.00

REVENUE REQUIREMENT CALCULATION - OPERATING RATIO METHOD

(Method commonly used by investor owned utilities and/or non-profit entities that do not have long-term debt outstanding.)

Pro forma Operating Expenses Before Income Taxes	\$197,678.00
Operating Ratio	0.88
Sub-Total	224,634.09
Less: Pro forma Operating Expenses Before Income Taxes	-197,678.00
Net Income Allowable	26,956.09
Add: Provision for State and Federal Income Taxes, if Applicable (see footnote)	6,426.06
Interest Expense	
Pro forma Operating Expenses Before Taxes	197,678.00
Cost of Natural Gas (water utilities should leave this blank)	93,311.00
Total Revenue Requirement	324,371.15
Less: Other Operating Revenue	2,610.77
Non-operating Revenue	
Interest Income	
Total Revenue Required from Rates for Service	321,760.38
Less: Revenue from Sales at Present Rates	137,278.23
Required Revenue Increase	184,482.15

Required Revenue Increase stated as a Percentage of Revenue at Present Rates 134.39%

Provision for Income Taxes - Calculation of Tax Gross-Up Factor

Revenue	1
Less: 5% State Tax	-0.05
Sub-Total	0.95
Less: Federal Tax, 15% of Sub-Total	-0.1425
Percent Change in NOI	0.8075
Factor (Revenue of 1 divided by change in NOI)	1.23839
Times: Allowable Net Income	26,956.09
Net Income Before Taxes	33,382.15
Difference Equals Provision for State and Federal Income Taxes	6,426.06

Notes: (1) Natural gas utilities should deduct their cost of natural gas from pro forma operating expenses before performing the operating ratio calculation. The cost of natural gas should be added back and included in pro forma operating expenses when determining the total revenue requirement. (2) A provision for state and federal income taxes should only be included in the calculation of revenue requirements for utilities that file income tax returns and are liable for the payment of state and federal income taxes. Utilities whose income flows through to its owner's income tax returns for tax purposes should not include a provision for income taxes. (3) The conversion factor above is calculated using the minimum federal tax rate. Adjustment may be warranted where the actual federal tax rate exceeds the minimum federal tax rate.

Exhibit 7

SCHEDULE OF ADJUSTED OPERATIONS - GAS UTILITY

TYE 12/31/20 19

	Test Year	Adjustment	Ref.	Pro Forma
Operating Revenues				
Sales of Gas				
Residential	107,590.00	-70,674.71	A,F	36,915.29
Commercial & Industrial	32,299.00	-25,247.06	A,F	7,051.94
Interdepartmental				0.00
Sales for Resale				0.00
Total Sales of Gas	139,889.00	-95,921.77		43,967.23
Other Operating Revenues				
Forfeited Discounts				0.00
Miscellaneous Service Revenues		2,610.77	F	2,610.77
Rent from Gas Property				0.00
Other Gas Revenues				0.00
Total Operating Revenues	139,889.00	-93,311.00		46,578.00
Operating Expenses				
Operation and Maintenance Expenses				
Manufactured Gas Production Expenses				0.00
Natural Gas Production Expenses				0.00
Exploration and Development Expenses				0.00
Storage Expenses				0.00
Other Gas Supply Expenses	93,311.00	-93,311.00	A	0.00
Transmission Expenses				0.00
Distribution Expenses	48,093.00	8,425.00	B	56,518.00
Customer Accounts Expenses		4,000.00	C	4,000.00
Customer Service and Informational Expenses		7,910.00	D	7,910.00
Administrative and General Expenses	51,247.00	59,652.00	E	110,899.00
Total Operation and Maintenance Expenses	192,651.00	-13,324.00		179,327.00
Depreciation Expense	4,909.00			4,909.00
Amortization Expense				0.00
Taxes Other Than Income	13,532.00			13,532.00
Income Tax Expense				0.00
Total Operating Expenses	211,092.00	-13,324.00		197,768.00
Utility Operating Income	-71,203.00	-79,987.00		-151,190.00

References

A - Remove GCA rates from revenue and expenses.

\$68,232.39 Residential + \$25,078.61 Commercial & Industrial = \$93,311

B - Estimated increase in expenses as follows:

*\$8,425 Mapping

Total estimated increases: \$8,425

C - \$4,000 Meter testing (currently paid on behalf of B&H by related entity)

D - Estimated increase in expenses as follows:

*\$2,150 Uncollectible Accounts (estimated at 2% of residential gas sales)

*\$5,760 Meter reading labor (currently performed by related entity staff; 2 staff @ \$30 per hour x 8 hours per month; 2 x \$30 x 8 x 12 = \$5,760)

Total estimated increases: \$7,910

E - Estimated increase in expenses as follows:

*\$500 Additional cleaning supplies for COVID-19 pandemic

*\$1,000 Additional cleaning services for COVID-19 pandemic

*\$20,000 Legal fees related to ARF & ARF representation

*\$1,000 Travel (estimated related to ARF & AFR representation)

*\$350 Dues - Gas Association

*\$500 Workers Compensation Insurance & Unemployment Insurance (currently paid on behalf of B&H by related entity)

*\$500 Postage (estimated increase)

*\$32,635 Rent/Truck Leases (\$24,000 rent + \$14,400 Truck Leases - \$5,765 paid in 2019 = \$32,635 increase for 2020)

*\$2,667 Training (Total cost for 3 years \$8,000; \$8,000/3=\$2,667)

*\$500 security/equipment update and replacement

Total estimated increases: \$59,652

F - Adjustment for Miscellaneous Service Revenues included in Sales of Gas.

*\$2,442.32 Residential reduction

*\$168.45 Commercial & Industrial reduction

*\$2,610.77 Miscellaneous Service Revenues increase

Exhibit 10

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.
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.;

B & H Gas Company
 P.O. Box 447
 Betsy Layne, KY 41605-0447 Phone 606-478-5851

FIRST CLASS MAIL
 U.S. POSTAGE PAID
 1 OUNCE
 HAROLD, KY
 PERMIT NO. 5

Account Number		Service ID		
Prev. Read Date		Cur. Read Date		Due Date
12/31/2020		01/31/2021		02/20/2021
Service	Previous Reading	Current Reading	Consumption	Amount
RES	230	236	6	45.67
Past Due Amount		Current Charges		Net Amount
0.00		45.67		45.67
Due Date		After Due Date		Net Amount
02/20/2021		50.24		45.67
10% Penalty After Due Date				

After Due Date	Net Amount
50.24	45.67
Due Date	Account Number
02/20/2021	

Mail this Stub With Your Payment
 Rates Available Upon Request.
 Call KY 811 Before You Dig!

Exhibit 11

B & H Gas Company
P.O. Box 447
Betsy Layne, KY 41605-0447 **Phone 606-478-5851**
Account Number **Service ID**

FIRST CLASS MAIL
U.S. POSTAGE PAID
1 OUNCE
HAROLD, KY
PERMIT NO. 5

Prev. Read Date	Cur. Read Date	Due Date
11/30/2019	12/31/2019	01/20/2020

Service	Previous Reading	Current Reading	Consumption	Amount	After Due Date	Net Amount
COM	73	79	6	42.49	49.29	45.04
TAX				2.55		
					Due Date	Account Number
					01/20/2020	

Mail this Stub With Your Payment
Rates Available Upon Request.
Call KY 811 Before You Dig!

Past Due Amount	Current Charges	Net Amount
0.00	45.04	45.04
Due Date		After Due Date
01/20/2020		49.29
		45.04

10% Penalty After Due Date

Exhibit 11