COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR THE INSTALLATION AND MAINTENANCE OF CUSTOMER SERVICE LINES) CASE NO. 92-019

O R D E R

On December 20, 1991, Louisville Gas and Electric Company ("LG&E") filed with the Commission a tariff, designed to revise its currently authorized tariff allowing LG&E, at the customer's option, to install, own, and maintain the service line from the customer's property line to the meter.

On January 15, 1992, the Commission issued an Order suspending the proposed tariff for five months from January 19, 1992 up to and including June 18, 1992. The Kentucky Alliance for Fair Competition, et al., is the only intervenor in this matter. On May 15, 1992, a public hearing was held in the Commission's offices. At the conclusion, LG&E waived implementation of its proposed tariff until such time as an Order is issued by this Commission.

LG&E's current tariff, in compliance with 807 KAR 5:022, Section 9(17)(a), requires the customer to furnish, install, and maintain at his expense the customer service line extending from the Company's service connection at the property line to the building or place of utilization of the gas. The installation and maintenance of this portion of the gas service line must be kept in good repair in accordance with the requirements of the utility and the Commission. Installation and maintenance must be performed by a certified installer of plastic pipe.

LG&E's proposed tariff places the responsibility for installation and maintenance on the utility, at the customer's option, with a corresponding monthly service charge. This option would be offered to new customers and to existing customers if and when the line requires replacement. The customer would retain the option to install, own, and maintain the service line and thereby avoid the monthly charge. Implementation of the proposed tariff would necessitate that the Commission authorize a deviation from the requirements of 807 KAR 5:022, Section 9(17)(a).

LG&E provided supporting cost data based on an estimate of 6,500 customers participating in the new program annually. LG&E proposed an initial monthly customer charge of $4.91, subject to review and adjustment in its next general rate case. This monthly charge would be the responsibility of the owner of the property and would continue for the life of the service line. The service line could be purchased from LG&E at market value and ownership of the service line conveyed back to the new property owner at any time.

KRS 278.280(2) provides that the Commission shall prescribe rules for the performance of any service or the furnishing of any commodity by any utility. 807 KAR 5:022 establishes the general rules which apply to gas utilities. Pursuant to 807 KAR 5:022, Section 18, the Commission may permit deviations from these rules in special cases for good cause shown.

The Commission has granted deviations from 807 KAR 5:022, Section 9(17)(a), on only two previous occasions.[1] In both instances, the deviations authorized the utilities to install customer service lines at no cost to the customer and henceforth to own, operate, and maintain the lines. The utilities were further required to operate and maintain existing service lines at no cost to their customers.

Service lines are an integral part of the natural gas deliverability system. The benefits afforded customers and utilities of company-operated service lines are attractive, so much so, that the majority of regulatory jurisdictions require utility ownership of the service line. The optional nature of LG&E's proposal does not reflect the trend of the natural gas industry. Additionally, according to a survey performed by LG&E and submitted with its application as Exhibit C, a full 44 percent of the respondent customers initially thought LG&E was currently responsible for repairs needed in the gas line that runs from the street to the meter. The Commission is greatly concerned that

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1 Case No. 10127, Application of Columbia Gas of Kentucky, Inc. for an Order Authorizing It to Amend Its Tariff and for Authority to Deviate from Commission Regulation 807 KAR 5:022, Section 9(17)(a)(1), and 807 KAR 5:022, Section 9(17)(a)(2), Order Dated November 10, 1988; and Case No. 89-041, The Application of Delta Natural Gas Company, Inc. for An Order Authorizing It to Amend Its Tariff and for Authority to Deviate from Commission Rules in Order to Permit Company Ownership of Customer Service Lines, Order Dated August 17, 1989.

nearly 50 percent of the respondent customers were living in the full belief that the gas lines running across their property were being maintained by the utility. This indicates that there is a great deal of confusion as to who is the responsible party for all service lines.

According to LG&E, the net additional investment per customer to install a service line is $327. At $4.91 per month, this amount would be generated in approximately five and one-half years; yet the life of plastic pipe used for service lines is estimated to be at least 35 years. Under LG&E's proposed tariff, once the customer opts for this program the monthly charge continues indefinitely unless the line is purchased from LG&E. While the revenue impact on non-participating customers would be negligible, the impact on customers that might opt for this program would be excessive in the long run. The Commission will not allow such offerings to customers even if, as LG&E states, customers surely have the intelligence to seek out other options if the program over its life proves too costly.[2] Thus the Commission will not approve LG&E's tariff as the cost is neither fair, just, nor reasonable.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. LG&E's proposed tariff revision fails to address the needs of its customers, is unjust, and should be denied.

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2 Brief of Applicant Louisville Gas and Electric Company, p. 10.

2. LG&E's proposed tariff includes a rate which is not fair, just, nor reasonable.

3. LG&E should not be permitted to deviate from the requirements of 807 KAR 5:022, Section 9(17)(a), to accommodate only those customers who opt to accept its program.

IT IS THEREFORE ORDERED that LG&E's proposed tariff be and it hereby is denied.

Done at Frankfort, Kentucky, this 27th day of July, 1992.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Executive Director