

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF AUXIER ROAD GAS CO.,
INC. FOR AN ADJUSTMENT IN RATES AND
CERTAIN NONRECURRING CHARGES
ORDER

) CASE NO.
) 2008-00156
)

RESPONSE TO STAFF REPORT OF JANUARY 8, 2009

Auxier Road Gas Co., Inc. believes that several of the adjustments in the Staff Report are erroneous.

1. On page 3, paragraph e, the Report reduces operating expenses by \$5,720.00 paid to Kim Crisp for office cleaning. As the Report correctly states, she is Vice President/Director/Accountant. Her job duties include billing/accounts receivable clerk and bookkeeper/accountant. Those duties do not include weekly janitorial services for cleaning the office.

Office cleaning is a necessary business expense which should be reimbursed. It cannot be performed during business hours due to the disruption of the office and the distraction to other employees. The attached bid for that service proves that the payment to Kim is reasonable and necessary.

The \$5,720.00 should be included as an allowable expense based on the need for routine janitorial services, the distinct type of service performed

by Kim compared to her job title and duties and the reasonableness of the amount of the payment.

2. On page 4, paragraph h, the Report reduces expenses for pension contributions and health insurance coverage for its management employees, stating that **currently** only those employees are covered. That is incorrect. Currently, all employees are covered by the Company's health insurance policy. Furthermore, pension contributions were also made for field person Timothy R. Daso, Jr. Mr. Daso terminated his employment with Auxier Road Gas and withdrew his pension. New hire employees have not vested enough time to be eligible for pension benefits. Because the reason for the disallowance is incorrect, this expense should be allowed for ratemaking purposes.

Additionally, health insurance historically has been offered to Auxier employees. At times in recent years, some employees have not been covered because they had other coverage.

Finally, insurance and pension benefits for management are typical components of executive compensation. Nothing in the Report suggests that the coverage is excessive or inappropriate. In order to maintain experienced, conscientious owners and managers, certain benefits such as pensions and insurance are a necessary element of the compensation package.

3. On page 5, paragraph i, miscellaneous general expense for directors fees of \$750 was disallowed due to the death of Mr. Branham on October 29, 2007. Mr. Branham was paid \$75 per month for his duties as a director of Auxier Road Gas Co., Inc. Since his death, Mrs. Susan A. Crum has filled the vacant director position. We feel this expense to reasonable and necessary.

4. On page 5, paragraph j, office rent of \$16,200 is eliminated based on an appraisal report that refers to ownership of the building by Auxier Road Gas Company. That report incorrectly states ownership, which is in the name of Sallye Branham. The deed to the property is attached. Because the Report erroneously attributed ownership to the Company, this expense should be included as an allowed expense, as well as the proposed pro forma increase of \$1,800 for a total annual rent expense of \$18,000.

For these reasons, these operating expenses should be included in the calculation of the rate.

Submitted by:


Sallye Branham, President

**TRIPLE CLEAN
CLEANING SERVICES**

874-5889

**INSURED & BONDED
BID FOR CLEANING**

**Prepared FOR AUXIER ROAD
GAS COMPANY**

Offices cleaned once a week - \$100

REFERENCES:

JIMMY MUSIC 298-2200

CHERYL HUGHES - 886- 9181

JOHN FRANCIS - 886-3861

Handwritten scribble

DEED

THIS DEED OF CONVEYANCE, made and entered into this the 31st day of October, 1988, by and between THE BANK JOSEPHINE, Prestonsburg, Kentucky, a Kentucky corporation with it's principal office located in Prestonsburg, Kentucky, party of the first part, and ESTILL BRANHAM and SALLYE BRANHAM, his wife, Prestonsburg, Kentucky, parties of the second part.

WITNESSETH:

In consideration of the sum of \$35,000.00, cash in hand paid, the receipt of which is hereby acknowledged, the party of the first part has sold and does by these presents bargain, sell, transfer and convey unto the parties of the second part, for and during their joint lives with remainder to the survivor thereof, his or her heirs and assigns forever, the following described property, to-wit:

Being the same property conveyed to the party of the first part, by Master Commissioner Deed dated March 28, 1988, of record in Deed Book 317, Page 529, in the office of the Floyd County Court Clerk, and being a certain tract or parcel of land lying and being on the waters of the Levisa Fork of the Big Sandy River, in Floyd County, Kentucky, which is more particularly described as follows;

BEGINNING on North corner of Lot Number Three, said corner being on West right-of-way marker of U.S. Route Number 23, said marker being Station Number 21, file number 210002 of Reed Engineering Company Surveys; thence with

right-of-way S 82 degrees 47' W 20.20 feet to right-of-way marker; thence leaving right-of-way N 52 degrees 56' W 93.62 feet to edge of bank; thence with bank in a westerly direction approximately 280 feet; thence leaving bank S 77 degrees 16' W approximately 210 feet to center of Levisa Fork; thence up the River, as it meanders in a southerly direction approximately 260 feet; thence leaving River, and with Lot No. Two N 77 degrees 16' E 456 feet to West right-of-way U.S. Route Number 23; thence with right-of-way in a northerly direction approximately 190 feet to the beginning, and containing 2.93 acres, more or less.

TO HAVE AND TO HOLD the foregoing described property together with all and singular the appurtenances thereunto belonging unto the parties of the second part, for and during their joint lives with remainder to the survivor thereof, his or her heirs and assigns forever, and with covenant of SPECIAL WARRANTY.

IN TESTIMONY WHEREOF, Witness the hand of the party of the first part by it's O. Sam Blankenship President, the date first above written.

O. Sam Blankenship
THE BANK JOSEPHINE
PRESTONSBURG KY
BY IT'S President

ATTEST:

Wanda H. Caldwell
SECRETARY

COMMONWEALTH OF KENTUCKY

COUNTY OF FLOYD. . .SS

I, Donna R. Roope, a Notary Public, in and for the county and commonwealth aforesaid, do hereby certify that the foregoing deed from THE BANK JOSEPHINE to ESTILL BRANHAM and SALLYE BRANHAM, was produced before me in the said county and commonwealth and signed and acknowledged by O. Sam Blankenship, President, and Wanda H. Caldwell, Secretary, of THE BANK JOSEPHINE, Prestonsburg, Kentucky, to be their free and voluntary act and deed duly authorized by the said corporation, to sign the foregoing deed and that the same is their free act and deed personally and as said President and Secretary, the free act and deed of said corporation.

This the 31 day of October, 1988.

My commission expires: Nov. 4, 1990.

Donna R. Roope
NOTARY PUBLIC

THIS INSTRUMENT WAS PREPARED BY:

STEVENS & HUNT
LAW OFFICES
P.O. BOX 850
24 SOUTH ARNOLD AVENUE
PRESTONSBURG, KY 41653
(606) 886-1000

BY: Ralph H. Stevens
RALPH H. STEVENS
ATTORNEY AT LAW

COMMONWEALTH OF KENTUCKY

COUNTY OF FLOYD

I, Carla R. Bolton, Clerk of the County Court in and for the County and Commonwealth aforesaid, certify that the foregoing Deed was on the 2nd day of November, 1988, at 1:15 o'clock P.m. Lodged for record whereupon the same with the foregoing and this certificate has been duly recorded in my office.

Witness my hand this the 3rd day of November, 1988.

Carla R. Bolton
FLOYD COUNTY COURT CLERK

BY: Dono D.C.
Bartman

WITH \$ 35.00 TAX PAID ON SAME