



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

September 15, 2014

PARTIES OF RECORD

Re: Case No. 2014-00257
Application of Natural Gas of Kentucky for Approval of Construction of an
Interstate Natural Gas Pipeline Issuance of a Certificate of Public Convenience
and Necessity and Approval of Financing

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 Virginia Gregg, Staff Attorney, at 502/782-2584.

Sincerely,

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

Jeff Derouen
Executive Director

VG/ch

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Virginia Gregg, Staff Attorney

DATE: September 12, 2014

RE: Case No. 2014-00257
Application of Natural Gas of Kentucky for Approval of Construction of an Intrastate Natural Gas Pipeline Issuance of a Certificate of Convenience and Necessity and Approval of Financing

On September 10, 2014, an informal conference ("IC") was conducted at the Commission Offices in Frankfort, Kentucky. Counsel for Natural Gas of Kentucky ("Natural Gas") attended the IC in person and its president attended via teleconference. A list of the attendees is attached hereto and incorporated herein as "Attachment A." There are no intervenors.

The purpose of the IC was to discuss several questions raised by Commission Staff regarding Natural Gas's application. Natural Gas representatives expressed their commitment to timely provide the Commission with any additional information requested and restated their request for expedited treatment of the case. According to its application and as restated at the IC, Natural Gas has contracted with Scotty's Contracting and Stone, LLC ("Scotty's") to begin providing natural gas transportation service to Scotty's asphalt plant in Hardin County, Kentucky, beginning March 1, 2015. Natural Gas stated that in order to meet this deadline, construction of the pipeline should begin as soon as possible due to anticipated weather constraints on construction during the fall and winter months.

Prior to the IC, Staff provided counsel for Natural Gas a list of topics that would be discussed at the IC. The topics addressed included questions regarding the terms of the special contracts between Natural Gas and Scotty's and between Natural Gas and Louisville Gas and Electric ("LG&E") for which LG&E has requested approval; bid tabulations for construction of the proposed pipeline; total estimated project cost; status of any needed local, state or federal permits; and the status of any needed rights-of-way or private easements. In anticipation of the IC, Natural Gas prepared and presented a written response to Staff's initial questions. A copy of Natural Gas's response is attached hereto and incorporated herein as "Attachment B" with projected costs redacted pursuant to Natural Gas's petition for confidentiality.

Several follow-up questions were then addressed. Natural Gas stated that the proposed route is less than 40,000 lineal feet and that it has secured private easements

for 95 percent of its proposed route and that it has alternative routes and easements available if needed. Natural Gas informed Staff that every property owner over whose land the proposed pipeline will cross was personally contacted, and that no property owner had refused to sign an easement. It agreed to notify the Commission when it has secured the remaining easements. Natural Gas stated that no environmental concerns have been found by the engineering firm that has designed the project and that the map filed as Exhibit 3 to its application is accurate and is also more detailed than the map it filed as Exhibit 2. Finally, there was discussion regarding the specific project costs, which were filed with the application along with a request for confidentiality.

Natural Gas confirmed that it is not requesting an evidentiary hearing in this matter and requested that the case be submitted on the record for a decision.

The conference was then adjourned.

Attachments

ATTACHMENT A

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NATURAL GAS OF KENTUCKY)
FOR APPROVAL OF CONSTRUCTION OF AN) CASE NO.
INTRASTATE NATURAL GAS PIPELINE ISSUANCE) 2014-00257
OF A CERTIFICATE OF CONVENIENCE AND)
NECESSITY AND APPROVAL OF FINANCING)

September 10, 2014

Please sign in:

NAME

REPRESENTING

<u>GARY GLOYER</u>	<u>PSC-ENGINEERING</u>
<u>Jack Huxler</u>	<u>NGK-attorney</u>
<u>Mark O'Brien</u>	<u>by Tele.</u>
<u>Leah Faulkner</u>	<u>PSC-FA</u>
<u>Ruth Rowles</u>	<u>PSC-GIS</u>
<u>Jason Hurt</u>	<u>PSC-Engineering</u>
<u>Virginia Gregory</u>	<u>PSC-legal</u>

ATTACHMENT B

Informal Conference Topics:

The proposed special contract between LG&E and NGK includes a Limited Waiver of Prohibition of Resale of Gas (Item 5 on page 2 of the special contract). Explain whether there are residential customers along the route to whom NGK will have to provide gas service in order to secure rights of way. If so, how many, and under what rate schedule or special contract will the customers be provided gas service?

Pursuant to Section 5 of the LGE/NGK special contract, LGE waives resale of gas from its connection for up to 15 customers whose property is affected by the NGK pipeline. The customers will be served by NGK's sister LDC, Bluegrass Gas Sales under the appropriate tariff rate.

Article VII Price of the special contract between NGK and Scotty's contains a reference to payments for natural gas from the natural gas supplier for gas purchased and transported for and Scotty's. Is NGK providing only transportation service to Scotty's with a pool manager making arrangements for natural gas supply to be delivered through LG&E's system, or is it also supplying a marketing service for the purchase and resale of natural gas?

NGK is only transporting for Scotty's. Scotty's has a third party marketer supplying gas.

Submit bid tabulations for the construction of the project listing all bidders. Identify the successful bidder and reason for selection.

This is a self-build project just as the prior 9 pipeline extensions by NGK. It has experienced employees who will provide the labor and equipment, except for specialized services or equipment that might be needed for unexpected trenching or boring requirements. There are no bids because NGK is a private company unrestricted by government bidding requirements and because it can perform the services at much lower costs and with greater incentives for efficiency than a third party contractor.

What is the total estimated project cost? Provide an itemized list including construction costs, engineering design and permitting fees, inspection costs, contingencies, right-of-way/easement acquisition and recording fees, legal fees, etc.

See confidential exhibit 4.

What is the status of any and all local/state/federal permits required for the construction of the project? Provide a list of the permits and the status of each permit.

The only permits that may be needed are state and county right of way encroachment permits. When the final approval of the project is received from the PSC, and all easements from private property owners acquired, the need for and location of road permits can be determined.

What is the status of the right-of-way/easement acquisition for the project?

Most easements have been committed. For the few that seem to be problematic, alternative routes and easements are being or have been located.