

2009-00207

BEAR FORK GAS COMPANY

Application for Farm Tap

Rate Increase

July 13, 2009

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COMMISSION

BEAR FORK GAS COMPANY, LLC

**P.O. Box 2227
Pikeville, Kentucky 41501
(606) 432-1549**

July 13, 2009

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

Dear Mr. Derouen:

We are providing the following in regards to the request for additional information in the application of Bear Fork Gas Company for a farm-tap rate increase, case #2009-00207:

1. Provide the number of gas wells involved in service the 83 farm tap customers.

There are 40 wells which provide this gas.

2. What is the current 12-month NYMEX strip rate?

As of May 31, 2009, the current 12 month rate was \$6.93 as can be seen from the attached exhibit #1 and #2. The source of the Appalachian Differential of \$.30 is the difference between the NYMEX and the TCO index as seen in exhibit #3. This information was provided by Heidi Nolan who has worked in gas marketing for the past 15 years, most recently for Constellation New Energy Corporation, and is now an independent consultant to various gas companies. In doing the research for these questions, we discovered that the \$.30 was an approximation of the differential for the three years in question. Therefore, we have revised our rate increase request for the adjustment of this Appalachian Differential to the actual average of \$.27 for 2007, \$.36 for 2008, and \$.26 for the current period per the exhibit #3 and the email from Ms. Nolan, exhibit #4.

3. Provide a list of any other indices that Bear Fork considered for pricing the gas.

No other indices were considered for pricing the gas as our gas price is based on the NYMEX and the Appalachian Differential.

Kentucky Public Service Commission
Bear Fork Gas Company, LLC

4. Provide the total volumes sold by Bear Fork to non-farm tap customers along with the revenue per MCF derived from these sales.

The total volumes sold for the year 2007 to non-farm tap customers were 145,911. The total revenue was \$914,411 for an average MCF price of \$6.27 after Chesapeake Appalachian's gathering charges, Mark West Hydrocarbon charges, and severance tax deductions. For 2008, the total volumes sold to non-farm tap customers were 224,646. Total revenue was \$1,517,438 for an average MCF price of \$6.75 after Chesapeake Appalachian's gathering charges, Mark West Hydrocarbon charges, and severance tax deduction.

5. The Btu conversion rate used in Bear Fork's application is 1.2340 as provided by a Chesapeake billing statement. Provide the basis for this conversion rate.

Chesapeake Appalachian transports the gas and charges for this transportation based on a per decatherm rate. Chesapeake Appalachian did an analysis on the gas to determine the heat content which is the conversion rate from MCF to decatherms. Since its charges are based on this heat content conversion, we feel we are safe in using this conversion figure. If further analysis is required, we would have to send off a sample of our gas to be tested.

6. Explain the relationship between Chesapeake and Bear Fork.

Chesapeake Appalachian transports Bear Fork Gas for its purchaser of the non-farm tap gas.

7. a. Explain the basis for the calculation of the base pay for Administrative Personnel.

Bear Fork hired a business manager in 2008. She is paid \$23.08 per hour for 20 hours a week.

- b. Provide a detailed explanation for the significant increase in the base pay amount from 2007 to 2008.

Bear Fork hired a business manager in 2008 at an hourly rate of \$23.08. Prior to that, they were paying a part-time person \$11.56 per hour for approximately 3.5 hrs per week.

Kentucky Public Service Commission
Bear Fork Gas Company, LLC

8. a. Provide a detailed explanation for the difference in the amount of \$1000 for pipeline repairs in the revised filing as opposed to \$225 in the original filing.

Originally, the company only wanted to estimate the cost as being \$225 because it was not interested in charging a large sum for their gas. Upon revising the application, actual cost incurred during the 2007 and 2008 was used.

- b. Provide a detailed explanation for the difference in the amount of \$350 for paint, supplies, etc. in the revised filing as opposed to \$111 in the original filing.

In the original filing, several costs were overlooked. In going back to add 2007 information, the 2008 expenses were reexamined and the additional expenses were added.

9. Provide a detailed explanation for the difference in the amount of \$1,075 for office supplies in the revised filing as opposed to \$50 in the original filing.

Originally, the company only wanted to estimate the cost as being \$50 because it was not interested in charging a large sum for their gas. Upon revising the application, actual cost incurred during the 2007 and 2008 was used.

