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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

April 15, 2014

PARTIES OF RECORD

Re: Case No. 2014-00063
An Investigation into the Jurisdictional Status of the Rt. 504 Gas Line Operations

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: April 11, 2014

RE: Case No. 2014-00063
An Investigation into the Jurisdictional
Status of the Rt. 504 Gas Line Operations

On April 9, 2014, an informal conference was conducted at the Commission Offices in Frankfort, Kentucky. A list of the attendees is attached hereto.

The purpose of the conference was to discuss several issues in the above case, including an update of the State Fire Marshall's ("Fire Marshall") determination that the Rt. 504 Gas Line Operations ("System") be shut down by April 1, 2014. Dale Stevens and Liddie Lewis (jointly the "Owner/Operator") stated that the Fire Marshall has extended this deadline until May 1, 2014. Owner/Operator also informed Commission Staff ("Staff") that they confirmed this extension directly with the Fire Marshall.

Staff stated that based upon its initial review of the facts, including the sale of natural gas to more than one customer, the System appears to be a jurisdictional utility, subject to regulation by the Commission. Staff also stated, however, that the Commission would make the final determination of jurisdictional status and an opportunity to contest this designation would be provided. Owner/Operator stated that they did not want the System to be designated a utility and preferred to simply shut it down by May 1, 2014.

Owner/Operator stated that the System began in 1963 when several oil wells were drilled in the area, producing natural gas as a by-product. In order to take advantage of the natural gas, homes were directly connected to the oil wells with individual lines. Because of the known hazards of this process, Owner/Operator eventually installed a three-mile, two-inch steel and plastic pipeline from the oil wells along Rt. 504. Homeowners along Rt. 504 were permitted to use individual lines to connect their homes to this pipeline. Owner/Operator charged each customer who connected to the pipeline a flat annual fee in order to pay for maintenance of this pipeline. For the 2013-2014 heating season, there were 19 customers who paid Owner/Operator \$475.00 for an "unlimited" supply of natural gas. Because of the poor gas pressure, however, supply has been limited and this has resulted in customer complaints.

Owner/Operator stated that without some way to dissipate the natural gas by-product, it would need to be "burned off." Owner/Operator stated that they own two rental properties, located approximately one mile from the oil wells that currently connect to the three-mile pipeline and have access to natural gas. There are five homes, owned by four property owners, located between the two rental properties and the oil wells. Owner/Operator would like to have an underground pipeline installed to serve the two rental units and allow the other five homes access to the natural gas. In exchange for easements and the shared cost of installing the underground pipeline, these properties would be provided natural gas at no cost. Staff stated that this proposal would need to be researched further.

At Staff's request, Owner/Operator agreed to file a written plan prior to the May 1, 2014 deadline given by the Fire Marshall, describing how the existing System will be shut down.

The conference was then adjourned.

Attachment