

**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 SECOND 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 Second Request for Information, hereby states as follows:

**PRELIMINARY STATEMENT**

Hay Exploration is a very small, family-owned independent oil and gas operator. It has a long history in the counties in which it operates and has been a part of these communities for many years. It is not Hay Exploration’s intent to operate as a public utility, but rather as a gas pipeline company pursuant to KRS 278.485. Currently, Hay Exploration knowingly provides gas to various users who it refers to as “Farm Tap Customers” that are parties to lease agreements or right of way agreements that grant them a certain volume of free gas, also referred to as house gas, annually and to users it designates as “Non-Farm Tap Customers” who are not parties to such agreements but fall within the parameters established in KRS 278.485. Hay Exploration has also discovered unauthorized connections to its lines on occasion and believes that some users have installed a branch tee or other connection to serve users other than the customer without the prior written consent of the gas company and the customer as required in 807 KAR 5:026§6(2). The costs of such service have become prohibitive unless Hay Exploration can recapture some of those costs from some or all of these parties. Hay Exploration will comply with any restrictions placed on such tariff by the Commission.

**REQUESTS FOR INFORMATION**

1. Refer to Hay Exploration’s response to Commission Staff’s First Request for Information (Staff’s First Request), Item 1.
  - a. Provide an expanded response to the previous request of Staff’s First Request, Item 1, by providing the justification for the proposed Monthly Minimum Customer Charge of \$30. The response should include a numeric breakdown and documentation supporting

each expense associated with the proposed Monthly Minimum Customer Charge of \$30. If Hay Exploration cannot provide, explain why it is not able to respond to the request.

**RESPONSE:** The minimum charge will apply to those customers with usage of 3.6 mcf and below. In addition, the minimum applies only to farm tap users not receiving free gas pursuant to a lease or right of way agreement. Anything over 3.6 mcf usage will be charged at the \$8.35 rate. There are certain costs that remain fixed regardless of usage, which would not necessarily be spread across the entire system, such as billing and repairs or maintenance associated with a particular tap. This charge is meant to avoid distribution of these charges exclusively to other users. The costs associated with these items are included on previous provided exhibit 1.

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

2. Refer to Hay Explorations' response to Staff's First Request, Item 2(a). Provide an expanded response to the previous request of Staff's First Request, Item 2(a), by providing detailed cost support for each charge included in Item 2(a) of Staff's First Request and a detailed explanation for each charge and whether the labor associated with these services is already included in Hay Exploration's calculation of its monthly customer charge and commodity rate. If Hay Exploration cannot provide, explain why it is not able to respond to the request.

**RESPONSE:** Hay Exploration's labor associated with these services are not included in the monthly customer charge or commodity rate. The labor associated is purely the labor cost to do these tasks. These charges and tasks are not built into the commodity rate or customer charge because these charges are not normal maintenance or normal administrative costs.

The costs are intended to capture labor and associated costs with each task. For instance, for the late penalty fee, the fee is set in an amount intended to prove a disincentive to late payment. For tasks requiring travel such as the special meter reading charge and seasonal turn on fee, the estimated travel cost based on fifty miles would be approximately \$33.00 and the estimated labor costs associated with the travel would be between \$15.00-\$20.00. For the actual task, the required time varies. For the special meter reading charge, the time on task is likely minutes. For the seasonal turn on / turn off fee, the time on task is not expected to be much longer, but the charge includes both stopping service and reconnection. Estimating conservatively, the charge in each instance should approximate the associated costs. The returned check charge is based on anticipated bank fees.

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

3. Refer to Hay Exploration's response to Staff's First Request, Item 4. Provide documentation supporting the response that "the average travel round trip is approximately 1.5 hours".

**RESPONSE:** Hay Exploration refers to the three maps provided in conjunction with this response. There are four major areas in which taps are present. Hay Exploration's operators come work of both Ashland and a shop in Isonville, KY. From those locations, most of the travel time

is approximately 50 miles from shop to tap. The least driving time is 13 minutes one way and the highest is approximately 1 hour and 19 minutes. Depending on the day or time, well operators would be most likely within a 45 minute range of all meters.

