

**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 FIRST 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 First Request for Information, hereby states as follows:

**REQUEST FOR INFORMATION**

1. Refer to the proposed tariff, Section I. Rate and Charges, subsection c. Other Charges. Provide justification for the proposed Monthly Minimum Customer Charge of \$30.

**RESPONSE:** The minimum charge is based on fixed expenses that will not vary with usage including the labor associated with maintenance of the connection and system and administrative functions such as billing and reporting.

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

2. Refer to the proposed tariff, Section I. Rate and Charges, subsection c. Other Charges.

a. Provide cost support for the following and explain for each charge and fee whether the labor associated with these services is already included in Hay Exploration’s calculation of its monthly customer charge and commodity rate:

1. Seasonal or Temporary Turn On Fee of \$50;
2. Transfer Service Fee of \$30;
3. Returned Check Charge of \$30;
4. Service Trip Charge of \$50;
5. Special Meter Reading Charge of \$39.50; and
6. 10 percent late-payment penalty

**RESPONSE:** (1) This charge does include the labor and mileage associated with the fee for both trips; (2) This charge does include the labor and mileage associated with the fee; (3) This charge is based on estimated bank charges; (4) This charge does include the labor and mileage estimated to be associated with travel and time spent on a typical service issue; (5) This charge does include the labor and mileage associated with the fee; (6) No. The 10% late payment penalty was deemed sufficient to serve as a deterrent to late payment and approved by the Commission in Case No. 2019-00467.

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

b. Confirm that the Special Meter Reading Charge will not be assessed if the original meter reading was incorrect. If this cannot be confirmed, explain.

**RESPONSE:** Confirmed.

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

c. Explain how Hay Exploration arrived at the \$225 upper limit for the meter test fee.

**RESPONSE:** See Per MCF Calculation, attached as Exhibit 1.

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

3. Refer to the proposed tariff, Section I. Rates and Charges, subsection c. Other Charges.

a. Explain why the Seasonal or Temporary Turn-On Fee is double the amount of the reconnection fee.

**RESPONSE:** The fee accounts for both turning off and turning on service to the customer, not just the reconnection.

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

b. Explain the procedure followed to transfer service from one occupant to another.

**RESPONSE:** Both occupants must contact the office of Hay Exploration and sign a written transfer request within the same ten-day period.

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

4. Refer to the proposed tariff, Section I. Rate and Charges, subsection c. Other Charges. For each non-recurring charge included in the proposed tariff provide the amount of round-trip mileage that will be travelled by Hay Exploration personnel to perform each service.

**RESPONSE:** The average travel round trip is approximately 1.5 hours, as the territory covers a large portion of rural Eastern Kentucky.

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

5. Refer to the proposed tariff, Section I. Rate and Charges, subsection c. Other Charges.

a. For each non-recurring charge included in the proposed tariff, state whether Hay exploration is able to provide an estimate of the number of times it expects to assess the charge. If so, provide the expected number of charges for each along with an estimate of total revenue to be derived from non-recurring charges.

**RESPONSE:** See Cost and Revenue Calculation, Exhibit 2.

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

b. Refer to the proposed tariff, Section II. Terms of Service, subsection c, Refusal of Service, which states “Company reserves the right to refuse or to defer full service to an applicant where the existing mains are inadequate to serve the applicant’s requirements without adversely affecting the service to customers already connected and being served.” Explain how Hay Exploration determines whether the gathering lines have sufficient supply to connect additional customers.

**RESPONSE:** There is a finite amount of gas in the system, and the leases and farm tap arrangements contemplate household use, not use far in excess of the average usage on the system. Should usage by a particular customer spike or greatly exceed the expected average, Hay Exploration will have to evaluate the downstream impact of diversion of such a volume from the system.

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

6. Refer to the proposed tariff, Section II., Terms of Service, subsection e, Monthly Bills.

a. Confirm that the 10 percent late payment fee will be charged only on the current month's delinquent amount and not on past month's delinquent amounts. If not confirmed, explain the basis for charging a late fee on previous months' late payments in addition to the current month's late payment.

**RESPONSE:** Confirmed.

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

b. In regards to billing errors, explain whether there will be any time period limitations over which overcharges will be refunded and undercharges will be collected.

**RESPONSE:** Hay Exploration will operate in accordance with KRS 413.120.

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

7. Refer to the proposed tariff, Section II., Terms of Service, subsection k, Discontinuance of Service by Company. Explain what conditions will be required to be present in order for Hay Exploration to determine that a customer's use of service is detrimental to the service being furnished to other customers in the immediate vicinity.

**RESPONSE:** See response to Request Number 5b. If a particular customers' usage far exceeds the average, that is indicative that the gas may be used for something other than the household usage contemplated by the agreement.

