

May 22, 2017

Via Hand-Delivery

Ms. Talina Mathews, Ph.D.
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

RECEIVED

MAY 22 2017

PUBLIC SERVICE
COMMISSION

Re: In the Matter of: The Application of Apache Gas Transmission Company, inc., for a Certificate of Public Convenience and Necessity Authorizing the Implementation of a Pipeline Replacement Program, Approval of Financing Pursuant to KRS 278.300 and the Application of Apache Gas Transmission Company, Inc., and Burkesville Gas Company, Inc., for Approval of a Gas Pipeline Replacement Surcharge and Tariff - Case No. 2017-00168

Dear Dr. Mathews:

Enclosed please find for filing with the Commission in the above-referenced case an original and ten (10) copies of Apache Gas Transmission Company, Inc., and Burkesville Gas Company, Inc.'s Responses to Commission Staff's Initial Requests for Information dated May 11, 2017, in the above-styled case.

Please do not hesitate to contact me if you have any questions.

Sincerely,



L. Allyson Honaker

Enclosures

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)
PROGRAM, APPROVAL OF FINANCING PURSUANT)
TO KRS 278.300 AND APPLICATION OF APACHE GAS)
TRANSMISSION COMPANY, INC. AND BURKESVILLE)
GAS COMPANY, INC. FOR APPROVAL OF A GAS)
PIPELINE REPLACEMENT SURCHARE AND TARIFF)**

**CASE NO.
2017-00168**

**RESPONSES TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO APACHE GAS TRANSMISSION COMPANY, INC. AND BURKESVILLE GAS
COMPANY, INC. DATED MAY 11, 2017**

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)
PROGRAM, APPROVAL OF FINANCING PURSUANT)
TO KRS 278.300 AND APPLICATION OF APACHE GAS)
TRANSMISSION COMPANY, INC. AND BURKESVILLE)
GAS COMPANY, INC. FOR APPROVAL OF A GAS)
PIPELINE REPLACEMENT SURCHARE AND TARIFF)

CASE NO.
2017-00168

VERIFICATION OF DAVID THOMAS SHIREY, JR.

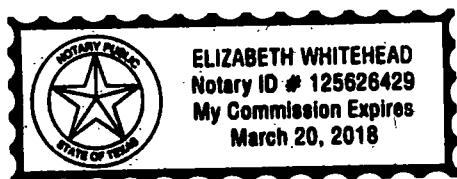
STATE OF TEXAS)
)
COUNTY OF HUNT)

David Thomas Shirey, Jr., President of Apache Gas Transmission Company, Inc., and
President of Burkesville Gas Company, Inc., being duly sworn, states that he has prepared certain
of the following responses of Apache Gas Transmission Company, Inc., and Burkesville Gas
Company, Inc., to the data requests contain in the Appendix of the Commission's May 11, 2017
Order in the above-referenced case and that the matters and things set forth in his responses are
true and accurate to the best of his knowledge, information and belief, formed after reasonable
inquiry.

[Handwritten signature of David Thomas Shirey, Jr.]

David Thomas Shirey, Jr.

Subscribed and sworn to before me on this 16th day of May, 2017.



[Handwritten signature of Elizabeth Whitehead]
NOTARY PUBLIC, Notary # 125626429
Commission expiration: March 20, 2018

**APACHE GAS TRANSMISSION COMPANY, INC.
BURKESVILLE GAS COMPANY, INC.
PSC CASE NO. 2017-00168
RESPONSE TO REQUEST FOR INFORMATION**

PSC'S REQUEST FOR INFORMATION DATED 05/11/17

REQUEST 1

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

Request 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 tune-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.

Response 1a. At this time only Apache Gas Transmission Company, Inc. ("Apache") is intending to utilize the PRP for future replacement projects. Apache intends to utilize the PRP in the future to replace pipeline, as may be necessary.

Response 1b(1). Currently there are no known areas of ineffectively coated steel pipeline. However, Apache would intend to utilize the PRP for replacement of any section of ineffectively coated steel pipeline if Apache discovers any such areas in the future. Apache monitors and surveys its pipelines at frequent intervals. There are portions of the pipeline located in Cumberland County and the southern portion of Metcalfe County that are susceptible to erosion damage. These areas along with other areas of pipeline were installed to standards from many years ago. Furthermore, some of Apache's pipelines have been determined to be too small and may cause gas flow restrictions and should be replaced with larger dimension pipe. Apache's practice is to increase the dimension of the pipeline it replaces if it is determined a larger size is needed.

Response 1.b.(2) If the cost for a pipeline replacement project exceeds five thousand dollars (\$5,000) then Apache would utilize the PRP to recover the costs associated with such project.

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REQUEST 2

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

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

Response 2. Apache requested estimates for the project from two different contractors. Apache has worked with both of the contractors who provided estimates on the project in the past. Both contractors allow Apache/Burkesville personnel to perform as much work as possible to help to keep costs as low as possible. Apache/Burkesville personnel confirm that the contractors and the employees are insured and that the personnel hold the appropriate Operator Qualifications to perform the work needed.

APACHE GAS TRANSMISSION GAS, INC.
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REQUEST 3

RESPONSIBLE PARTIES: David Thomas Shirey, Jr.

Request 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.

Response 3. Using a typical March average bill, excluding taxes, for industrial and residential customers, the \$3.50 industrial monthly surcharge would be approximately a 0.75% increase in the average customer's bill. The \$3.00 residential monthly surcharge would be approximately a 3.4% increase. However, if a typical September average bill is used, excluding taxes, the \$3.50 industrial monthly surcharge would be approximately a 12.25% increase in the average industrial customer's bill and the \$3.00 residential monthly surcharge would be approximately a 15.5% increase in the average residential customer's bill.