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

4. Refer to Hay Exploration's response to Staff's First Request, Item 7. In regards to the statement "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.

a. Provide the agreement referenced in the response.

**RESPONSE:** Hay Exploration is the operator on a number of leases which provide gas for household use, amounts generally defined as 200,000 mcf per year. The volume and size of these leases make it impracticable to provide all of them. A sample of such a lease can be provided, although each lease will contain unique terms, and a sample of the household gas agreement is attached.

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

b. Explain in detail what Hay Exploration means by "usage contemplated by the agreement" and how Hay Exploration will calculate and determine if a customers exceed the average usage.

**RESPONSE:** See response to part a, above. Hay Exploration runs a computer program that calculates based upon meter readings how much a meter is using. Every month that usage is totaled for the year to determine how much that meter or "free gas" user has used.

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

5. Refer to Hay Exploration's response to Staff's First Request, Item 9(b). Provide an expanded response to the previous request of Staff's First Request, Item 9(b); by stating whether Hay Exploration will bill the customer based on estimated usage before testing a meter it considers to be defective to ensure it is defective.

**RESPONSE:** Hay Exploration will not bill the customer at all until it is determined that the meter is defective. If the meter is tested and found defective then, for the period that the meter became an issue, Hay Exploration will charge an estimated usage.

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

6. Refer to Hay Exploration's response to Staff's First Request, Item 10. Explain what would constitute a legitimate need and what types of changes could be made that would be

desirable to both parties. Please give examples of possible situations that would constitute a legitimate need as used in the response.

**RESPONSE:** Hay Exploration may choose to waive fees which it would otherwise be entitled to collect based on demonstrated financial need. Should damage to the building or surrounding area cause the meter location to be no longer feasible or safe, it may be in the interest of both parties to relocate the meter or other associated apparatus. In essence, Hay Exploration would seek to be compensated for changes made solely for the convenience of the user, but would want to retain discretion to make modifications or changes due to events outside the control of the user or in circumstances where such modifications or changes serve the interests of safety or maintain good community relations.

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

7. Refer to Hay Exploration's response to Staff's First Request, Items 13 and 14(c), Exhibit 2. Explain the difference between the estimated Mcf usage of 16,720 for the total system and the Mcf usage shown in Exhibit 2.

**RESPONSE:** The differential is the volume sold to Free House gas customers under the terms of their leases. In general, their first 200,000 cubic feet cannot be charged based upon their lease. Hay Exploration is estimating that 20% of the 78 free gas tap customers will be above their allotted usage for 2 months out of the year.

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

8. Refer to Hay Exploration's response to Staff's First Request, Item 14 (c), Exhibits 1 and 2.

a. Explain the difference between the \$6.95 Mcf rate shown in Exhibit 1 and the \$6.81 and \$8.35 per Mcf rates shown in Exhibit 2.

**RESPONSE:** The \$6.81 in Exhibit 2 is an error and should be \$6.95 mcf rate. The \$6.95/mcf rate is the base rate of calculation and the \$8.35/mcf rate is the requested tariff rate.

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

b. Explain what "Cost covered by Hay for Lease benefit" means.

**RESPONSE:** Hay Exploration's total costs are calculated as \$65,765.00 based on gas provided across the entire system (see Exhibit 2). Hay Exploration is requesting a tariff that excludes recoupment of costs associated with its contractual obligation to provide "free gas" to some farm tap customers pursuant to leases and rights of way. The \$18,637.60 and the notation of "Cost covered by Hay for Lease benefit" was meant to indicate that a portion of the costs is associated to the provision of this "free gas" and not collected as part of the tariff.

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

9. Refer to Hay Exploration's response to Staff's First Request, Items 14(c), Exhibit 2 and 24. Explain what "Non-Farm Tap Customer" means.

