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March 14, 2018

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MAR 14 2018

PUBLIC SERVICE
COMMISSION

Via Hand-Delivery

Ms. Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: *In the Matter of Application of Apache Gas Transmission Company, Inc., Annual Pipeline Replacement Program Filing to Approve New Pipeline Replacement Surcharge Rates Beginning With May 1, 2018 Billing Cycle – Case No. 2018- 00106*

Dear Ms. Pinson:

Please find enclosed for filing and original and ten (10) copies of the Annual Pipeline Replacement Program Filing of Apache Gas Transmission Company, Inc. Please return a file-stamped copy to me.

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

Sincerely,

A handwritten signature in blue ink that reads "L. Allyson Honaker".

L. Allyson Honaker

Enclosures

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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF APACHE GAS TRANSMISSION)	
COMPANY, INC., ANNUAL PIPELINE REPLACEMENT)	
PROGRAM FILING TO APPROVE NEW PIPELINE)	CASE NO.
REPLACEMENT SURCHARGE RATES BEGINNING)	2018-00106
WITH MAY 1, 2018 BILLING CYCLE)	

ANNUAL PIPELINE REPLACEMENT PROGRAM FILING

Comes now Apache Gas Transmission Company, Inc. ("Apache") by counsel, pursuant to the Commission's August 29, 2017 Order and provides the following annual application for approval of new Pipeline Replacement Program ("PRP") surcharge rates to begin with the May 1, 2018, Gas Cost Adjustment rates:

Apache's financing proposal for its PRP was approved by Order of the Commission on December 21, 2017. The financing which was approved by the Commission differed from the original proposal included in Apache's PRP Application in Case No. 2017-00168. As the Commission is aware, Apache had great difficulty securing financing for the PRP. As a result, the interest rate has increased and there is a shorter repayment period than was originally anticipated when Apache filed its PRP Application. Currently, Apache's PRP surcharge amount being collected and placed into the PRP escrow account, will not be enough to cover the debt service when the larger loan is obtained. In order to collect enough money throughout the year to repay the loan payments, Apache is requesting to implement a \$0.29 per Mcf charge in addition to the current flat charge of \$3.00 per month for residential customers and the flat charge of \$3.50 per month for commercial customers. Apache believes that the per Mcf charge would more evenly

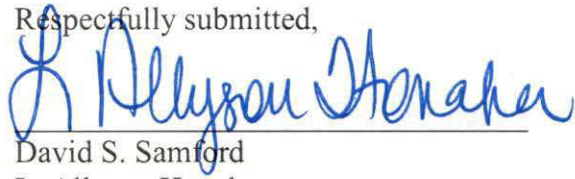
allocate the PRP charge among the customers who use more natural gas per month and would not cause a burden on the customers who use very little natural gas per month. Apache is aware that less money will be collected during the summer months with this type of charge, but more money would be collected in the winter months and since all the money collected as a result of the PRP surcharge is being placed into the PRP escrow account, Apache will be able to maintain a satisfactory balance throughout each month of the year to repay the financing obtained. For the summer of 2018, the amount currently in the escrow account which has accrued since Apache has been collecting the PRP surcharge, can be used to offset the increase in payment while the collection amount is lower during the summer months.

Attached to this filing as Exhibit A is an updated spreadsheet which shows the total cost of the two phases of the PRP along with the current monthly amount being collected under the approved PRP surcharge. In addition, this spreadsheet shows the additional revenue collected as a result of implementing an additional surcharge of \$0.29 per Mcf for the PRP. Apache proposes to continue to collect this amount from Burkesville Gas Company, Inc. through its Gas Cost Adjustment (“GCA”). Apache will continue to include the escrow account statements with the quarterly GCA filings and will continue to make annual applications by April 30th each year.

Apache requests that a decision on this Application be expedited since Kentucky Highlands Investment Corporation needs to insure that the amounts collected through the PRP surcharge will be sufficient to cover the financing payments prior to finalizing the second loan.

