



December 19, 2012

RECEIVED

DEC 20 2012

PUBLIC SERVICE
COMMISSION

Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Case No. 2012-00431
Public Gas Company
2nd Date Request Issued December 7, 2012

Dear Mr. Derouen,

On behalf of Public Gas Company, please find an original and six copies of the responses to the Public Service Commission First Request for information.

Respectfully,

A handwritten signature in cursive script that reads 'Paul G. Garcia'.

Paul G. García
Norbourne Associates, LLC
Louisville, Kentucky
502.345.3706
Paul.Garcia@Norbourne.com

Louisville, Kentucky
502.345.3706
paul.garcia@norbourne.com

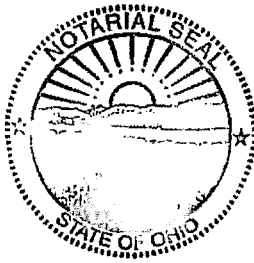
VERIFICATION

I have read the foregoing Responses and they are true and correct to the best of my knowledge and belief.

Larry Brainard
LARRY BRAINARD

Subscribed and sworn to before me by Larry Brainard on this the 16 day of December, 2012.

My commission expires: 7/18/15



MEGAN RICHARDS
Notary Public
In and for the State of Ohio
My Commission Expires
July 18, 2015

Megan Richards
NOTARY PUBLIC

VERIFICATION

I have read the foregoing Responses and they are true and correct to the best of my knowledge and belief.

Furthermore, I certify that a true copy of the foregoing document has been served on all parties of record by US Mail or email on this 19 of December 2012.

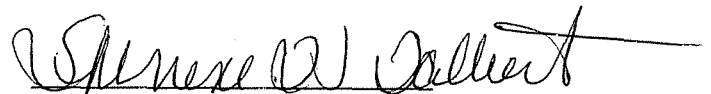


PAUL G. GARCIA

Subscribed and sworn to before me by Paul G. Garcia on this the 19th day of December, 2012.

SHERRENE H. TALBERT
Notary Public, State at Large, KY
My commission expires June 23, 2015

My commission expires: _____



NOTARY PUBLIC

PUBLIC GAS COMPANY

CASE NO. 2012-00431

**Response to 2nd Data Request of Commission Staff
Dated December 7, 2012**

Question No. 1

Responding Witness: Larry Brainard

- Q-1. 1.** Refer to the response to Item 1 of the Commission Staffs First Request for Information ("Staffs First Request") and the attached Exhibit Brainard 1.
- a. Provide (1) a breakdown of the proposed cost of Public's insurance among the six different types of insurance identified in part c. of the response; (2) the entities from whom Energy West purchases the insurance for the entire corporation; and (3) whether any of the entities are affiliated with any companies that are part of Gas Natural, Inc. ("Gas Natural").
 - b. Provide a detailed description of process employed by Energy West and/or Gas Natural to select insurance providers.
 - c. The original request asked whether the "group" insurance applies to employees only or also to spouses and dependents; however, the response did not address that part of the request. Provide the information originally requested.
 - d. Six employees are listed in Exhibit Brainard 1
 - (1) Explain why the number of employees has been increased since Gas Natural's acquisition of Public.
 - (2) Provide the job title and duties of each employee.
 - (3) For the three employees identified as new hires, identify and describe the duties they perform that were not being performed prior to their hiring.
 - (4) The two newest employees were hired on May 29, 2012. Provide their wage rates or salaries as of that date.
 - (5) The pay rate of one of the three employees identified as

A-1.

- a.
The original response to the Commissions First data request was incorrect. The entire amount of \$14,160 is for Group Health Insurance. This insurance is purchased from Anthem Health Insurance. Anthem Health Insurance is not affiliated with any companies that are part of Gas Natural, Inc.

The entities listed in the original response were inadvertently left out of the

Company's revenue requirement. As such, they are not included in this filing. They total to an annual figure of \$8,880.

b.

Energy West, using a competitive bidding process, selects the group Insurance provider.

c.

Spouses and dependents are covered.

d.

(1) The employee listing previously sent showed every employee who worked at Public Gas Company at one time or another (6 employees) and was not a listing of current employees. See Brainard Exhibit 1 that details the current employees versus the ones who worked for the predecessor company that chose not to come over to Public Gas when it was sold.

(2) Job titles have been added to the attached Brainard Exhibit 1.

(3) The three new hires are all performing duties that were previously performed by employees of the predecessor company. It is our understanding that the Predecessor company employed many Field Technicians (approx. 11) that worked on both the Jefferson Gas and Public Gas lines. Ray Jenkins was specifically assigned to the Public Gas Lines, but chose not to join us at the new company. We replaced him with Kenneth Roberts. The other Field Technician, Franklin Fugate, was hired to replace the pool of 11 or so Jefferson Gas Technicians who occasionally worked on Public Gas Company lines on a "As Needed Basis". We are having a hard time keeping up with the line maintenance with the current level of field employees (3), and we are still evaluating staffing to ensure that we have the necessary complement to ensure proper maintenance of facilities".