**RESPONSE:** As used in the Exhibits, "Non-Farm Tap Customer" means a customer on the well or gathering line that does not have a lease agreement to receive "free house gas." Hay Exploration provides gas to two types of customers: free house gas customers receive up to 200mcf before being charged and what Hay Exploration has designated as "Non-Farm Tap Customers" have no contractual right to 200mcf without charge. Both are technically farm tap customers as treated in the statute.

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

10. Refer to Hay Exploration's response to Staff's First Request, Item 15(a). Provide an expanded response to the previous request of Staff's First Request, Item 15(a); by providing the year or time period that the rate support calculation sheet is based on. If Hay Exploration cannot provide, explain why it is not able to respond to the request.

**RESPONSE:** The rate sheet was last updated on 6-16-23. All cost pricing has been reviewed and updated. The NYMEX strip is July 23-Jun 24 and the Appalachian differential is updated to the most recent number available, the 2022 average.

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

11. Refer to Hay Exploration's response to Staff's First Request, Item 15(b) and Item 19(c), which provide conflicting information regarding whether expenses related to service provided to farm tap customers with free gas service will be recovered in proposed rates and whether farm tap customers who receive free gas service are included in the customer total used to calculate the proposed rates. Reconcile the conflicting statements.

**RESPONSE:** In request 15(b) it was confirmed that Hay Exploration has not included expenses related to farm tap customers with free gas. This is still confirmed. Request 19(c) states that free gas customers will receive, at some point, gas above their usage. The rate per Exhibit 1 is calculated based upon the average mcf usage of 152mcf of what Hay Exploration refers to as a "non-farm tap customer" which means it does not include a free gas customer. (Hay Exploration will in the future attempt to alter its terminology, as all customers subject to the tariff are farm tap customers in the sense meant in KRS 278.485.) The only calculation that includes all customers is the meter reading cost. This cost was deemed necessary in order to protect all customers from the depletion of the natural gas in the well or gathering line by one customer.

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

12. Refer to Hay Exploration's response to Staff's First Request, Item 19(b).

a. Of the 110 customers Hay Exploration indicates it anticipates supplying gas, provide the breakdown between residential, commercial, and public entities.

**RESPONSE:** Hay Exploration supplies gas to two churches. The rest of the users on the system are residential.

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

b. Define “public” entities” as referenced in the response.

**RESPONSE:** The term public entities referred to the two churches.

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

c. State what efforts Hay Exploration has undertaken to assure that commercial and public entity customers are aware of the fact that farm tap gas is not a guaranteed source of gas supply.

**RESPONSE:** Representatives of Hay Exploration have had direct discussions with the representatives of these entities.

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

13. Refer to Hay Exploration’s response to Staff’s First Request, Item 19(c). Confirm that Hay Exploration incorrectly restated the customer total as 100 when Staff’s First Request, Item 19(c) stated “110” total customers.

**RESPONSE:** Confirmed.

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

14. Refer to Hay Exploration’s response to Staff’s First Request, Item 19(c), in regards to the free gas customers.

a. Provide documentation supporting the response that “Almost all customers exceed the 200 Mcf,” and explain why the response to Item 23 states that free gas customers average 152 Mcf usage per year.

**RESPONSE:** Most “free house gas” users do go over the 200mcf rate, but there are a few that do not, which decreases the average in any particular period. The average of “free house gas” usage was 152mcf in one area that was metered closely for the purpose of gathering a standard usage rate. All other “free house gas” has been widely unmetered due to the lack of a tariff to charge for over usage. Hay Exploration estimates that most “free house gas” usage that is unmetered is above 200mcf based upon the production at the well head being vastly higher than the production at the gathering line meter. Taking into account that natural gas production number along with the

amount of farm/house gas taps, it is logical to assume that the natural gas is being pulled out of the line in excess of 200mcf per farm/house gas tap a year.

