

BROWN & HILL^{PLLC}

ATTORNEYS AT LAW

January 17, 2012

Hon. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601

2012-00022

RECEIVED

JAN 19 2012

PUBLIC SERVICE
COMMISSION

Re: Forexco, Inc. – Farm-Tap Tariff Application

Dear Mr. Derouen:

This firm is counsel to Forexco, Inc. ("Forexco"). In order to continue to gather gas from its wells and service new farm-tap customers, Forexco needs to expand its gas gathering pipeline system in Bell County, Kentucky. This expansion necessitates a permit from the Kentucky Transportation Cabinet ("KYTC") to construct along highway rights-of-way in Bell County.

To issue the KYTC permit, KYTC is requiring Forexco to demonstrate that the expanded gathering line "serves the public" by allowing property owners along the line to tap on. As you are aware, Forexco is required by KRS 278.485 to allow any owner of property within one-half air mile of the pipeline to tap onto the pipeline at rates approved by the Public Service Commission. However, we are requesting a letter acknowledging Forexco's application and stating that Forexco's proposed expansion is a utility that "serves the public" under the jurisdiction of the Commission.

Therefore, please find enclosed one (1) original and ten (10) copies of the following documents for filing with the Commission, plus one (1) additional copy to be returned to our office, file-stamped, in the enclosed self-addressed, stamped envelope:

1. An "Application for Rates, Rules & Regulations for furnishing Natural Gas Service pursuant to KRS 278.485" ("Farm-Tap Application");
2. Forexco's Rate Support Calculation;
3. Schedule 1, Gas Commodity Cost per Mcf;
4. Schedule 2, Estimated Labor & Maintenance;
5. An affidavit from Diversified Investments & Development, LLC and J. Christopher Gibbs requesting to tap onto Forexco's proposed gathering line;
6. A map of Forexco's wells, gathering system, proposed expansion of said gathering system and the location of the proposed farm-tap, which also shows:
 - a. the system name, diameter, material, operating pressure, and installation date of all pipelines in the system;
 - b. the interconnection point with other gathering or transmission pipelines, labeled with the name of the interconnection operator of the pipeline.
7. A map of Forexco's gathering system (titled Supplement Map A) showing the well permit numbers from the Division of Oil and Gas Commission.
8. A draft letter acknowledging Forexco's application and stating that Forexco's proposed expansion is a utility that "serves the public" under the jurisdiction of the Commission.

Forexco, Inc., has not proposed an effective date for the proposed tariff, but an effective date will be more than sixty (60) days from the date of this application. Should you have any questions or need additional information, please contact us at your convenience.

Sincerely,


Robert L. Brown III

FOR Bell County

PSC KY NO. _____

_____ SHEET NO. _____

Forexco, Inc.
(NAME OF UTILITY)

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

Application of

Forexco, Inc.

of

**2122 Enterprise Road
Greensboro, NC 27408**

**Rules, Regulations and Rates for Furnishing Gas Service Pursuant to
KRS 278.485**

For Natural Gas Farm Tap Customers in Bell County, Kentucky

Filed with the Public Service Commission of Kentucky

DATE OF ISSUE _____
MONTH / DATE / YEAR

DATE EFFECTIVE _____
MONTH / DATE / YEAR

ISSUED BY Vernon Smith
SIGNATURE OF OFFICER

TITLE Operations Manager

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

FOR Bell County

PSC KY NO. _____

_____ SHEET NO. _____

Forexco, Inc.
(NAME OF UTILITY)

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

RATES

Applicable:

Forexco, Inc. is currently constructing a gas gathering pipeline in Bell County, Kentucky. Forexco Inc., will provide gas service to applying owners of property along said gathering line pursuant to KRS 278.485.

Availability of Service:

Available to all classes of customers.

