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David L. Armstrong
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James W. Gardner
Vice Chairman

June 20, 2013

PARTIES OF RECORD

Re: Case No. 2013-00076

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Staff Attorney Virginia Gregg at 502-782-2584.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

VG/kar
Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Virginia Gregg, Staff Attorney

DATE: June 14, 2013

RE: Case No. 2013-00076
AN INVESTIGATION INTO THE JURISDICTIONAL STATUS OF THE
IRVINGTON GAS COMPANY'S UNDERGROUND PROPANE
OPERATIONS

On May 7, 2013, Commission Staff held an informal conference to obtain clarification regarding several issues in the above matter. A list of attendees is attached to this memorandum. The informal conference began with Commission Staff stating that there appeared to be sufficient information in the record to support a recommendation that the Commission consider Irvington Gas to be jurisdictional for pipeline safety as well as rates and service.

Irvington Gas has approximately 7,000 tanks in seven or eight counties and has 17 full- and part-time employees. Customers receiving traditional propane service via individual above-ground tanks are not jurisdictional to the Commission in any way. Irvington stated that it serves 350-400 customers in seven subdivisions that have 10 or more customers served by underground tanks and buried pipelines and two subdivisions with less than 10 customers. The last underground system was installed 3 years ago. Irvington Gas reads the meters on these underground systems monthly. The initial costs are absorbed by Irvington Gas or the developers as subdivisions are built. According to Irvington Gas, developers have requested the underground systems, because such systems are preferable to having above-ground tanks in the homeowners' yards. There are no natural gas pipelines in the vicinity of these subdivisions. The closest natural gas system, Elizabethtown Natural Gas, is apparently unwilling to extend its system into these areas, according to Irvington Gas.

Installing an underground system is more economical for the company, Irvington Gas stated, compared to an investment in individual above-ground tanks which cost more than \$1,000 for a 500 gallon tank. Irvington Gas stated that it purchases propane from two or three wholesale suppliers and that there are nine retail suppliers that furnish propane to individual customers with above-ground tanks in the areas in which it provides service. Irvington Gas stated that since November/December 2012 it has been charging its customers with standard 500 gallon tanks \$1.89 per gallon, while charging customers with smaller tanks \$2.40 per gallon. Its minimum bill is \$9.50 per month. Irvington Gas charges its customers served from underground tanks the same or less than the rate it charges customers with 500 gallon tanks. The price it pays for

propane is currently \$1.15 per gallon, but that price fluctuates daily. Irvington Gas does not notify its customers before it changes rates.

Irvington Gas stated that customers can request to be removed from its underground system with a phone call, and be removed the same day. Customers have the ability to switch to another propane provider by having a provider's propane tank set on their property, as there are no subdivision covenants or contractual obligations with Irvington Gas preventing this. Irvington Gas estimated that less than one percent of customers served via an underground system are space heating customers, and to the extent that they are aware, only 10 to 15 percent use propane for water heating and an even smaller percentage use propane for cooking.

Irvington Gas is reluctant to file a tariff with the Commission that would include its current rate, because the nature of its business is so competitive, and this could give an unfair advantage to its competitors.

Irvington Gas agreed to furnish the Commission with a system map, as well as examples of bills, to customers served from above-ground tanks and from underground systems. The conference was then adjourned.

Attachment: Sign-In Sheet

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE)
JURISDICTIONAL STATUS OF THE) CASE NO.
IRVINGTON GAS COMPANY'S) 2013-00076
UNDERGROUND PROPANE OPERATIONS)

May 7, 2013

Please sign in:

NAME

REPRESENTING

Charlie Russ

Irvington Gas Co.

Kevin h. Kosoy

Farm Gas Co

Ken Kosoy

" " "

Tason Brangers

KY PSC

Jeff Shaw

KY PSC

Leah Paulmer

Ky PSC

Matthew Baer

KY PSC

Jason Greenwell

Ky PSC

Vergines Grezzy

Ky PSC