

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

<b>ELECTRONIC TARIFF FILING OF HAY</b>	)	
<b>EXPLORATION, INC. FOR INITIAL RULES,</b>	)	<b>CASE NO.</b>
<b>REGULATIONS, AND RATES FOR FURNISHING</b>	)	<b>2023-00152</b>
<b>GAS SERVICE PURSUANT TO KRS 278.485</b>	)	

**RESPONSES TO COMMISSION STAFF’S THIRD REQUEST**  
**FOR INFORMATION TO HAY EXPLORATION, INC.**

Now comes Hay Exploration, Inc. (“Hay Exploration”) by and through counsel, and for its Responses to Commission Staff’s Third Request for Information, hereby states as follows:

**REQUESTS FOR INFORMATION**

1. Refer to Hay Exploration’s response to Commission Staff’s Second Request for Information (Staff’s Second Request), Item 2.
  - a. For each charge, fill out the following form attached as an Appendix, providing all relevant calculations.

**RESPONSE:** Please see attached Exhibit 1.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

- b. For the returned check charge, provide documentation from the bank showing the amount charged for each returned check.

**RESPONSE:** Please see attached Exhibit 2.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

- c. Also refer to Hay Exploration’s response to Commission Staff’s First Request for Information (Staff’s First Request), Item 14(c), Exhibits 1 and 2. Explain why Well Operator Costs, Administrative Costs, and Postage and Office Supplies list late notices if these costs are recovered separately.

**RESPONSE:** If Hay Exploration understands the request properly, the associated costs with regard to a late payment, such as mailing notices, are different than the proposed late payment

penalty of 10%. The penalty is meant primarily to serve as a disincentive to late payments, while the postage and labor associated with collecting and accounting for such payments are part of the recurring charges. There is not, strictly speaking, a cost justification for the late payment penalty, other than the disincentive effect.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

2. Refer to Hay Exploration's response to Staff's Second Request, Item 7.
  - a. Provide the total annual usage for the system, including free gas.

**RESPONSE:** Based on estimates using the differential between meters at the well and the sales meter, Hay Exploration estimates annual usage at an average of 16,720 mcf.

- b. Provide the annual amount of free gas.

**RESPONSE:** The estimated amount is an average of 11,856, based on previous usage.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

3. Refer to Hay Explorations' response to Staff's Second Request, Item 8(b). Confirm that the free gas costs of \$18,637.60 should be subtracted from the total costs of \$65,765.00 to determine the revenue requirement for base rates. If this cannot be confirmed, explain.

**RESPONSE:** Confirmed. Hay Exploration will absorb, and not charge for, \$18,637.60 of the total \$65,765 total costs.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

4. Refer to Hay Exploration's response to Staff's Second Request, Item 10.
  - a. Explain why Hay Exploration did not include margins in its rate calculation.

**RESPONSE:** Hay Exploration based its initial request of a methodology previously approved by the Commission. Hay Exploration did not see any necessity in calculating a profit margin, in that the sale of gas to customers in accordance with KRS 278.485 is a requirement of operations in the industry, but not intended as a profit center for Hay Exploration. The purpose of the rate request is to cover the cost of non-contractual use (from non-free gas customers) and the tendency of some free gas customers to exceed the amount of gas contractually provided for household use. Simply put, if either sort of customer must pay for the gas registering on their meter, they may be less likely to allow others to tap their lines between Hay Explorations' lines and the meter without informing Hay Exploration, and Hay Exploration can account for those consumers who receive a portion of free gas pursuant to contractual obligations and those who qualify for gas statutorily.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

b. Explain whether Hay Exploration is familiar with the operating ratio method to determine operating margins.

**RESPONSE:** Hay Exploration is familiar with the operating ratio method to calculate operating margin, but Hay Exploration is simply seeking to cover its costs through imposition of an approved tariff.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

5. Refer to Hay Exploration's response to Staff's Second Request, Item 11 and 14(b).

a. Explain how costs for free gas customers were excluded from all expenses except meter reading.