WHEREFORE, for the reasons set forth herein, Apache respectfully moves the Commission to approve the proposed adjustment to the PRP surcharge as described in Exhibit A.

Respectfully submitted,



David S. Samford

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Counsel Apache Gas Transmission Company, Inc.

	Total	Phase One	Phase Two
Cliff Norris Section			
Contract Proposal for Cliff Norris Section Repair includes materials to install 900' of 6" SDR11 Poly	\$ 60,000.00		60,000.00
Two additional 6" valves for both ends of the Cliff Norris Section Replacement	516.00		516.00
Oversight and assistance	5,400.00		5,400.00
Contingency	3,300.80		3,300.80
Cliff Norris Section Repair Total	69,216.80		69,216.80
Doug Lewis B Section			
A & C Communication Corporation Proposal - open and close ditch	17,403.20	17,403.20	
Allowance for crushed limestone back fill	2,000.00	2,000.00	
751 feet of 6" SDR 11 Poly pipe 800'	4,491.00	4,491.00	
One additional 6" valve for the Doug Lewis B Section Replacement	257.94	257.94	
Other miscellaneous fittings, tracer wire and marker tape	400.00	400.00	
Fuse and install pipe	5,000.00	5,000.00	
Oversight and assistance	2,500.00	2,500.00	
Contingency	1,602.61	1,602.61	
Doug Lewis B Section Repair Total	33,654.75	33,654.75	
Allen Creek Road Drainage Ditch Repair			
A & C Communication Corporation Proposal - open and close ditch	3,000.00	3,000.00	
Allowance for back fill	400.00	400.00	
100 feet of 6" SDR 11 Poly pipe	598.00	598.00	
One additional 6" valve for the this Section Replacement	257.94	257.94	
Fuse and install pipe and valve	1,000.00	1,000.00	
Oversight and assistance	1,000.00	1,000.00	
Contingency	326.54	326.54	
Allen Creek Road Drainage Ditch Repair Total	6,582.48	6,582.48	
Current Estimates for Special Counsel Services	15,000.00	5,000.00	10,000.00
Current Estimate for Consulting Engineer	15,000.00	5,000.00	10,000.00
Total 2017 Pipeline Replacement Project	\$ 139,454.03	50,237.23	89,216.80
1-19-2017 Balance in the PRP Escrow fund		3,389.10	

Kentucky Highlands two Part Financing

	Part One	Part Two	Total
Term:	84	120	
Rate:	7.5%	7.50%	
Monthly payment:	\$770.55	\$1,059.02	\$1,829.57

Current and required PRP Charges "per bill"	
dollars per bill	Monthly revenue

Approximant Number of Units

Commercial	104	\$3.50	364
Residential	177	\$3.00	531
			\$ 895.00
PRP Revenue monthly shortfall after Phase 1 and Phase 2 close			\$ (934.57)
Estimated PRP "per bill" monthly needed to cover short fall			times coverage 48.919%
Est: 104	\$3.50	364	\$7.00 728
177	\$3.00	531	104 \$6.50 1,151
		\$ 895.00	177 \$ 1,878.50
			times coverage 102.67%

Estimated increase to Apache's gas cost to pass through to BGC if the current PRP fee remained unchanged

	dollars per bill	Monthly revenue
Approximant Number of Units		
Commercial	104	\$3.50 364
Residential	177	\$3.00 531
Monthly PRP Revenue		\$ 895.00
Current estimated Annual PRP Revenue		\$ 10,740.00
Estimated Monthly phase 1 and Phase 2 debt Service		\$1,829.57
Annual Estimated Monthly phase 1 and Phase 2 debt service		\$ 21,954.86
Current estimated Annual PRP Revenue	\$	10,740.00
Annual revenue derived from a "per Mcf rate increase" using 40k Mcf per year		
	\$0.29	
	40,000	
	\$	11,600.00
Total		\$ 22,340.00
Times Coverage	\$	1.02