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BURKESVILLE GAS COMPANY, INC.
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REQUEST 4

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

Request 4. Refer to the Application, paragraph 40, which states that “the Company will submit an application and supporting schedules on or about October 1st and that “assuming that Commission approval is granted, the new monthly charges become effective the following January 1st.” 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.

Response 4. In making the tariffs applicable thirty days after filing, the June date was used, in case the Application was approved within that thirty days. However, since the tariffs have now been suspended, the October 1st deadline to submit an application and supporting schedules with a January 1st effective date of any new monthly charges following the initial PRP Rider Surcharge amount, would be more appropriate. However, Apache and Burkesville request that the initial PRP Rider Surcharge, if approved by the Commission, go into effect as soon as possible after Commission approval. However, if the PRP is flowed through the GCA, that may change what documentation is needed and the effective date of the charges. Apache and Burkesville will file new tariff sheets once it is determined whether the GCA would be a better option for passing the PRP costs onto Burkesville's retail customers.

APACHE GAS TRANSMISSION COMPANY, INC.

BURKESVILLE GAS COMPANY, INC.

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REQUEST 5

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

Request 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.

Response 5. This sentence refers to the Apache system, which is the system that provides service to Burkesville and ultimately Burkesville's retail customers.

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BURKESVILLE GAS COMPANY, INC.

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REQUEST 6

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

Request 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.

Response 6. At the present time, Burkesville does not intend to replace any pipe on its distribution system using the PRP.

APACHE GAS TRANSMISSION COMPANY, INC.

BURKESVILLE GAS COMPANY, INC.

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REQUEST 7

RESPONSIBLE PARTIES: David Thomas Shirey, Jr.

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

Response 7. Apache and Burkesville had not considered passing the cost of the PRP through the GCA mechanism. This appears to be a good option. However, Apache and Burkesville would need to see what changes would need to be made to its GCA calculations and tariffs prior to making the final determination. Apache does not anticipate any significant changes to the GCA that would make this a less attractive option.

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BURKESVILLE GAS COMPANY, INC.

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REQUEST 8

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

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

Response 8. Apache does not have any written documentation from ADD, as all communication with ADD has been done orally. The ADD financing application is being amended to remove the Cliff Norris Section of the project and Apache is currently working on separate financing for the Cliff Norris Section of the project. It is expected that ADD will review and either grant or deny the amended financing application at its next board meeting, which should be held the second or third Wednesday in June. Apache will supplement this response when additional information is available from either ADD or another financing source.

APACHE GAS TRANSMISSION COMPANY, INC.

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REQUEST 9

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

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

Response 9. See Response 8 above. Apache has applied for the ADD financing, however, Apache's financing application has been amended. Apache expects a final decision of ADD to be made at its June board meeting.

APACHE GAS TRANSMISSION COMPANY, INC.

BURKESVILLE GAS COMPANY, INC.

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REQUEST 10

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

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.

Response 10. Apache is discussing possible terms with First and Farmers Bank. No specifics are available at this time. As soon as Apache has any estimates of the possible financing, Apache will supplement this response with that information.

APACHE GAS TRANSMISSION COMPANY, INC.

BURKESVILLE GAS COMPANY, INC.

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REQUEST 11

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

Request 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.

Response 11. Apache does not anticipate the same factors causing a need for subsequent repairs of the new pipeline. The existing pipeline was installed to standards of many years ago. The new pipeline will be installed pursuant to 2017 standards and should not require additional repairs from the same type of damage.

APACHE GAS TRANSMISSION COMPANY, INC.

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REQUEST 12

RESPONSIBLE PARTY: David Thomas Shirey, Jr.

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

Response 12. For the most part, through 2016, Burkesville and Apache have had a combined "loss and unaccounted for gas" number. Therefore, "loss and unaccounted for gas" shown in the table below includes any gas loss in the Burkesville distribution system and the Apache transmission lines. Additionally, the "loss and unaccounted for gas" shown in the table below includes, but is not limited to,: (1) any gas that is unaccounted for from a slow customer meter (meters are checked and replaced, if necessary, at regular intervals, however there will be some slight differences from time to time); (2) gas lost as a result of damage to the pipeline from dig-ins; (3) meter reading differences between the time the gas delivery meter, approximately twenty (20) miles from the city of Burkesville, is read at 9:00 a.m. every morning, to the time when the collective totals of all the customer meters are read throughout the reading day; and (4) line loss.

During Labor Day weekend in 2016, a damage from an excavation dig-in occurred that resulted in the loss of some gas. The pipeline was repaired within a few hours and the person performing the excavation work was billed (and paid for) the cost of the gas loss and repairs. However, the excessive flow caused an upstream back-up regulator that was miles away in a very remote area to fail. This very remote back-up regulator failure resulted in the operation of the relief valve and the subsequent discharge of gas to keep the down-stream gas line pressure below the

Maximum Allowable Operating Pressure ("MAOP"). The secondary system failure and gas discharge was not detected for several hours. It is estimated that the line loss from all dig-ins, including the above-mentioned discharge, during 2016 was at least 1,400 Mcf, which, if omitted from the totals in the table below, would have resulted in a loss and unaccounted for gas of 3.36% for 2016.

YEAR	Mcf PURCHASED	Mcf SOLD	LOSS AND UNACCOUNTED FOR GAS
2012	35,563	35,390	0.49%
2013	45,502	44,734	1.69%
2014	49,096	47,776	2.69%
2015	42,165	40,826	3.18%
2016	42,064	39,299	6.57%