

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF APACHE GAS TRANSMISSION )  
COMPANY, INC. FOR A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY AUTHORIZING THE )  
IMPLEMENTATION OF A PIPELINE REPLACEMENT ) CASE NO.  
PROGRAM, APPROVAL OF FINANCING PURSUANT ) 2017-00168  
TO KRS 278.300 AND APPLICATION OF APACHE GAS )  
TRANSMISSION COMPANY, INC. AND BURKESVILLE )  
GAS COMPANY, INC. FOR APPROVAL OF A GAS )  
PIPELINE REPLACEMENT SURCHARGE AND TARIFF )

ORDER

On April 14, 2017, Apache Gas Transmission Company, Inc. ("Apache") and Burkesville Gas Company, Inc. ("Burkesville") jointly tendered for filing an application requesting: 1) a Certificate of Public Convenience and Necessity ("CPCN") authorizing Apache to implement a pipeline-replacement program ("PRP") and to repair and replace existing natural gas pipelines; 2) for approval of financing related to the PRP; and 3) to establish a PRP tariff and surcharge. The application also contains a request by Burkesville for authority to establish a PRP tariff and surcharge. Both PRP tariff sheets are proposed to be effective May 15, 2017. Having reviewed the application and proposed tariffs, the Commission finds that further proceedings are necessary to determine their reasonableness, and that the proposed tariffs should be suspended pursuant to KRS 278.190(2). The Commission also notes that the application falls within the Commission's jurisdiction pursuant to KRS 278.300, which requires that we adjudicate financing applications within 60 days of filing, unless good cause exists to continue the

application. In this instance, the Commission finds that an investigation of the proposed financing is necessary to determine its reasonableness, and that the investigation cannot be completed within 60 days of the filed date. Accordingly, the Commission finds that good cause exists to continue the financing application beyond the 60-day period specified in KRS 278.300(2).

IT IS THEREFORE ORDERED that:

1. Apache's and Burkesville's proposed PRP tariffs are suspended for five months from May 15, 2017, up to and including October 14, 2017.

2. Apache's application for approval of its proposed financing is continued beyond the 60-day time limit set forth in KRS 278.300(2).

3. a. Apache and Burkesville shall file with the Commission, on or before May 22, 2017, their responses to all requests for information listed in the Appendix to this Order. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and an original and eight copies to the Commission.

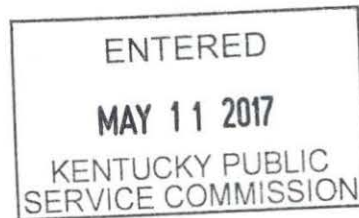
b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. Apache and Burkesville shall make timely amendment to any prior response if they obtain information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which Apache and Burkesville refuse to furnish all or part of the requested information, they shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

e. When filing a paper containing personal information, Apache and Burkesville shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

By the Commission



ATTEST:

  
Executive Director

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00168 DATED **MAY 11 2017**

1. Refer to the Application, paragraph 21, which states that the proposed Pipeline Replacement Program would result in the replacement of approximately 1,800 feet of Apache's existing natural gas pipelines. Refer also to the Application, paragraph 31, which states in part that: "Apache Gas will recalculate the surcharge amount on a yearly basis to true-up the collection as well as to add any additional pipeline replacements that may be needed in the future. Burkesville Gas will adjust its PRP surcharge according to Apache Gas's recalculations."

a. Explain whether Apache and Burkesville intend that the PRP would provide for the replacement of only the three Apache projects identified in the Application, or whether future replacements would also be proposed for recovery through the PRP.

b. If the answer to part a. is that future projects would be proposed for PRP recovery, provide:

(1) a description of the types of pipeline that would be eligible to be replaced (i.e., uncoated steel, ineffectively coated steel, cast or wrought iron, Aldyl-A or other early generation plastic pipe, etc.);

(2) the criteria and circumstances used to determine whether the replacement should be recovered through the PRP programs;

2. Refer to the Application, paragraphs 22 and 23. Describe the process used in determining which contractors Apache will hire for its PRP.

3. Provide the percentage of change that the proposed \$3.00 monthly residential charge and the \$3.50 monthly industrial charge will have on an average customer's bill.

4. Refer to the Application, paragraph 40, which states that "the Company will submit an application and supporting schedules on or about October 1<sup>st</sup> and that "[a]ssuming that Commission approval is granted, the new monthly charges become effective the following January 1<sup>st</sup>." Refer also to exhibit DTS-2. The proposed tariff sheets for Apache and Burkesville both state that "[s]uch adjustment to the Rider will become effective with meter readings on and after the first billing cycle of June each year." Explain the inconsistency in the effective dates, and if necessary, provide updated tariff sheets.

5. Refer to exhibit DTS-2, Burkesville's proposed tariff. The tariff states that "[t]he PRP surcharge is based on the annual cost of replacing damaged or exposed pipe on the system serving Burkesville Gas customers." Explain whether this sentence is referring to Apache-owned pipelines or to Burkesville-owned pipelines.

6. State whether Burkesville intends to replace pipeline on its own distribution system and to propose such replacements for PRP recovery through additional surcharges on its customers' bills.

7. If Burkesville is not proposing its own pipeline-replacement program, state whether it has considered using its Gas Cost Adjustment mechanism to pass through to its customers any Apache PRP charges approved by the Commission as part of its gas cost.

8. Provide any correspondence or documents from Lake Cumberland Area Development District ("ADD") regarding the financing of the Apache project.

9. State whether Apache has applied for ADD financing, and provide the status of any such request.

10. Provide the estimated terms of the loan from First and Farmers Bank if the ADD is not the source of the Apache loan.

11. If financing is provided by First and Farmers Bank, provide the annual PRP surcharge to Burkesville and the resulting PRP surcharge amounts for Burkesville's residential and commercial customers. Provide all supporting calculations.

11. State whether there is any concern that the same factors causing the need for Apache pipeline repair could recur and eventually cause damage to the new pipeline.

12. Provide Apache's line loss percentage for the past five years.

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