

Natural Gas Services, LLC  
Response to Public Service Commission's Appendix Request for Information  
Case No. 2021-00390

Request No. 1:

Refer to Natural Gas Services, LLC's (Natural Gas Services) response to Commission Staff's Second Request for Information, Item 6.

- a. Regarding the mileage for vehicles, explain whether Natural Gas Services meant to use \$0.56 per mile, which was the 2021 Internal Revenue Service rate, instead of \$0.056 per mile.
- b. Indicate how many roundtrip miles Natural Gas Services assumed to arrive at the revised meter relocation fee of \$250.
- c. Indicate how many hours of excavator use Natural Gas Services assumed to arrive at the revised meter relocation fee of \$250.

Response No. 1:

- a. Yes. NGS confirms that it meant to use the 2021 Internal Revenue Service rate, which is \$0.56 per mile.
- b. NGS estimated the trip would be approximately 60 miles roundtrip.
- c. NGS estimated that it would take approximately one hour and forty-five minutes of excavator use to arrive at the revised meter relocation fee of \$250.

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Request No. 2:

Refer to Natural Gas Services' response to Commission Staff's Third Request for Information, Item 4. Provide an estimate of the total annual revenue to be derived from the late payment charge and explain how the estimate was calculated.

Response No. 2:

The Late Fee is 10%. If average monthly usage is 12mcf at the rate of \$6.81/mcf (12mcf x \$6.81=\$81.72), then a 10% late fee would be \$8.17. NGS anticipates this will occur five (5) or less times per year. Therefore, the total annual revenue to be derived from the late payment charge would be approximately \$40.85 (5 x \$8.17).

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Request No. 3:

The information currently in the record of this case indicates that Natural Gas Services serves 110 customers, of which 78 are free gas customers, and that there are an unknown number of additional connections. It also indicates it projects customers using 152 Mcf per year, resulting in estimated annual sales of 16,720 Mcf. It proposes a rate structure including a \$30 monthly minimum bill and a volumetric rate of \$8.35 per Mcf.

- a. State whether Natural Gas Services projects it will bill only 32 customers (110 minus 78) monthly. If not, state how many customers are likely to be billed.
- b. State whether Natural Gas Services' annual sales revenue from volume of gas sold is expected to be \$139,612 (16,720 Mcf x \$8.35), \$40,614 (152 Mcf x 32 customers x \$8.35), or something else.
- c. State whether the \$30 minimum bill is intended to include some volume of gas. As currently set out in the proposed tariff, presumably 3.6 Mcf ( $30/8.35$ ) are included in the minimum bill, and customers would only be charged \$8.35 per Mcf for additional usage over 3.6 Mcf. The response should include a calculation showing what amounts a customer would be billed for usage of 1, 3, and 5 Mcf.
- d. State whether and under what circumstances "free gas customers" will be billed. The response should include whether these customers will only receive a bill when their usage for a given annual period exceeds 200 Mcf, and whether Natural Gas Services intends to charge them the proposed monthly minimum

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bill.

- e. Provide a detailed calculation of Natural Gas Services' anticipated annual revenue based on its proposed rates and the number of customers and sales volumes it expects to bill.

Response No. 3:

As a preliminary matter, following discussions with KPSC staff, NGS now proposes a flat \$15 minimum charge to be billed to all clients that do not receive free gas during the billed month.

- a. NGS will send all users a monthly bill. However, only customers that either do not receive free gas or have exceeded their annual allotment of free gas will owe anything. House gas users (those receiving free gas) that still remain at a negative rate of usage (i.e., users who use less gas than they have been allotted) will not be charged but will still receive a bill reflecting their usage. Therefore, NGS projects that it will charge approximately 32 of its 110 customers monthly.
- b. NGS's annual revenue from volume of gas sold is expected to be \$38,435.64.

<b>Customer Type</b>	<b>Price/MCF</b>	<b>MCF Usage</b>	<b>Total</b>
Non-Farm Tap Customer	\$ 6.81	4864	\$ 33,123.84
Farm Tap Customer	\$ 6.81	780	\$ 5,311.80
			\$ 38,435.64

- c. After further review, NGS has revised its minimum bill to \$15, which will not include a minimum amount of gas.