10. Bear Fork is still assessing the charges as filed with the Commission in 2001. They have no plans to change these charges.

I swear that these responses are true and accurate to the best of my knowledge, information, and belief.

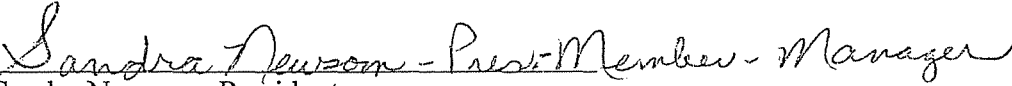
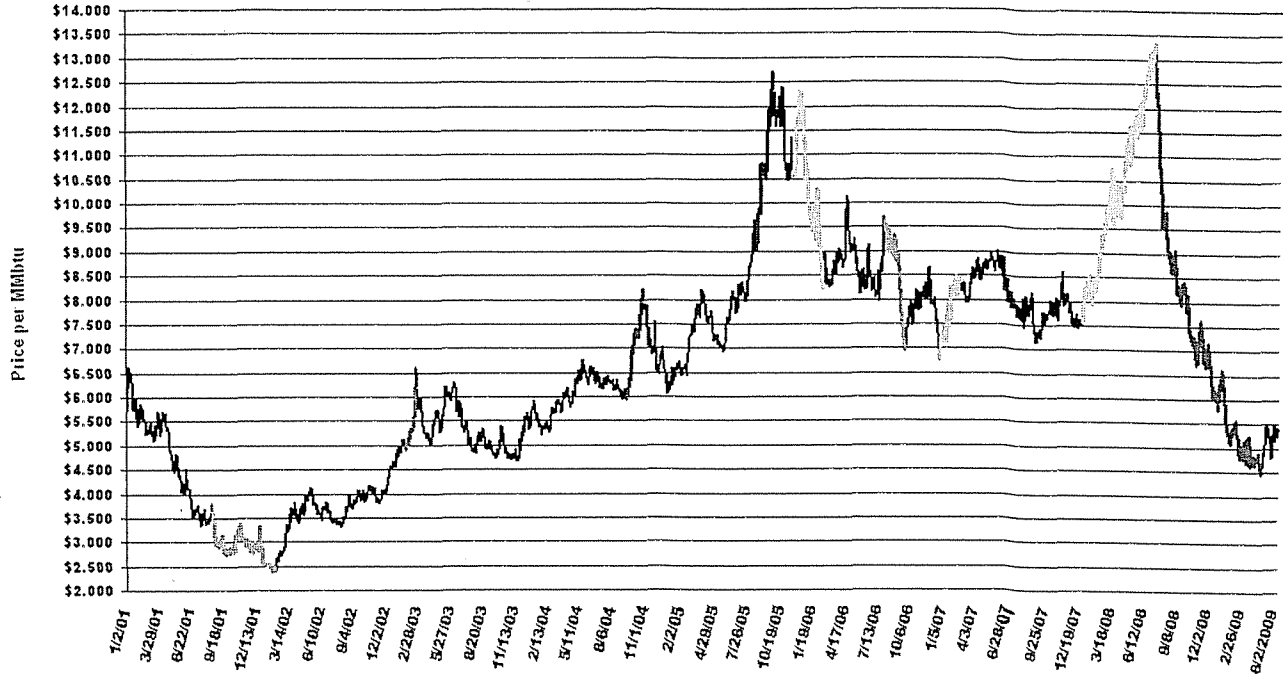

Sandra Newsom, President
Bear Fork Gas Company, LLC

EXHIBIT I

	Average of Last 3 Days NYMEX	Last Day Close NYMEX	Inside FERC First of Month TCO	
2007 Average	\$6.9194	\$6.8603	\$7.12	
January, 08	\$7.0810	\$7.1720	\$7.42	
February, 08	\$8.0247	\$7.9960	\$8.29	
March, 08	\$9.1073	\$8.9300	\$9.38	
April	\$9.5230	\$9.5780	\$10.07	
May	\$11.0110	\$11.2800	\$11.80	11.8
June	\$11.8580	\$11.9160	\$12.36	12.36
July	\$12.9563	\$13.1050	\$13.54	13.54
August	\$9.1547	\$9.2170	\$9.63	9.63
September	\$8.1657	\$8.3940	\$8.59	8.59
October	\$7.6250	\$7.4720	\$7.68	7.68
November	\$6.2587	\$6.4690	\$6.74	6.74
December	\$6.5613	\$6.8880	\$7.13	7.13
				0
2008 Average	\$8.9439	\$9.0348	\$9.39	
				0
January, 09	\$5.9573	\$6.1360	\$6.44	6.44
February, 09	\$4.4897	\$4.4760	\$4.85	4.85
March, 09	\$4.1300	\$4.0560	\$4.32	4.32
April, 09	\$3.9690	\$3.6310	\$3.87	3.87
May, 09	\$3.2900	\$3.3210	\$3.58	\$6.93