**RESPONSE:** All costs were calculated using all customers to get to the individual mcf rate. That individual mcf rate was then used to calculate usage. The free gas customer cost was then subtracted from the usage in order to calculate the cost not covered by Hay Exploration for contractual entitled customers.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

b. Provide the number of meter reads expected for free gas customers in total before they are charged any base rates.

**RESPONSE:** Historically, if a free gas customer is going to use more than their allotment, they will exceed their allotment two months out of a twelve month period. If there are 78 total free gas customers, then 16 will have ten months of usage without exceeding allotment and 62 will have 12 months without exceeding allotment. Taking the 16 customers and multiplying by ten, you have 160 readings; taking the 62 customers, for twelve months, you have 744 readings. This produces 904 readings per year before the charge of a base rate.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

c. Explain whether non-recurring charges will be assessed to free gas customers that are under the threshold for free gas.

**RESPONSE:** Non-recurring charges will not be assessed, pursuant to the terms of the applicable agreements.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

6. Refer to Hay Exploration's response to Staff's Second Request, Item 12. Provide the annual usage for the two churches supplied by Hay Exploration.

**RESPONSE:** Each church uses less than the 200 mcf contractual allotment.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

7. Refer to Hay Exploration's response to Staff's Second Request, Items 16, 19 and 20.

a. Explain whether Hay Exploration has determined whether unauthorized service connections are within the definition of farm tap customers under KRS 278.485. If so, explain how Hay Exploration plans to install meters for these connections. If not, explain whether Hay Exploration would disconnect those customers.

**RESPONSE:** Hay Exploration believes that everyone taking gas on its system falls within the parameters of KRS 278.485. Hay Exploration will install meters for those connections provided that the applicant agrees to follow the applicable regulation "to construct or cause to be constructed, and shall maintain and keep in good repair, the service lines, and shall provide and install or cause to be installed, and keep in good repair, the necessary automatic gas regulators, and shall pay the entire cost thereof. Hay Exploration is aware of most of the locations of the unauthorized customers, either because they have tapped into Hay Exploration's lines or because their usage after tapping into existing authorized lines has caused Hay Exploration to investigate the circumstances surrounding the inflated readings for that authorized customer.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

b. State how many unauthorized connections have been identified and whether these connections are included in the 110 customers.

**RESPONSE:** Approximately fifteen unauthorized connections have been identified and these are included within the 110.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

8. Refer to Hay Exploration's response to Staff's Second Request, Item 26.

a. Confirm that Hay Exploration proposes rates in this proceeding. If confirmed, explain why Hay Exploration did not provide notice of its proposed rates to current customers.

**RESPONSE:** Hay Exploration has not informed customers of proposed rates, because it had no prior history of rates with the Commission to inform whether the Commission would be likely to impose those rates or request substantial changes. Hay Exploration will abide by any requirements of the Commission regarding such notification.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

b. Explain Hay Exploration's plans to notify customers of the change from universal free gas to charging base rates.

**RESPONSE:** After receiving a rate, Hay Exploration plans to deliver a letter by certified mail notifying customers of the proposed rate and when it will take effect and including contact information for customers' questions.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

9. Refer to the proposed tariff and Hay Exploration's Response to Staff's Second Request, Item 38, Attachment. Explain the discrepancies between the proposed tariff and the Terms and Conditions for Furnishing Natural as to Farm Tap Customers that are included with the Application for Gas Service.

**RESPONSE:** If approved, Hay Exploration will update the minimum charge to \$30.00.

**RESPONDING WITNESS:** Monica Sturgill, Operations Manager.

Respectfully Submitted,



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**CERTIFICATE OF SERVICE**

This is to certify that foregoing electronic filing was transmitted to the Commission on September 28, 2023; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085, no paper copies of the filing will be made.



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*Counsel for Hay Exploration, Inc.*

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