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February 13, 2012

Hon. Robert L. Brown III
Brown & Hill, PLLC
1005 S. Main St., Ste. 101
Corbin, KY 40701

PSC STAFF OPINION 2012-007

Re: PSC Jurisdiction Over Forexco
As a Farm Tap Company

Dear Mr. Brown:

You have asked the Commission for an opinion regarding its jurisdiction over your client Forexco, Inc. ("Forexco"), as a farm tap company in the Commonwealth of Kentucky. It is my understanding from your client's application of December 22, 2011 requesting that farm tap rates be set by the Commission,¹ as well as our conversations over the past few days, that Forexco is a gas producer which obtains gas from multiple producing wells in Bell County, Kentucky. Forexco then transports this gas through its gathering pipelines.

KRS 278.485 defines Forexco's obligations as a gas pipeline company which obtains gas from producing wells located within this state. Forexco is obligated to offer each surface owner of the property on or over which any producing well or gas gathering pipeline is located, the right of a tap or hookup for natural gas service. Gas service must also be available to any owner of real estate whose property and point of desired service is located within one-half (1/2) air-mile of the company's producing gas well or gas gathering pipeline in which the cost associated with the tap must be borne by the customer. The tap or hookup is referred to as a "farm tap" and Forexco would be considered a "farm tap company."

On April 28, 2011, J. Christopher Gibbs, acting as the managing member of Diversified Investments & Development, LLC ("Diversified"), tendered an affidavit to Forexco stating its interest in obtaining a tap onto a gathering line that Forexco intends

¹ Case No. 2012-00022, *Forexco, Inc. Application for Rates, Rules & Regulations for Furnishing Natural Gas Service pursuant to KRS 278.485.*

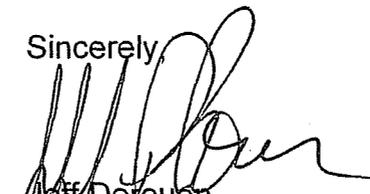
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to build along Hwy. 217 in Bell County. Diversified states that this gathering line will abut or cross Diversified's property. This application is consistent with KRS 278.485 and represents the first step toward Diversified obtaining a farm tap from Forexco.

A farm tap company is not a "public utility," but it does have the obligation to offer gas service to the public as identified above, and at rates determined by the Commission. In addition, the Commission must supervise the construction of the tap or hookup including the service line, the installation, type, and number of automatic gas regulators and gas meters required, and the connection that is made to the gas producing well or pipeline. All construction necessary for a tap or hookup must conform to such standards of safety, location, and convenience prescribed by the Commission.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Virginia Gregg, Staff Attorney, at (502) 564-3940, Extension 407.

Sincerely,



Jeff Derouen
Executive Director

VG/kar