NYMEX Natural Gas 12 month Strip (Average) Price



- | | |
|---|--|
| — 12 Month Strip Average | — Late 2001 - Enron debacle and 9/11 lead to record lows |
| — Feb 2003 - Extreme cold and large storage deficit | — Fall 2004 - Hurricane Ivan |
| — August 2005 - Hurricane Katrina | — September 2005 - Hurricane Rita |
| — Winter 05-06 - Cold start then very warm January | — Fall 2006 - No hurricanes send prices lower |
| — Winter 06-07 - Frigid February follows mild start to winter | — First Half 2008 - Credit crunch, crude nears \$150 |
| — Second Half 2008 - Economic meltdown | |

	Average of Last 3 Days NYMEX	Last Day Close NYMEX	Inside Ferc First of Month TCO	Inside Ferc First of Month DTI	First of Month TCO vs. Last Day	First of Month DTI vs. Last Day	First of Month TCO vs. Last 3 Days	First of Month DTI vs. Last 3 Days
January, 06	\$11.5787	\$11.4310	\$11.77	\$11.93	\$0.339	\$0.499	\$0.191	\$0.351
February	\$8.3630	\$8.4000	\$8.71	\$8.70	\$0.310	\$0.300	\$0.347	\$0.337
March	\$7.2843	\$7.1120	\$7.44	\$7.53	\$0.328	\$0.418	\$0.156	\$0.246
April	\$7.1713	\$7.2330	\$7.61	\$7.50	\$0.377	\$0.377	\$0.439	\$0.439
May	\$7.3367	\$7.1980	\$7.51	\$7.61	\$0.312	\$0.302	\$0.173	\$0.163
June	\$5.9547	\$5.9250	\$6.15	\$6.25	\$0.225	\$0.325	\$0.195	\$0.295
July	\$5.9877	\$5.8870	\$6.05	\$6.20	\$0.163	\$0.313	\$0.062	\$0.212
August	\$6.7793	\$7.0420	\$7.23	\$7.40	\$0.188	\$0.358	\$0.451	\$0.621
September	\$6.8150	\$6.8160	\$7.05	\$7.03	\$0.234	\$0.214	\$0.235	\$0.215
October	\$4.4006	\$4.2010	\$4.33	\$4.23	\$0.129	\$0.029	(\$0.071)	(\$0.171)
November	\$7.4476	\$7.1530	\$7.38	\$7.48	\$0.227	\$0.327	(\$0.068)	\$0.032
December	\$8.0113	\$8.3180	\$8.53	\$8.70	\$0.212	\$0.382	\$0.519	\$0.689
2006 Average	\$7.2608	\$7.2263	\$7.48	\$7.55	\$0.25	\$0.32	\$0.22	\$0.29
January, 2007	\$6.1953	\$5.8380	\$6.01	\$6.11	\$0.172	\$0.272	(\$0.185)	(\$0.085)
February	\$6.9990	\$6.9170	\$7.06	\$7.26	\$0.143	\$0.343	\$0.061	\$0.261
March	\$7.6763	\$7.5470	\$7.75	\$7.94	\$0.203	\$0.393	\$0.074	\$0.264
April	\$7.4383	\$7.5580	\$7.92	\$7.96	\$0.362	\$0.402	\$0.482	\$0.522
May	\$7.5983	\$7.5080	\$7.82	\$8.01	\$0.312	\$0.502	\$0.222	\$0.412
June	\$7.6373	\$7.5910	\$8.03	\$8.16	\$0.439	\$0.569	\$0.393	\$0.523
July	\$6.9153	\$6.9290	\$7.37	\$7.31	\$0.441	\$0.381	\$0.455	\$0.395
August	\$5.9927	\$6.1100	\$6.34	\$6.43	\$0.230	\$0.320	\$0.347	\$0.437
September	\$5.4677	\$5.4300	\$5.57	\$5.61	\$0.140	\$0.180	\$0.102	\$0.142
October	\$6.3843	\$6.4230	\$6.61	\$6.57	\$0.187	\$0.147	\$0.226	\$0.186
November	\$7.2340	\$7.2690	\$7.55	\$7.59	\$0.281	\$0.321	\$0.316	\$0.356