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

8. Refer to the proposed tariff, Section II. Terms of Service, subsection n, Meter Test Fee.

a. Explain whether Hay Exploration will follow the same procedure for a meter found to be more than 2 percent fast that is followed for meters that test slow.

**RESPONSE:** Yes.

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

b. Explain the basis for capping the upper time limit to six months to calculate the rebilling.

**RESPONSE:** Six months was the average used in other PSC filings and a fair time frame for both Hay and the customer based on the time frame of notification/realization of a potential issue.

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

c. Explain whether Hay Exploration will use the same six-month period for instances where the meter is more than 2 percent fast.

**RESPONSE:** Yes.

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

9. Refer to the proposed tariff, Section II. Terms of Service, subsection n, Meter Test Fee, regarding meters that do not register gas usage and the customer's usage amount is estimated.

a. Explain how Hay Exploration will determine when the meter became defective.

**RESPONSE:** Meters are read monthly. If a meter doesn't appear to be registering when it is read then the determination will be made that the meter went defective in the last 30 days between the registered reading and the reading that could not take place because the meter did not register.

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

b. Explain whether Hay Exploration will test a meter it considers to be defective to ensure it is defective before billing the customer based on estimated usage.

**RESPONSE:** Unless there is an obvious mechanical failure to the meter, Hay will test a meter to ensure it is defective.

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

c. Given the seasonal nature of natural gas usage, explain whether Hay Exploration would automatically test or pull the meter for any account with the usage variances described or whether these variance guidelines are a starting point for an investigation.

**RESPONSE:** Variances will be a starting point for an investigation. Often times, customers can have a simple issue that will impact their usage.

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

d. Explain whether a customer who did not object service through fraud, theft, or deception, would be liable for unbilled service after two years form the date of service.

**RESPONSE:** No.

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

10. Refer to the proposed tariff, Section II. Terms of Service, subsection s, Customer's Installation, which indicates that Hay Exploration reserves the right to require a customer to reimburse the Company for any cost due to a change in meters, meter location or change to any other apparatus made at the request of the customer. Explain whether there would be any circumstances in which a customer would not be required to reimburse the Company for such change.

**RESPONSE:** Hay Exploration cannot anticipate the precise parameters such a circumstance, but may opt not to charge for a change made due to legitimate need or conditions make such a change desirable to both parties, regardless of whether the customer initiated the request.

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

11. Provide the number of gas wells that will be involved in serving the farm tap customers.

**RESPONSE:** Hay Exploration has 263 wells in the system.

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

12. Provide a copy of the application form that farm tap customers will be required to fill out prior to receiving service.

**RESPONSE:** See attached Exhibit 3.

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

13. State the volume of gas Hay Exploration estimates it will sell annually to farm tap customers.

**RESPONSE:** 152 Mcf x 110 customers = 16,720 Mcf

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

14. Refer to the rate support calculation sheet setting out the basis of the farm tap rate calculation. Also refer to the Natural Gas Services, LLC (Natural Gas Services) Tariff Filing in Case No. 2021-00390, the page setting out the basis of the farm tap rate calculation.<sup>1</sup>

a. Explain why the rate support calculation sheet filed on October 11, 2021, in Case No. 2021-00390 is the same as the rate support calculation sheet filed on April 19, 2023, in the current case proceeding.

**RESPONSE:** Hay did not believe that the conditions were materially different with regard to its provision of gas.

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

b. Explain why Hay Exploration chose not to update the rate support calculation sheet.

**RESPONSE:** Hay did not believe that the conditions were materially different with regard to its provision of gas.

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

c. Provide an updated rate support calculation sheet that reflects the most up to date information and cost analysis as it pertains to Hay Exploration and not Natural Gas Services in PDF version and a version in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible. The PDF version of the updated rate support calculation sheet should be in a font size of 12 or greater.

**RESPONSE:** See Exhibit 1 and 2.

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

15. Refer to the rate support calculation sheet setting out the basis of the farm tap rate calculation.

a. Provide the year or time period that the rate support calculation sheet is based on.

**RESPONSE:** See Exhibits 1 and 2.

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

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<sup>1</sup> Case No. 2021-00390, *Electronic Tariff Filing of Natural Gas Services, LLC for Initial Rules, Regulations and Rates for Furnishing Gas Service Pursuant to KRS 278.485* (filed Oct. 11, 2021) at unnumbered page 2.

b. Confirm that Hay Exploration has not included expenses related to farm tap customers with free gas service, if any, in its proposed rates. If this cannot be confirmed, explain.

**RESPONSE:** Confirmed.

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

16. Refer to the rate support calculation sheet setting out the basis of the farm tap rate calculation.

a. Explain why the NYMEX Strip rate has a date range of “(Nov 21 – Mar 22)”.