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

b. Explain if the free gas customers will be charged the Monthly Minimum Customer Charge of \$30. If there are instances where the free gas customers would be charged the Monthly Minimum Customer Charge of \$30 explain the instance in detail.

**RESPONSE:** Free house gas customers would be charged the monthly minimum once they have exceeded the 200mcf/year volume. This is because they are not to be charged the tariff rate until the 200mcf/year volume is exceeded. Hay Exploration did not take into account house gas for all but the meter reading calculation and therefore, do not pass the cost of house gas on in the general calculation.

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

c. Explain if those customers that receive free gas will be charged the Monthly Minimum Customer Charge of \$30 if their respective annual usage is between 0 and 199 Mcf.

**RESPONSE:** Free house gas customers would be charged the monthly minimum only once they have exceeded the 200mcf/year volume.

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

d. Explain if Hay Exploration has been requiring compensation from these free gas customers once their annual usage exceeds 200 Mcf.

**RESPONSE:** Hay Exploration has not been requiring compensation from free gas customers once their annual usage exceeds 200mcf, because Hay Exploration preferred to seek a rate approved by the PSC prior to making any such charge. Hay Exploration anticipates that, by receiving a rate, it would be able to assert control over both the over usage and the unauthorized taps on its gathering lines or the branches and other connections made by users without the consent of Hay Exploration, as referenced in 807 KAR 5:026§6(2), by being permitted a tariff by the PSC to be charged.

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

15. Refer to Hay Exploration's response to Staff's First Request, Item 20(a). Provide an expanded response to the previous request of Staff's First Request, Item 20(a); by providing documented evidence that supports the estimated annual per customer usage of 152 Mcf. If Hay Exploration cannot provide, explain why it is not able to respond to the request.

**RESPONSE:** Please see the House Gas Usage report provided herewith.

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

16. Refer to Hay Exploration’s response to Staff’s First Request, Item 20(c). Explain in detail why Hay Exploration believes that incidents of unauthorized connection or usage for purposes other than household needs may decline once customers are required to pay for gas.

**RESPONSE:** Hay Exploration has walked our gathering lines on multiple occasions to find numerous unauthorized connections. Due to the lack of a tariff, Hay Exploration has been unable to charge farm tap users, and those users have often installed branch tees or other connections on their lines to provide gas to unauthorized dwellings and structures. One way to disincentivize this behaviour would be to charge the user for gas used. On occasion, the overuse of the resource has caused authorized users to not have able natural gas due to a funnel on the line/well (this occurs in a significant manner when the weather fluctuates from mild to freezing over a short time). In reality, when someone thinks something is “free” they take advantage of the resource.

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

17. Refer to Hay Exploration’s response to Staff’s First Request, Item 23. Provide all meter readings for the 78 free gas customers for the year of 2021 and 2022.

**RESPONSE:** Hay Exploration has not kept meter readings because it has not received a tariff rate to calculate any usage cost; therefore, it has not been economically viable for Hay Exploration to set meters and read meters on a monthly basis.

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

18. Refer to Hay Exploration’s response to Staff’s First Request, Item 23. Provide an expanded response to the previous request of Staff’s First Request, Item 23; by providing the number of free service customers that are the result of lease or right-of-way agreements, the average annual usage for these customers, and the lease or right-of-way agreements as originally requested if Hay Exploration cannot provide, explain why it is not able to respond to the request.

**RESPONSE:** Hay Exploration believes there are 78 customers provided with gas pursuant to these agreements. An example agreement has been provided which is representative of the clauses in which these provisions are contained. To the extent such example is not sufficient, Hay Exploration would request additional time in order to copy each of the seventy-eight leases, as Hay Exploration does not have dedicated office staff to devote to this project. Hay Exploration has not had the economic means, nor the need, to document the usage by each customer. As explained above, Hay Exploration undertook to review usage in one area to arrive at the average of 152 mcf; the usage of the 78 customers believed to be under lease and right or way agreements is estimated based upon the usage of that area.