Rate:

Monthly Minimum Bill (Zero to One Mcf):	\$	9.98
Flat Rate for all additional Mcfs:	\$	9.98
Tap-On Fee	\$	150.00

DATE OF ISSUE _____
MONTH / DATE / YEAR

DATE EFFECTIVE _____
MONTH / DATE / YEAR

ISSUED BY Kevin Smith
SIGNATURE OF OFFICER

TITLE Operations Manager

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Bell County

PSC KY NO. _____

_____ SHEET NO. _____

Forexco, Inc.
(NAME OF UTILITY)

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

1. Bills for service will be rendered monthly, the term "month" shall mean the period between consecutive meter readings which shall be taken, as nearly as possible, every thirty (30) days.
2. Bills are rendered on or about the 10th day following the billing period for service furnished during the previous month, and are due within thirty (30) days of the date of the invoice.
3. Service shall be provided to persons who qualify pursuant to KRS 278.485 upon receipt of an agreement, and compliance with the applicable statutes and regulations.
4. A reconnection charge of \$25.00 shall be paid before service is restored following disconnection of service for non-payment of bills.
5. For matters not addressed herein, the applicable rules of the Kentucky Public Service Commission shall apply.

DATE OF ISSUE _____
MONTH / DATE / YEAR

DATE EFFECTIVE _____
MONTH / DATE / YEAR

ISSUED BY Vernon Smith
SIGNATURE OF OFFICER

TITLE Operations Manager

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

Forexco, Inc. - Farm-Tap Tariff Application
Rate Support Calculations

Assumption for Usage:

Anticipated Customers	1
Estimated average monthly use per customer (mcfs)	5.00
Estimated average annual use per customer (mcfs)	60

Rate Calculation

Schedule 1 -- Gas Commodity Cost per Mcf	\$4.08
Estimated Costs per Mcf (Labor, Maintenance, Billing)	\$5.90

Total Cost per Mcf \$9.98

Forexco, Inc. - Farm-Tap Tariff Application
Schedule 1 - Gas Commodity Cost

12-month NYMEX Futures Strip Rate as of January 4 2012
January 2011 to December 2011

<u>Date</u>	<u>Dth</u>	
Feb-12	\$3.096	
Mar-12	\$3.127	
Apr-12	\$3.185	
May-12	\$3.238	
Jun-12	\$3.289	
Jul-12	\$3.346	
Aug-12	\$3.376	
Sep-12	\$3.382	
Oct-12	\$3.418	
Nov-12	\$3.559	
Dec-12	\$3.825	
Jan-13	<u>\$3.953</u>	
Average for the 12 months ending Jan-13	\$3.400	
Btu Conversion	<u>1.2</u>	
Average per Mcf	<table border="1"><tr><td>\$4.08</td></tr></table>	\$4.08
\$4.08		

Forexco, Inc. - Farm-Tap Tariff Application
Schedule 2 - Estimated Labor & Maintenance

2 hours/month @ \$7.25/hr	\$14.50
Travel reimbursement	\$15.00
Total	\$29.50 per month per customer
Estimated Mcf Usage	5 per month
Costs per Mcf per month	\$5.90

AFFIDAVIT

Personally appeared before me this 28th day of April, 2011 the undersigned, Diversified Investments & Development, LLC, a Delaware Limited Liability Company, herein represented by its Managing Member, J. Christopher Gibbs and J. Christopher Gibbs, individually, whose address is 1906 Heron Cove Drive, Knoxville, Tennessee 37922 hereinafter called "Affiant" (whether one or more), after being duly sworn deposes and states to the undersigned's actual knowledge:

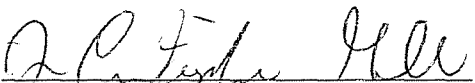
1. That this Affidavit is given in connection with KRS § 278.485 (8) which establishes that if a gas company obtains gas from producing wells located within Kentucky, then:

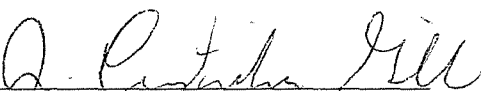
Every gas pipeline company obtaining gas from producing wells within the state shall offer each surface owner the right of a tap or hookup for natural gas from any gathering line which crosses the surface owner's property.