**RESPONSE:** Hay did not believe that the conditions were materially different with regard to its provision of gas.

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

b. Provide the most current 12-month NYMEX strip rate and provide the unit of gas in Mcf. Furthermore, if the unit of gas was originally in dollars per MMBtu, then provide dollars per MMBtu and the heat content of gas that is delivered to farm tap customers.

**RESPONSE:** See attached Exhibit 4. The system averages 1050 Btu, but varies across the four different pipeline systems.

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

c. Provide the correct Appalachian differential, which is the difference between the NYMEX price at the Henry Hub and the Columbia Gas Transmission (TCO) Appalachian hub in Mcf. Furthermore, if the unit of gas was originally in dollars per MMBtu, then provide dollars per MMBtu and the heat content of gas that is delivered to farm tap customers.

**RESPONSE:** See attached Exhibit 5.

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

17. Refer to the rate support calculation sheet setting out the basis of the farm tap rate calculation.

a. Provide the expenses included in the “expense cost” portion of the proposed gas charge.



**RESPONSE:** The excel spreadsheet has each expense cost broken down. The expense cost portion is the Operator Cost, Administrative Cost, supply cost, mileage for well operator, and postage and office supplies.

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

b. Explain why the gas cost should include both the forfeited revenue and expense.

**RESPONSE:** To run a farm tap we have the added cost of maintaining and servicing the tap as well as the loss of revenue we would have otherwise received by just selling the gas.

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

18. Refer to the rate support calculation sheet setting out the basis of the farm tap rate calculation.

a. Explain whether the Supply Cost of \$174 is for the entire system or a single customer.

**RESPONSE:** Per customer

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

b. Explain how the “IRS rate of \$0.56/mile” was determined.

**RESPONSE:** Rate updated per IRS guidelines (see attached PDF, Exhibit 6.)

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

c. Explain how the number of call outs was determined for the Mileage Cost.

**RESPONSE:** Average callouts from 2020 and 2021.

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

d. Provide Hay Exploration’s income statement for farm tap customers for 2020, 2021, 2022, and any period available for 2023.

**RESPONSE:** Hay Exploration does not have an income statement for farm tap customers because we have not been tracking due to not having a rate to charge.

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

19. Refer to the rate support calculation sheet setting out the basis of the farm tap rate calculation, regarding the meter reading for “110 customers” that Hay exploration indicates it anticipates supplying.

a. Confirm if the 110 is the total number of customers which Hay Exploration intends to charge for farm tap service.

**RESPONSE:** Based on the best information available to Hay, Hay confirms the total number of customers is 110.

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

b. State what customer classes (i.e. residential or commercial) are represented by the 110 customers that Hay Exploration indicates it anticipates supplying.

**RESPONSE:** The customers are both residential and commercial or public entities.

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

c. Explain whether the 100 total customers included any customers that might receive free gas service. If so, then explain why they are included in the rate support calculation sheet.

**RESPONSE:** Even customers with free gas stipulations in lease agreements will be provided some gas. The leases allow for 200 Mcf per year. After that amount they agree to the rate set by the Commission. Almost all customers exceed the 200 Mcf.

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

20. Refer to the rate support calculation sheet setting out the basis of the farm tap rate calculation, regarding the estimated annual per customer usage of 152 Mcf.

a. Provide support for the estimated annual per customer usage of 152 Mcf.

**RESPONSE:** The number is based on actual Mcf readings.

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

b. Confirm that the meter readings referenced are in Mcf (thousand cubic feet) and not in Ccf (hundred cubic feet) and that Hay Exploration expects customers to use this relatively high amount of gas annually.

**RESPONSE:** Confirmed. The information is based on actual usage. Most customers use gas for a variety of reasons, including home heating, appliances, or operation of machinery.

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

c. State whether Hay Exploration believes that actual usage will be lower when customers are required to pay for gas.

**RESPONSE:** Hay does not believe that legitimate usage will substantially decrease, but believe that incidents of unauthorized connection or usage for purposes other than household needs may decline.

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

21. State whether Hay Exploration considered a more typical rate design including a monthly customer charge along with a volumetric charge for Mcf consumed, as an alternative to the rate design it proposed which includes a minimum bill.

**RESPONSE:** Hay did not consider such rate design, as it based its proposal on prior tariffs involving similarly situated providers.

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

22. State whether Hay Exploration currently provides gas service for compensation.

**RESPONSE:** No.

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

a. If so, provide a schedule of any rates, rules, regulations, or conditions of service currently in effect and state whether Hay Exploration currently requires an application for gas service or reads customer meters.

b. If so, provide an income statement and balance sheet for calendar years 2021 and 2022.

**RESPONSE:** Not applicable.

23. State whether Hay Exploration provides any customer with free gas service, including customers who receive free gas service as a result of lease or right-of-way agreements. If so, provide the number and average annual usage for these customers and the least or right-of-way agreements.