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

19. Refer to Hay’s Exploration’s response to Staff’s First Request, Item 25.

a. Explain how Hay Exploration employees discovered extensions on farm tap lines have taken place if no supporting documentation exists that indicate such instances have occurred.



**RESPONSE:** Hay Exploration is a small, family-owned company. Employees, who are frequently in the field in connection with oil and gas operations, will inform Monte Hay that a new line that was not previously connected had been laid. On some occasions, employees have found newly laid lines with dirt still disturbed. Hay Exploration's employees know they are unauthorized because no such lease or right of way had been executed in the time frame that an unauthorized connection was made. Hay Exploration has in the past spoken to unauthorized users, who have acknowledged such use.

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

b. Explain if Hay Exploration disconnected or worked to resolve the past instances in which existing farm taps have been extended or divided to provide service to more than one customer per farm tap. If not, then explain in detail why not.

**RESPONSE:** Hay Exploration has worked to resolve some instances where the extensions or divisions have caused issues with the provision of service. It is Hay Exploration's preference and intent, as a neighbor and community member, to provide gas to all users authorized by law, pursuant to the tariff established by the Commission.

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

20. Refer to Hay Exploration's response to Staff's First Request, Item 26. Explain if in the past Hay Exploration disconnected any customers that are not served pursuant to KRS 278.485 upon discovery by Hay Exploration employees. If not, then explain in detail why not.

**RESPONSE:** Hay Exploration has not, to its best knowledge, disconnected any such customers. Hay Exploration wishes to provide gas, subject to the tariff, to as many customers as possible in the immediate vicinity of its operations and does not wish to enter into disputes with property owners in its area of operations. If the Commission instructs that Hay Exploration must disconnect particular users, then Hay Exploration will do so. It is not Hay Exploration's intent to operate as a public utility, but rather as a gas pipeline company pursuant to KRS 278.485.

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

21. Refer to Hay Exploration's response to Staff's First Request, Item 27.

a. Explain how Hay Exploration knows where its lines and wells are located without a map.

**RESPONSE:** Hay Exploration is a small, family-owned company, which has been operated by the same family for several generations. Many of its employees are also second generation or more. Thus, the company has institutional knowledge of the location of its lines and wells, and does not require a map to locate these in the field.

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

b. Explain when such a map as referenced in the response will be compiled and submitted into the case record.

**RESPONSE:** As a small company, Hay Exploration does not employ a full time map maker and has outsourced this item. It will be provided promptly upon receipt.

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

22. Refer to Hay Exploration's response to Staff's First Request, Item 28. Explain if Hay Exploration bought any of its wells and gathering lines. If so, provide a list of who the wells and lines were purchased from and when the facilities were procured by Hay Exploration.

**RESPONSE:** Hay Exploration has obtained some of its wells and gathering lines through assignment and bond transfer. Hay Exploration requests clarification as to whether this request relates to facilities currently owned by Hay Exploration or to all transactions in which Hay Exploration may have participated and, if for the latter, for what time frame.

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

23. Refer to Hay Exploration's response to Staff's First Request, Item 29. Provide an expanded response to the previous request of Staff's First Request, Item 29; by explaining in written detail the operator qualifications held by Hay Exploration employees, and the maintenance plans Hay Exploration has in place to maintain the safety and integrity of its gathering lines and wells. If Hay Exploration cannot provide, explain why it is not able to respond to the request.

**RESPONSE:** Hay Exploration has worked under the guidelines of the Division of Oil and Gas since its inception, and it maintains all permits and qualifications required by that Division. All employees of Hay Exploration receive training on safety and maintenance; as stated above, most are generational employees with a wealth of practical knowledge handed down to them by their predecessors. Hay Exploration maintains all wells in accord with good practice, consistent with the standards in the industry and the requirements of the Division of Oil and Gas. All wells are visited weekly. Some wells are visited daily dependent on their production volumes and production type (oil or gas). All wells and related infrastructure are painted every second year. All gathering lines are walked in 2 phases: higher volume lines every 6 months (earlier if production volumes between meters indicates that a leak may be occurring) and low volume gathering lines once per year. Hay Exploration often will drone lines and wells for an extra measure of safety either periodically or if weather conditions or other circumstances indicate.