(4) The two newest employees were hired on May 29, 2012 at \$11.00/hours which is also their current rate.

(5) The pay rate of Tina Hart was raised from \$11.50 to \$14.00 because she went from a part-time employee to a full-time employee. There was no status change in any of the other employees.

**Public Gas Company
Employee Information
Nov. 14, 2012**

Name	Hire Date	Title	Incumbant Or New Hire	Staus	Pay Rate at 12-31-11	Current Pay Rate
CURRENT EMPLOYEES:						
1 Tina Hart	01/21/10	Customer Service Rep.	Incumbant	Full Time - Hourly	\$11.50	\$14.00
2 Tony Russo	12/05/11	General Manager	New Hire	Full Time - Salary	\$25.00	\$25.00
3 Kenneth Roberts	05/09/12	Field Technician	New Hire	Full Time - Hourly	N/A	\$11.00
4 Franklin Fugate	05/09/12	Field Technician	New Hire	Full Time - Hourly	N/A	\$11.00
EMPLOYEES OF PREDECESSOR COMPANY WHO CHOSE NOT TO STAY WITH PUBLIC GAS COMPANY:						
1 Ray Jenkins	01/01/08	Field Technician	Incumbant	Full Time - Hourly	\$11.50	\$11.50
2 Stacia Kruse	02/02/04	Customer Service Rep.	Incumbant	Full Time - Hourly	\$16.75	\$16.75

PUBLIC GAS COMPANY

CASE NO. 2012-00431

**Response to 2nd Data Request of Commission Staff
Dated December 7, 2012**

Question No. 2

Responding Witness: Paul G. Garcia

Q-5. Refer to the response to Item 2 of Staffs First Request. Provide the costs incurred to date by Public for the (1) outside rate consultant; (2) outside legal counsel; and (3) publication of legal notices. To the extent that additional costs may be incurred in some of these categories, provide an estimate of those additional costs, assuming that (1) there will no hearing in this case; and (2) a one-day hearing will be held.

- A-5.** Costs to date, not including responding to the 1st data request are:
- Outside Rate Consultant: \$5,778 (\$5,600 fees, \$178 out of pocket expenses related to 1st data request)
 - Outside legal counsel: \$225.00
 - Publication of legal notice: \$1,426.00
 - Total: \$7,429

Total costs including estimated expense related to this 2nd data request:

- Outside Rate Consultant: \$6,550 (\$6,200 fees, \$350 out of pocket expenses related to both data requests)
- Publication of legal notice: \$1,426.00
- Outside legal counsel: \$750.00
- Total \$8,726.00 (this includes the \$7,429 above)

The total estimated rate case expense would be \$9,976 assuming no hearing. This includes \$500 in outside Rate consultant expense and \$750 in outside legal expense. ($\$9,976 = \$8,726 + \$1,250$)

The total estimated rate case expense would be \$11,676 assuming a one day hearing. This includes \$1,100 in outside Rate consultant expense, \$1,200 in outside legal expense and \$650 in travel/ out of pocket expense. ($\$11,676 = \$8,726 + \$2,950$)

8PUBLIC GAS COMPANY

CASE NO. 2012-00431

**Response to 2nd Data Request of Commission Staff
Dated December 7, 2012**

Question No. 3

Responding Witness: Larry Brainard and Paul G. Garcia

- Q-3.** Refer to the response to Item 3 of Staffs First Request and Exhibits Brainard 2 and 3. The response indicates that the allocation percentage of corporate overheads to Public will be 1.76842 rather than 3.0 percent as shown in the application.
- a. Confirm that, in response to part c. of the original request, the 12 months ended August 31, 2012, as shown in Exhibit 2, is the period upon which the revised allocation percentage is based.
- b. Exhibit 3 includes Energy West Services' summary of expenses for three different periods: (1) budgeted for calendar year 201 1; (2) eight months actual and four months budgeted for 201 1; and (3) budgeted for calendar year 2012.
- 1) Explain why the 12 months actual for calendar year 2011 is not included in the exhibit and whether that is available. If it is available, provide it.
- 2) State whether a partly actual/partly budgeted summary of expenses is available for calendar year 201 2. If not, explain.
- c. For a number of items in the summary of expenses in Exhibit Brainard 3, the budgeted amounts in 2012 reflect substantial increases over the 2011 budgeted amounts. Provide an explanation for the increases in each of the following expense items:
- 1) Auditing;
 - 2) Employee benefits;
 - 3) Employee travel and entertainment;
 - 4) Rent for Ohio office;
 - 5) Director fees.
- d. Identify any of the corporate level expenses listed in Exhibit Brainard 3 that have increased above what they otherwise would have been if Public had not been acquired by Gas Natural.
- e. Provide a general discussion of why the customers of Public, a utility which has historically provided adequate service and appears to have been

adequately operated, should be required to pay for corporate-level expenses incurred by Gas Natural/Energy West solely because the ownership of Public has changed; and identify any of the corporate level expenses.

A-3.