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d. Free gas users will be sent a bill reflecting gas usage each month. However, free gas users will not be charged until and unless they have used more than 200 mcf (i.e., gas usage exceeds allotment). The monthly "bill" issued to free gas users will serve as a statement of usage to allow the user to properly account for their usage and inform the user of the quantity of allotted gas that remains. If a free gas/farm tap user exceeds 200 mcf in usage, then the user will be charged for every mcf above 200 mcf at a rate of \$6.81/mcf (i.e., if usage is 203 mcf, then the free gas/farm tap user will be charged for 3 mcf).

e. See below table

<b>Non-Recurring</b>	<b>Rate</b>	<b>Yearly Hours or Times Charged</b>	<b>Total</b>
Seasonal or Temp Turn On	\$ 50.00	4	\$ 200.00
Reconnection Fee	\$ 25.00	5	\$ 125.00
Relocate Meter	\$ 150.00	2	\$ 300.00
Returned Check Charge	\$ 30.00	2	\$ 60.00
Service Trip to Collect Delinquent	\$ 50.00	5	\$ 250.00
Farm Tap Fee	\$ 150.00	1	\$ 150.00
Special Meter Reading Charge	\$ 50.00	4	\$ 200.00
Meter Test Fee	\$ 225.00	2	\$ 450.00
			\$ 1,735.00

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Request No. 4:

The information currently in the record of this case includes updates to the NYMEX strip rate and to the Appalachian differential, and indicates a 1,050 Btu average heat content of gas delivered to farm tap customers. Based on this information, provide a revised calculation for the "Estimated price to be received", shown as a total cost of gas of \$4.61 per Mcf on the tariff application cost calculation page.

Response No. 4:

NYMEX Strip (Nov 21-Mar 22)	\$ 3.63
Appalachian Differential	\$ -0.56
Estimated price to be received	\$ 3.07
Expense cost	\$ 3.74
TOTAL	\$ 6.81

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Request No. 5:

Provide an update on the formal agreement between Hay Exploration and Natural Gas Services.

Provide a copy of the agreement.

Response No. 5:

Natural Gas Services and Hay Exploration are currently in the process of developing an agreement to memorialize the pre-existing informal agreement between the two entities. The agreement will describe the entities' rights to title, ownership and possession of the natural gas system (Hay Exploration owns the gathering lines and wells, and NGS owns the farm taps). The agreement will also cover the terms and conditions of the services rendered by each entity (e.g., the quantity, quality and price of the gas, as well as the term of the agreement). NGS and Hay Exploration are working to complete this agreement and will file the finalized version with the Commission once complete.

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Request No. 6:

Explain Natural Gas Services' proposed timing for the following:

- a. Notifying customers of their option to continue farm tap services subject to new rates and service conditions;
- b. Sending and receiving applications to continue farm tap service;
- c. Disconnecting those customers who decline continued service;
- d. Meter reading to establish beginning usage for charges; and
- e. Billing customers for the first time.

Response No. 6:

- a. NGS will mail notice to its customers no later than thirty (30) days following the effective date of the proposed tariff. The notice will be dated and will state the approved rate and estimated amount of monthly increase per customer.
- b. NGS will send applications to continue farm tap service to its thirty-two (32) paying customers no later than thirty (30) days following to the effective date of the proposed tariff. NGS will require receipt of a completed application within sixty (60) days of the effective date to continue farm tap service.
- c. NGS will provide a disconnection notice three (3) days prior to disconnection for customers who decline continued service.



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- d. NGS will conduct meter reading to establish beginning usage for charges on the first of the month following approval of its tariff. That date is anticipated to be April 1, 2022.
  
- e. NGS will bill its customers for the first time one calendar month after the first meter reading is conducted. That date is anticipated to be May 1, 2022, although bills will not be sent to customers until their completed application is returned, or the sixty (60) days referenced in Response 6(b) above has expired.

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