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

24. Refer to Hay Exploration's response to Staff's First Request, Item 29.

a. Explain in detail the operations typical of an oil and gas operator as referenced in the response.

**RESPONSE:** An oil and gas operator's typical operations are to maintain a well and all related infrastructure. The operator does this by checking mechanical integrity of equipment, hauling water, servicing wells, and the like. Typical duties of an oil and gas operator in the field include the operation of oil rigs and related machinery, implementation of safety procedures and maintenance of a clean work environment, relatively speaking, conducting daily maintenance checks on machinery, performance of repairs and troubleshooting of machinery, and ensuring compliance with all regulations and industry standards.

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

b. Explain how often Hay Exploration employees walk lines, and check wells.

**RESPONSE:** All gathering lines are walked in 2 phases: higher volume lines every 6 months (earlier if production volumes between meters indicates that a leak may be occurring) and low volume gathering lines once per year. Hay Exploration often will drone lines and wells for an extra measure of safety either periodically or if weather conditions or other circumstances indicate. All wells are visited weekly. Some wells are visited daily dependent on their production volumes and production type (oil or gas).

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

25. Refer to Hay Exploration's response to Staff's First Request, Item 30. Explain why the amount of customers would impact Hay Exploration's decision not to implement specific rate classes.

**RESPONSE:** Hay Exploration believes that the usage variance and the customer number is a significant deterrent to the need for multiple rate classes. Hay Exploration does not operate high pressure lines like natural gas utilities that have high capacity volumes. Hay Exploration is an oil and gas operator with gathering lines that have a very limited amount of volume capacity. Due to its line restraints and the fact that it is an operator, not a utility, it sees no justification to provide multiple rate classes for the usage capacity that its lines can maintain.

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

26. Refer to Hay Exploration's response to Staff's First Request, Item 31. Explain when Hay Exploration plans to provide notification to its potential rate paying customers. If Hay Exploration has already done so, then provide the notice.

**RESPONSE:** Hay Exploration has not provided notification because Hay Exploration does not have a tariff rate to notify customers of. The timing will depend on the actions of the Commission.

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

27. Refer to Hay Exploration's response to Staff's First Request, Item 32

a. Explain how many meters on Hay Exploration's gathering lines and wells are owned by Hay Exploration.

**RESPONSE:** 110 meters

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

b. Explain whether there are any meters on Hay Exploration's gathering lines and wells that are not owned by Hay Exploration. If so, provide the amount.

**RESPONSE:** There are none.

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

28. Refer to Hay Exploration's response to Staff's First Request, Item 34.

a. State how many individuals are employed by Hay Exploration that can respond in the event of an emergency. Please identify the employees individually.

**RESPONSE:** There are five: Corbie Eldridge, Bennie Eldridge, Patrick Eldridge, Monte Hay, and Chris Cox.

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

b. Explain in detail what certifications and trainings each individual listed in the response to the question above, has that makes them capable of responding adequately to an emergency event. The response should include the title for each certification and training held by each individual and which certified entity provided the certification or training.

**RESPONSE:** Hay Exploration does not operate high pressure lines; therefore, training is different than that for a utility. All employees are instructed in and know the closest shut off valves, the proper way to extinguish a natural gas fire, common natural gas safety, and are CPR certified and carrying adequate safety equipment on their company vehicles.

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

29. Refer to Hay Exploration's response to Staff's First Request, Item 36 (c). Provide documented proof of Hay Exploration's ownership of the gathering lines and 263 wells used to provide natural gas to those individuals who qualify for service under KRS 278.485.