December	\$7.4940	\$7.2030	\$7.46	\$7.69	\$0.257	\$0.487	(\$0.034)	\$0.196
2007 Average	\$6.9194	\$6.8603	\$7.12	\$7.22	\$0.26	\$0.36	\$0.20	\$0.30
January, 2008	\$7.0810	\$7.1720	\$7.42	\$7.73	\$0.248	\$0.558	\$0.339	\$0.649
February	\$8.0247	\$7.9960	\$8.29	\$8.53	\$0.294	\$0.534	\$0.265	\$0.505
March	\$9.1073	\$8.9300	\$9.38	\$9.45	\$0.450	\$0.520	\$0.273	\$0.343
April	\$9.5230	\$9.5780	\$10.07	\$10.14	\$0.492	\$0.562	\$0.547	\$0.617
May	\$11.0110	\$11.2800	\$11.80	\$11.84	\$0.520	\$0.560	\$0.789	\$0.829
June	\$11.8580	\$11.9160	\$12.36	\$12.51	\$0.444	\$0.594	\$0.502	\$0.652
July	\$12.9563	\$13.1050	\$13.54	\$13.73	\$0.435	\$0.625	\$0.584	\$0.774
August	\$9.1547	\$9.2170	\$9.63	\$9.87	\$0.413	\$0.653	\$0.475	\$0.715
September	\$8.1657	\$8.3940	\$8.59	\$8.67	\$0.196	\$0.276	\$0.424	\$0.504
October	\$7.6250	\$7.4720	\$7.68	\$7.60	\$0.208	\$0.128	\$0.055	\$0.025
November	\$6.2587	\$6.4690	\$6.74	\$6.83	\$0.271	\$0.361	\$0.481	\$0.571
December	\$6.5613	\$6.8880	\$7.13	\$7.45	\$0.242	\$0.562	\$0.569	\$0.889
2008 Average To Date	\$8.9439	\$9.0348	\$9.39	\$9.53	\$0.36	\$0.49	\$0.43	\$0.56
January, 2009	\$5.9573	\$6.1360	\$6.44	\$6.61	\$0.304	\$0.474	\$0.483	\$0.653
February	\$4.4897	\$4.4760	\$4.85	\$5.03	\$0.374	\$0.554	\$0.360	\$0.540
March	\$4.1300	\$4.0560	\$4.32	\$4.44	\$0.264	\$0.384	\$0.190	\$0.310
April	\$3.9690	\$3.6310	\$3.87	\$3.94	\$0.239	\$0.309	\$0.099	\$0.029
May	\$3.2900	\$3.3210	\$3.58	\$3.65	\$0.259	\$0.329	\$0.290	\$0.360
June	\$3.5300	\$3.5380	\$3.66	\$3.78	\$0.122	\$0.242	\$0.130	\$0.250

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Re: Help!**From: Heidi A Nolan** (heidinolan08@insight.rr.com)

Sent: Fri 7/10/09 9:10 PM

To: Lynette Schindler (lrscpa@hotmail.com)

Attachments:

NYMEXINDEX(1).xls (19.9 KB)



The Appalachian differential is simply the basis. As to using it for three years (2007, 2008, and 2009), here are the averages that I show. In 2007, on average it was around \$.27. In 2008, it averaged \$.36, and in 2009, it is around \$.26 now for the seven months but will probably decrease because supply is outpacing demand and storage is 77% full.

As to any other indices, the only one I could think of since it is in Kentucky is TCO Index. I have heard that the KY producers are changing the farm tap gas rates anywhere from \$5.00 to 6.00 in the past year.

I've attached a graph that shows several years of Nymex close, the TCO Index and the difference between the two which is essentially the basis (differential). Please feel free to call me with any questions. My number is 614-348-3253.

Thanks,
Heidi