

Case No. 2018-00164
Response to PSC DR 1
Witness: Freeman

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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

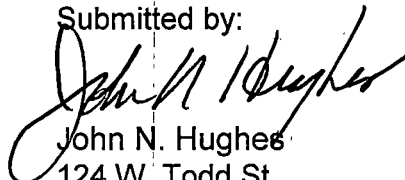
In the Matter of:

THE FILING OF A SPECIAL CONTRACT BY) CASE NO.
NATURAL ENERGY UTILITY CORPORATION) 2018-00164

NATURAL ENERGY UTILITY CORPORATION'S RESPONSE TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Natural Energy Utility Corporation ("NEUC"), by counsel, provides its responses to the Commission's order of June 19, 2018.

Submitted by:



John N. Hughes
124 W. Todd St
Frankfort, KY 40601
502 227-7270

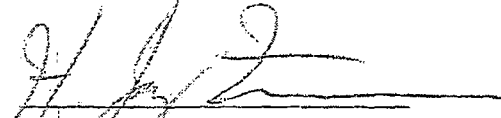
Attorney for NEUC

AFFIDAVIT

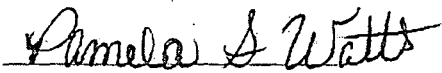
COMMONWEALTH OF KENTUCKY

COUNTY OF BOYD

Affiant, H. Jay Freeman, appearing personally before me a notary public for and of the Commonwealth of Kentucky and after being first sworn, deposes, states, acknowledges, affirms and declares that he is authorized to submit this Response on behalf of NEUC and that the information contained in the Response is true and accurate to the best of his knowledge, information and belief, after a reasonable inquiry and as to those matters that are based on information provided to him, he believes to be true and correct.


H. Jay Freeman

This instrument was produced, signed, acknowledged and declared by H. Jay Freeman to be his act and deed the 21ST day of June, 2018.


Notary Public
Registration Number: 575785

My Commission expires: 4/6/2021

Pamela S. Watts
Notary Public
State at Large - Kentucky
My Commission Expires April 6, 2021
ID # 575785

COMMONWEALTH OF KENTUCKY
BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF NATURAL ENERGY UTILITY)
CORPORATION FOR CONFIDENTIAL TREATMENT OF A)
SPECIAL CONTRACT)

PETITION FOR CONFIDENTIALITY

Natural Energy Utility Corporation (NEUC), by counsel, pursuant to KRS 278.160(3) and 807 KAR 5:001(13) petitions the Commission for confidential protection of attachment to the response to DR-1(c). The information in this response provides the costs of the extension of facilities related to the requirements of the special contract previously filed in this case.

CONFIDENTIAL PROTECTION

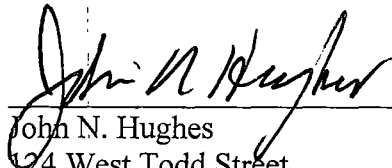
KRS 61.878 (1)(c) provides that “records confidentially disclosed to an agency or required by any agency to be disclosed to it, generally recognized as confidential or proprietary, which is openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records “shall remain confidential unless otherwise ordered by a court of competent jurisdiction.” The natural gas industry is very competitive. NEUC has active competitors, who could use this information to their advantage and to the direct disadvantage of NEUC. NEUC would be at a competitive threat of loss of business due to the ability of its competitors to leverage the information to their advantage. The public disclosure of the customer name, monetary terms negotiated with the customer and critical monetary terms of the cost of the implementation of the contract would permit an unfair advantage to those competitors. With the identity of the customer and the knowledge of the costs associated with the contract, competitors would have inside information to target the customer and determine NEUC’S financial commitment and negotiating parameters. For these reasons, the customer

name and monetary terms in the contracts are exempt from public disclosure pursuant to KRS 61.878(c)(1).