**RESPONSE:** All records of such ownership are maintained by the Division of Oil and Gas. All gathering line and well records are regulated by the Division. Hay Exploration asks that the Commission specify whether it is requesting permits, leases, or some other form of documentation.

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

30. Refer to Hay Exploration's response to Staff's First Request, Exhibit 1, which contains support for a Meter Relocation Fee.

a. Explain whether Hay Exploration is proposing to include a set fee for meter relocation.

**RESPONSE:** Hay exploration is proposing set fee of \$150.

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

b. If so, explain why the proposed meter relocation fee is not included in the proposed tariff sheets.

**RESPONSE:** The fee was not in the tariff sheets because Hay Exploration did not realize such a non-recurring cost had to be allocated in the tariff.

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

c. Provide the set amount and explain whether the labor associated with the charge is already included in Hay Exploration's calculation of its monthly customer charge and commodity rate.

**RESPONSE:** See Exhibit 1 for the calculation of \$152.64. For convenience of calculation, this was rounded to \$150. On Exhibit 1, the meter relocation fee is line itemed below the mcf rate calculation and is not calculated in the commodity rate or the customer charge.

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

31. Refer to Hay Exploration's response to Staff's First Request, Exhibit 1. For each line in the Exhibit, provide a detailed explanation of why each expense was added and the numeric cost justification for each expense.

**RESPONSE:** Each expense was added because it was an expense that Hay Exploration has currently been incurring in providing gas to users within the parameters of KRS 278.485 or it is an expense that Hay Exploration can anticipate providing to such users, based on prior filings with the Commission. The well operator costs category consists of the base hourly rate paid to each field worker, with additional benefits, multiplied by the number of hours it is anticipated Hay Exploration employees will devote to tasks associated with the provision of gas associated with the tariff, as opposed to their normal duties in connection with the operation of the oil and gas field. The administration costs reflect additional time which will be required of office staff to bill and keep records for such service multiplied by the base pay rate with benefits of such workers. The supply costs reflects additional supplies over and above those usually consumed in the operation of the field which will be used in the provision of gas service. Mileage is calculated using the IRS rate and the estimated additional trips which will be necessitated by the maintenance of the system. The category of office supplies largely reflects the cost of billing. To the extent

that the Commission requires additional information, Hay Exploration requests specific clarification as to what more may be provided.

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

32. Refer to Hay Exploration's response to Staff's First Request, Exhibit 1, in regards to the Well Operator Cost.

- a. Explain why it takes 24 hours per month for meter reading.

**RESPONSE:** The area is vast, remote and spread out. In order to read all meters, a large amount of area has to be accessed mainly on foot. The area is not suburban or urban. It is very rural with most meter taps being spread apart by significant distance.

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

33. Refer to Hay Exploration's response to Staff's First Request, Exhibit 1, in regards to the total rate calculation on the second page.

- a. Confirm that the \$3.03 NYMEX Strip rate is a rate per MMBtu, and that it should be adjusted for the 1050 Btu content of the gas referenced in the response to Item 16.b. in order to arrive at a rate per Mcf.

**RESPONSE:** Confirmed, attached is a new rate calculation.

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

- b. Confirm that Exhibit 5 indicates that the difference between the NYMEX price at the Henry Hub and the Columbia Gas Transmission (TCO) Appalachian hub, which is the Appalachian differential per MMBtu, is (\$0.911).

**RESPONSE:** Confirmed.

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

34. Refer to Hay Exploration's response to Staff's First Request, Exhibit 2. For each line in the Exhibit, provide an explanation of why each expense was added and the numeric cost justification for the expense.

**RESPONSE:** Hay Exploration refers to the Excel version of Exhibit 1 and Exhibit 2. For each line item in Exhibit 2, the associated numerical calculation is attached in Exhibit 1. Additional information is included in the response to Request 2. Each expense was added because it was an expense that Hay Exploration has currently been incurring in providing gas to users within the

parameters of KRS 278.485 or it is an expense that Hay Exploration can anticipate providing to such users, based on prior filings with the Commission.