2. That this Affiant understands that Forexco, Inc., is building a natural gas gathering line abutting or crossing the Affiant's land and that Affiant desires to tap into, and that the undersigned believes that Forexco, Inc., agrees to allow said tap or hookup service to the public pursuant to the statutes enforced and set forth by the Public Service Commission (including but not limited to 807 KAR 5:026 - Gathering systems).
3. That this Affiant is duly authorized to approve and execute this document and any contract relating to the natural gas gathering line and related documents as they may relate to the real property described in Exhibit A.

Under penalties or perjury, I declare that I have examined this Affidavit and to my actual knowledge and belief, it is true, correct and complete. The undersigned acknowledges having read and understood the within Affidavit.

Diversified Investments & Development,
LLC

By: 
J. Christopher Gibbs
Its: Managing Member

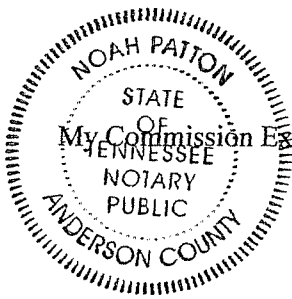

J. Christopher Gibbs

STATE OF TENNESSEE

COUNTY OF KNOX

I, Noah Patton, a notary public in and for the State and county aforesaid, do certify that J. Christopher Gibbs, whose name is signed to the writing above, bearing date on the 28th day of April, 2011, who is the Managing Member of Diversified Investments & Development, LLC, a Delaware limited liability company, has acknowledged the same before me in my county aforesaid to be the act and deed of said limited liability company.

Given under my hand this 28th day of April, 2011.



Noah Patton

Notary Public

My Commission Expires: May 23, 2012

STATE OF TENNESSEE

COUNTY OF KNOX

On this the 28th day of April, 2011 before me, the undersigned officer, personally appeared J. Christopher Gibbs known to me to be the persons whose names are subscribed to the within instrument and acknowledged that they executed the same for the purposes therein contained.

Noah Patton

Notary Public

My Commission Expires:

May 23, 2012

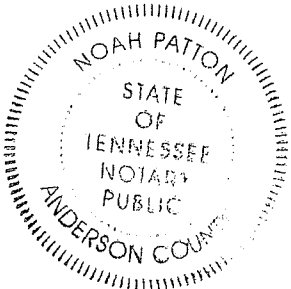
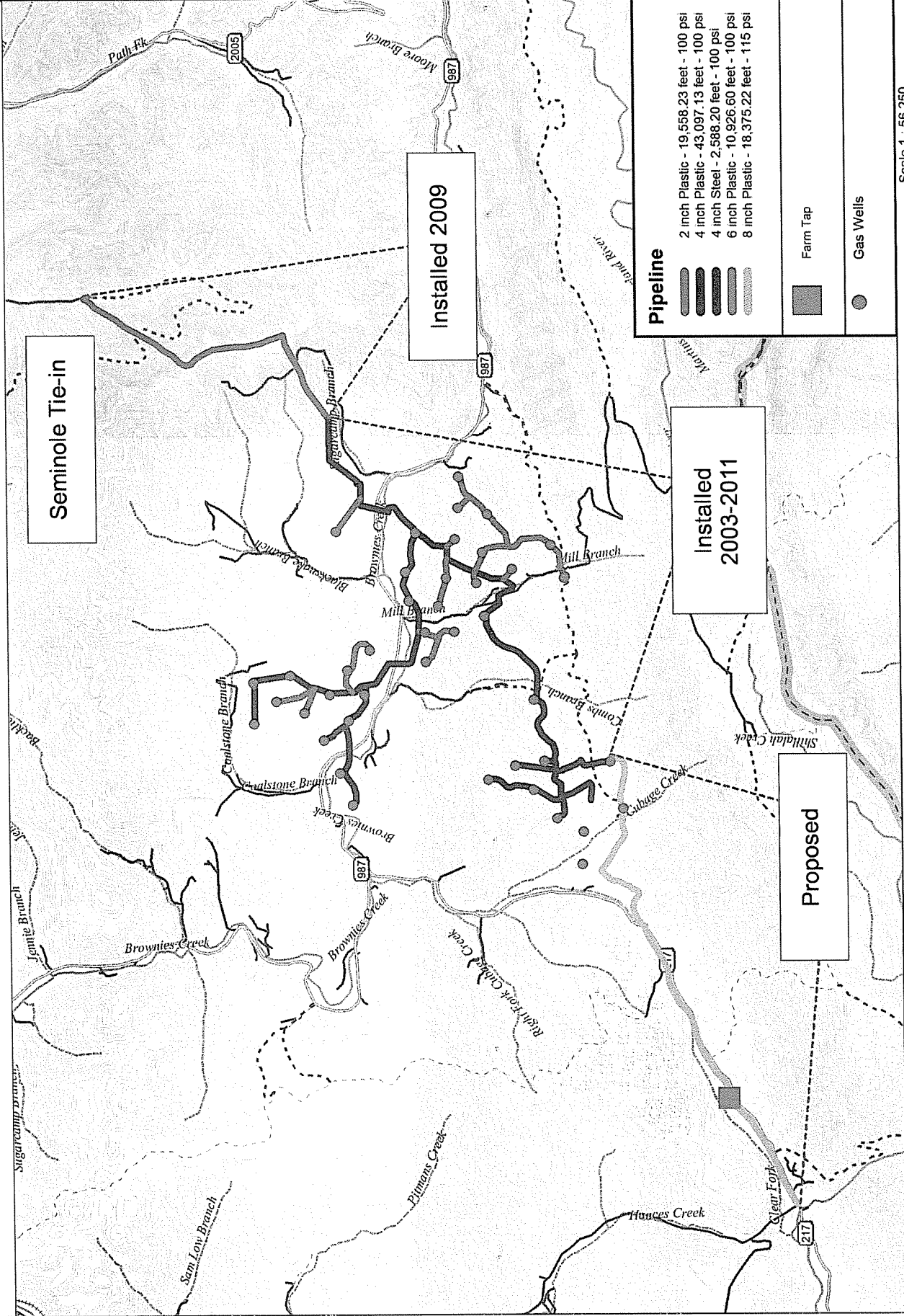