NEUC requests that the attached non-redacted information be held confidentially indefinitely. The statutes cited above do not allow for disclosure at any time. Given the competitive nature of the natural gas business and the efforts of non-regulated competitors to encroach upon traditional markets, it is imperative that regulated information remain protected and that the integrity of the information remain secure.

For those reasons, NEUC requests that the attached non-redacted copy of cost analysis be treated as confidential.

Submitted by:



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Attorney for NEUC Corporation

1. Refer to NEUC's May 1, 2018 cover letter in Tariff Filing 2018-00207. NEUC states that due to the volume of gas potentially required by the new customer, and the relocation of the delivery point, NEUC will need to install and upgrade "some facilities to accommodate the increased volumes."

a. State whether the service to this customer will be at an existing facility, an expansion of an existing facility, or a new facility.

b. Provide a detailed explanation of the installations and upgrades to facilities that NEUC will need to make in order to accommodate the new customer.

c. Provide a complete breakdown of the total cost that NEUC will expend in order to provide service to the new customer.

d. Confirm that the new customer will be paying for 100 percent of the costs that NEUC expends in order to provide service to the new customer.

RESPONSE:

a. A new customer has located on the property formally occupied by a customer of NEUC. The new customer will utilize some of the existing facilities and will expand facilities to accommodate its operations. NEUC serves the customer using existing pipeline.

b. NEUC will make an extension of an existing service line on the property to relocate a primary service point, which was requested by the customer. NEUC proposes to construct 2,600 feet of six (6) inch plastic pipeline consisting of SDR11.5, Driscoplex 6500, PE 2406/2708CE and ASTM D 2513 WT006K plastic line.

c. See confidential attachment.

d. Confirm.

Right-of-Ways	Quantity	Price	Extended Price
Private ROW's			
Wetlands			

Engineering
Design, Receipt/Delivery Points
Drawings
Permitting.
Survey, As Builts

Legal

6" Pipe Line Cost

Pipe 6" x DR11.5
6" IPS Plastic Yellow Valve
6" Valve Box
6" Electrofuse, Tee
6" Soft Pig
6" Msc. Parts
1/2" SS ball Valves
12 guage tracer wire
Silt Fence

Building Regulation, BRLF

6" Ball Valve, Full port
4" Ball Valve, Full port
6" Transition Fitting
6" 90's steel
6" Y-Strainer
6" sch. 40 x 21' pipe ERW
6" Steel Fange
6" Steel Fange Hardware
6" Tee
6" to 3" Reducer Bushing
6" Pipe stands
3" to 1/2" Reducer Bushing
Guages
Regulators

MSC Pipe
Gas straightner
Turbine Meter

Regulators

6" Ball Valve, Full port
6" sch. 40 x 21' pipe, ERW
6" Transition Fitting
6" 90's steel
6" Y-Strainer
6" Steel Fange
6" Steel Fange Hardware
6" Tee
6" to 2" Reducer coupling
6" Pipe stands
6" to 3" Reducer bushing
3" to 1/2" Reducer Bushing
Guages

Flow Calculator

Cellular Tech
Swage Lock fittings

Labor

Pipe Installation, 5000'
Bore Road
Erect Regulation, BRLF (Valvtronics)
Seed/Straw
Gravel/Rock
Sand
Opell, Electrofuse Tee

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2. Confirm that the special contract with the new customer will generate sufficient revenue to cover NEUC's variable costs and contribute to fixed costs.

Response: Confirm. The contract rate will cover all variable costs and contribute to fixed costs.

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3. Explain in full detail why NEUC could not provide service to the new customer under NEUC's filed tariffs, but instead must enter a special contract for service.

RESPONSE: NEUC's tariff provides for special contracts based on unusual customer loads or other special circumstances. To meet the needs of the customer and based on its gas supply demand, NEUC negotiated a contract that satisfied the customers operational and financial limitations. The tariff rate was economically prohibitive and would have precluded the sale of natural gas by NEUC. The benefit of the additional load on NEUC's system will provide additional revenue that otherwise would have been lost. The customer will be able to operate in an area that has high unemployment and depressed economy.