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

35. Refer to Hay Exploration's response to Staff's First Request, Exhibit 2.

a. Explain the difference between Non-Farm Tap Customer and Farm Tap Customer.

**RESPONSE:** As Hay Exploration uses those terms, the Non-Farm Tap Customer is a customer who does not have a contractual lease or right of way agreement that provides for a certain amount of free natural gas usage. As used by Hay Exploration, a Farm Tap customer is a customer who does have a contractual lease or right of way that provides for 200mcf annual usage.

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

b. Explain if the Non-Farm Tap Customers are being served gas outside of KRS 278.485.

**RESPONSE:** Hay Exploration has not performed an analysis of all Non-Farm Tap customers, but it is the belief of Hay Exploration that such customers fall within the parameters of KRS 278.485. It is possible that customers falling within those parameters have allowed others to tap their line who may not fall within those parameters. If it is the position of the Commission that Hay Exploration cannot charge a tariff for any customers, whether Non-Farm Tap or Farm Tap, that do not fall within the parameters of KRS 278.485, Hay Exploration requests clarification from the Commission in that regard. It is not Hay Exploration's intent to operate as a utility, but rather as a gas pipeline company pursuant to KRS 278.485.

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

36. Refer to Hay Exploration's response to Staff's First Request, Exhibit 2, in regard to the customer type calculations.

a. Explain in detail how the \$6.81 price/Mcf rate was determined and why it was used in the Cost and Revenue Calculation sheet.

**RESPONSE:** As explained in Request 8, \$6.81 was an error and should have been \$6.95

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

b. Explain in detail how the \$8.35 price/Mcf rate was determined.

**RESPONSE:** The \$8.35/mcf was the original tariff rate request.

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

37. Refer to Hay Exploration’s response to Staff’s First Request, Exhibit 3, page 1. Explain the need for requesting the spouse’s name on the application for gas service.

**RESPONSE:** Having the spouse’s name allows Hay Exploration to know who may or may not have authority over the dwelling since the spouse most likely has at least a dower interest in the dwelling.

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

38. Refer to Hay Exploration’s response to Staff’s First Request, Exhibit 3, page 2, in regards to the first line located at the top of the document. Provide the Terms and Conditions of Service which are stated as being attached to the application.

**RESPONSE:** See attached, Farm Tap APP with Terms and Conditions

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

39. Refer to the proposed tariff, Section II. Terms of Service, subsection w. Health And Safety Services Rendered By Company, subdivision 4.

a. Explain what types of meter and meter reading investigations this subsection is referring to and explain why Hay Exploration will not charge customers for such investigations.

**RESPONSE:** A meter investigation would mean a first look at the meter to see if any further testing needs to be done. A meter reading investigation is clerical review to ensure a meter reading was properly inputted and accounted for.

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

b. Also, refer to the proposed tariff, Section I. Rates and Charges, subsection c. Other Charges. Explain how a situation for the Special Meter Reading Charge of \$39.50 for reread differs from the meter and meter reading investigation situation that Hay Exploration provides to its customers free of charge.

**RESPONSE:** This differs from the Special Meter Reading charge because the meter and meter reading investigation are done as common maintenance practices in order to properly provide a check and balance for human error. A special Meter Reading is a reading request above and beyond normal accounting best practice maintenance.

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

40. Explain whether Hay Exploration operates any “regulated onshore gathering lines” as defined in 49 CFR § 192.8(c).

**RESPONSE:** It does not.



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

- a. Identify the location of each regulated onshore gathering line.

**RESPONSE:** N/A

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

- b. Identify the Type of each regulated onshore gathering line under 49 CFR § 192.8(c).

**RESPONSE:** N/A

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

- c. Identify the features and Class location of each regulated onshore gathering line that qualify the line as regulated.

**RESPONSE:** N/A

**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 August 9, 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', positioned above a horizontal line.

*Counsel for Hay Exploration, Inc.*

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