**RESPONSE:** Hay Exploration currently provides free service to 78 customers pursuant to agreements. The usages of these customers varies widely, but is estimated to be approximately 152 Mcf based on those meter readings which are available.

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

24. Confirm that Hay Exploration only provides service to the owners of property on or over which any producing well or gas gathering pipeline is located, or the owners of real estate whose property and point of desired service is located within one-half air-mile of Hay Exploration's producing gas well or gas gathering pipeline. If this cannot be confirmed, provide the number of customers that are not served pursuant to KRS 278.485.

**RESPONSE:** Confirmed.

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

25. Explain whether Hay Exploration believes that existing farm taps have been extended or divided to provide service to more than one customer per farm tap. If so, include supporting documentation.

**RESPONSE:** Hay believes that this is the case, based on past instances upon which Hay Exploration employees have discovered such extensions. No supporting documentation is known to exist.

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

26. Explain whether Hay Exploration has plans to disconnect any customers that are not served pursuant to KRS 278.485.

**RESPONSE:** Hay Exploration will provide notice, by mail, to customers which fall outside the parameters of KRS 278.485 and disconnect services from any of those customers.

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

27. Provide a system map or maps that show Hay Explorations' natural gas system, including the location, size, category, and material of lines and the location of producing wells.

**RESPONSE:** Hay Exploration will supplement this Response when such a map is compiled.

28. Provide a general description of Hay Exploration's gas system, including the date(s) of construction and ultimate market for gathered gas.

**RESPONSE:** Hay Exploration owns or operates 263 gas wells, drilled at various dates, and gathering lines in various counties around Lawrence and Johnson Counties. There are four different pipeline systems involved in the operations. Where there is sufficient gas produced, Hay ultimately sells the gas to the Trans-Canada pipeline. Hay Exploration has been an operator in this area for twenty five years.

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

29. State whether Hay Exploration has any operator qualifications or operations and maintenance plans or performs leakage or patrolling surveys. If so, provide the details.

**RESPONSE:** Hay Exploration has operated since 1999. Hay Exploration's employees regularly walk lines, check wells, read meters, and conduct all operations typical of an oil and gas operator.

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

30. Explain whether Hay Exploration has considered creating customer classes to differentiate between customers with significantly different usage levels.

**RESPONSE:** No because we don't have enough customers to do so.

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

31. Explain whether Hay Exploration's customers have been notified of the proposed rates. If so, provide the notice. If not, explain how customers will be notified.

**RESPONSE:** Hay Exploration will provide notice via certified mail.

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

32. State whether Hay Exploration currently has any customer meters and explain whether Hay Exploration will confirm that a customer wishes to maintain farm tap service before installing a meter.

**RESPONSE:** Hay Exploration currently has meters that are being serviced without payment. Each customer will be required to fill out an application consistent with the terms of the tariff.

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

33. State whether the gas in the Hay Exploration's system is odorized. If so, state the method of odorization.

**RESPONSE:** The gas in the system is naturally odorized.

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

34. Explain whether Hay Exploration employs anyone in its service territory to respond to emergencies. If not, explain how Hay Exploration responds to emergencies.

**RESPONSE:** Hay Exploration has employees experienced in oil and gas well operations located throughout the service territory who can respond in the event of an emergency.

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

35. Refer to Natural Gas Services' response to Commission Staff Second Request for Information, Item 14c in Case No. 2021-00390.<sup>2</sup> Explain if a formal agreement between Natural Gas Services and Hay Exploration was ever executed. If so, provide the agreement.

**RESPONSE:** It was not.

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

36. Refer to Natural Gas Services' response to Commission Staff Third Request for Information, Items 9a and 9b in Case No. 2021-00390, in regards to the corporate and affiliate relationship between Natural Gas Services and Hay Exploration.<sup>3</sup>

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<sup>2</sup> Case No. 2021-00390, Natural Gas Services' Response to Commission Staff's Second Request for Information (filed Dec. 22, 2021), Item 14c.

<sup>3</sup> Case No. 2021-00390, Natural Gas Services' Response to Commission Staff's Third Request for Information (filed Feb. 2, 2022), Items 9a and 9b.

a. Provide the current status of Natural Gas Services.

**RESPONSE:** Currently, the entity is existing but has no operations.

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

b. Explain whether Natural Gas Services is involved in the service or management of Hay Exploration's farm tap system.

**RESPONSE:** Not at this time. Hay may, in the future, contract with NGS or another entity to provide purely administrative services.

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

c. Confirm that Hay Exploration owns the gathering lines or producing wells for its system. If not, state the entity that owns the lines or wells.

**RESPONSE:** Confirmed.

**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 June 16, 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.

A handwritten signature in black ink, appearing to read 'M. J. Brown', is positioned above a horizontal line.

*Counsel for Hay Exploration, Inc.*

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