- a. This is correct.
- b.
 1. The expenses for the year ended December 31, 2011 are what the test year for this case is based upon. These can be found in the Annual Report filed with the Commission. These expenses reflect the operations of the previous owner.
 2. Please see Exhibit Brainard 2.
- c.
 - (1) Auditing: Acquisitions and increases in the general complexity of our accounting led us to increase the 2011 budget.
 - (2) Employee Benefits: Increase due to projected increase in health insurance for Energy West Services employees
 - (3) Employee Travel and entertainment: most of the increase due to planned expenditures for travel to AGA financial conference and investor outreach program
 - (4) Rent for Ohio Offices: we moved our corporate offices to Mentor Ohio and this is the costs of renting office space for these offices.
 - (5) Directors Fees: Directors fees increased from \$2,000 per month to \$3,500 per month.
- d. It is speculative to estimate what the level of increase in expenses would be had Public not been acquired by Gas Natural. The previous ownership did not provide current ownership with a pro forma of corporate expenses in the test year. Moreover, the previous owner operated Public Gas at a loss.

As was stated in the original application, the Commission approved the transfer of Public Gas stock from Kentucky Energy to Gas Natural the owner and operator of Public Gas. In the approval of this transfer (case 2012-00029) Gas Natural demonstrated that it has a longstanding commitment to provide safe and reliable service to its retail customers at just and reasonable rates. Furthermore Gas Natural submits that it is in the interest of its customers to more actively manage day-to-day utility operations that the previous owner.

Under its previous ownership Public Gas operated at a loss for the calendar years 2011 (\$22,273) and 2010 (\$69,390.) While the previous owner may have historically provided adequate service and the utility may have been adequately operated, it was not providing ownership with a reasonable opportunity to earn a fair return on investment. Gas Natural desires to operate at a profit so that it may enhance the quality of service and reliability to its Kentucky customers

Furthermore, the same factor allocation formula used to develop shared corporate expenses in the first data requests Exhibit Brainard 2 have been reviewed and approved by the Montana, Wyoming, North Carolina and Maine Public Service Commissions.

e. Please see response to part d above.

**Energy West Services
Summary of Expenses
(For Corporate Overhead Allocation)**

	2013 Budget	2012 8 Mon Act. 4 Mon Bud.	2012 Budget	2011 Actual
Salaries	\$ 1,708,203	\$ 1,775,135	\$ 1,856,674	\$ 1,807,419
Less amount charged directly	(66,126)	(29,865)	(199,242)	(121,946)
	<u>\$ 1,642,077</u>	<u>\$ 1,745,270</u>	<u>\$ 1,657,432</u>	<u>\$ 1,685,473</u>
Professional Services				
Legal	\$ 312,000	\$ 401,777	\$ 328,800	\$ 370,265
Acctg, Non-Audit	42,600	42,742	43,728	33,376
Auditing	504,000	466,369	396,000	538,196
Income taxes	90,200	85,950	60,000	-
Sarbanes Oxley	200,000	62,313	75,344	78,355
Other	21,814	16,036	18,979	21,605
Annual report & proxy	-	1,059	2,122	1,161
Total Professional Services	<u>\$ 1,170,614</u>	<u>\$ 1,076,246</u>	<u>\$ 924,973</u>	<u>\$ 1,042,959</u>
Stock option expense	3,231	6,400	19,200	14,390
Employee benefits	377,619	367,101	326,567	364,456
Employee travel & entertainment expense	203,225	195,788	201,006	179,207
Office supplies and expenses	27,797	29,471	26,239	35,214
Bank fees and charges	70,398	69,175	67,842	66,939
Telephone, network & IT Support	64,050	62,761	48,412	49,223
Business fees & dues	9,681	15,299	33,647	37,595
Publications & reference materials	8,115	10,868	11,558	21,100
EWM accounting charged to corporate	187,620	162,627	126,552	171,935
EWM Building & supplies allocation	51,228	55,456	51,228	51,224
Rent for Ohio office	102,180	101,790	102,180	44,026
Training	29,281	18,374	30,630	29,060
Insurance-D&O and Employee Practices	213,204	206,201	207,222	187,528
SEC/NASD fees & costs	29,088	27,873	28,620	27,500
Shareholder relations	218,983	236,948	273,119	267,663
Director Fees	294,000	294,000	294,000	210,000
Director Expenses	9,840	12,440	19,020	15,318
Building Maintenance	3,300	2,194	-	-
Miscellaneous & other	5,048	6,526	5,632	11,048
Total All Other	<u>\$ 1,907,888</u>	<u>\$ 1,881,290</u>	<u>\$ 1,872,674</u>	<u>\$ 1,783,425</u>
Grand Total	<u>\$ 4,720,579</u>	<u>\$ 4,702,805</u>	<u>\$ 4,455,079</u>	<u>\$ 4,511,857</u>
Check Total	<u>\$ 4,720,579</u>	<u>\$ 4,702,805</u>	<u>\$ 4,455,079</u>	<u>\$ 4,511,857</u>
	-	-	-	-