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4. Confirm that the new customer does not currently have, and has not had in the past, gas service at or in the general vicinity of its current location. If this cannot be confirmed, provide the name of the gas supplier(s) and a description of the pipeline facilities that are used to supply the gas.

RESPONSE: Confirm. The current property where the customer has located has not been served any other utility in the vicinity. The property has been served by NEUC or its predecessors since 1987.

5. Explain in specific detail the basis for NEUC's assertion that a certificate of public convenience and necessity for the proposed construction project is not necessary, and ensure to cite to the most current statutes and regulations.

RESPONSE: 807 KAR 5:001(15)(3) states:

(3) Extensions in the ordinary course of business. A certificate of public convenience and necessity shall not be required for extensions that do not create wasteful duplication of plant, equipment, property, or facilities, or conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general or contiguous area in which the utility renders service, and that do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

Based on the contract's terms, there is no financial impact on NEUC rate-payers or the current operations of the company. See section 2, page 1 of the contract, which describes the financing of the construction. This project will have no impact on the company's debt. The company's current plant in service is approximately \$6.9M. Because this project is being sized to meet the customer's demand and is less than 1% of NEUC's current plant in service, the investment relative to the positive revenue from the contract is not excessive. There will be no increase in charges to NEUC's other customers.

The project will not compete with the facilities of existing public utilities on the property because NEUC served the customer located on this property immediately prior to the current customer and the same facilities will be used to serve the current customer. No utility other than NEUC or its predecessors have served this property since 1987. Columbia Gas of Kentucky owns a pipeline believed to have been acquired from Inland Gas Company in early 1990's that traverses the property, but which has never been used to serve any customer on the property.

The project does not involve a sufficient capital outlay to materially affect NEUC's financial condition or to require an increase in rates. The capacity of the upgraded facilities is necessary to meet the contractual demand of the customer.

No facilities outside of the customer's property will be extended or modified. This is an extension of the existing service line on the property to relocate the primary service point. This extension will not result in the wasteful duplication of utility plant, which has been

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defined as “excess of capacity over need” and “an excessive investment in relation to productivity or efficiency.” *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 252 S.W.2d. 885, 890 (Ky. 1952). No plant is being duplicated, only new facilities related to the relocated service point are involved. The capacity is based on the specific requirements of the customer. There is no direct investment by NEUC. The efficiency and productivity of the facilities directly relate to the project needs of the customer and are fully funded by the customer, so the investment by NEUC cannot be classified as excessive. There is no other facility capable of providing the service and the extension is sized to meet the current and projected demand of the customer.

The MOP of the line will be 60 PSI and the normal daily operating pressure will be 30 PSI. The maximum daily rate will be 1,100 mcf's and the average daily rate will be 300 mcf's. Construction will be performed by Opell Construction and supervised by NEUC personnel and will take six to eight weeks to complete. Regulation upgrades will take place at the connection currently serving the existing six (6) inch main. NEUC will also install a GE 16 M175 B Sr. 3 CD meter. Construction will begin in May 2018.

Based on these facts, NEUC believes that the project does not need a certificate of convenience and necessity

6. Explain why NEUC did not request a declaratory ruling regarding whether the proposed project would be exempt under the ordinary course of the business exemption set forth in 807 KAR 5:001, Section 15(3).

RESPONSE: 807 KAR 5:001(15)(3) does not require a declaratory ruling. No application for approval of an ordinary extension is required. NEUC meets the criteria for ordinary extension as described above. The extension is an essential component of the service required by the special contract. Filing a separate request for declaratory opinion for the ordinary extension and then filing for approval of the special contract would unduly delay the approval process and NEUC's ability to meet the service dates of the customer. The information for the extension was included with the special contract so the Commission has all information related to the project. Because the contract requires the construction described, approval of the special contract necessarily includes approval of the associated construction and financing.