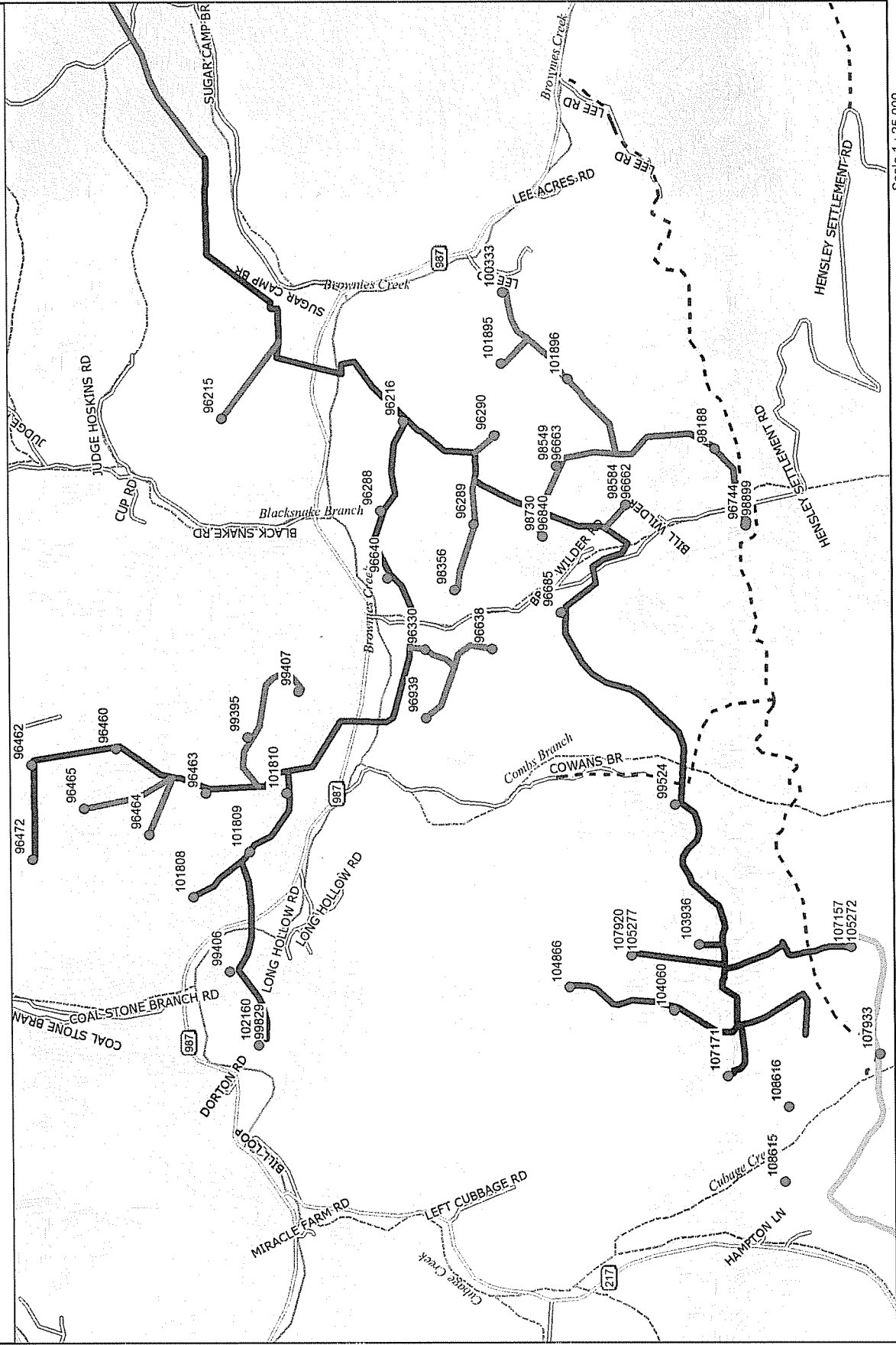
EXHIBIT "A"

Being the same lands described in Deed Book 311, Pages 545 and 556, in the Office of the County Clerk of Bell County, Kentucky, containing One thousand five hundred fifty-one and 82/100 (1,551.82) acres, more or less.

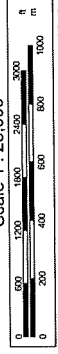
Forexco, Inc. Farm Tap and Pipeline Map Bell County, Kentucky



Forexco, Inc. Farm Tap and Pipeline Map Bell County, Kentucky Supplement Map A



Scale 1 : 25,000



1" = 2,063.3 ft Data Zoom 13-0

_____, 2012

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

Re: Case No. 2012-_____
Forexco, Inc. Application for Rates, Rules & Regulations for
furnishing Natural Gas Service pursuant to KRS 278.485 ("Farm-
Tap Application")

Dear Mr. Brown:

This letter is to acknowledge receipt of Forexco, Inc.'s application in the above case for a farm-tap system in Bell County, Kentucky. The notice was date-stamped received _____ and has been assigned Case No. 2012-_____. In all future correspondence or filings in connection with this case, please reference the above case number.

This letter also serves to inform Forexco and any other person that as a result of the request of Forexco's receipt of a request from a property owner to tap onto Forexco's proposed expanded gas gathering pipeline in Bell County, Kentucky, Forexco's proposed gathering line is a farm-tap utility that serves the public and is under the jurisdiction of the Public Service Commission pursuant to KRS 278.485.

If you need further assistance, please contact my staff.

Sincerely,

Jeff Derouen
Executive Director