

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ANNUAL PIPELINE)	Case No.
REPLACEMENT PROGRAM FILING OF APACHE)	2023-00124
GAS TRANSMISSION COMPANY, INC.)	

ORDER

On April 12, 2023, Apache Gas Transmission Co., Inc. (Apache) filed a motion for extension of time to file its annual status report for its Pipeline Replacement Program (PRP), which was due on March 1, 2023, and to change the annual filing date for the status report to June 1. On April 21, 2023, Apache filed its annual report in which it states that it has completed all projects approved for inclusion in its PRP and proposes no change in the PRP rate. There are no intervenors, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

LEGAL STANDARD

KRS 278.509 allows a utility to recover costs for investment in natural gas pipeline replacement programs that are not recovered in existing rates, provided that the Commission determines that the costs are fair, just and reasonable. Similarly, in accordance with KRS 278.030, the Commission must determine whether the rates are fair, just and reasonable.¹

¹ KRS 278.030; *Pub. Serv. Comm'n v. Com. ex rel. Conway*, 324 S.W.3d 373, 377 (Ky. 2010).

BACKGROUND

Apache's PRP was initially approved in Case No. 2017-00168 to fund certain replacements and repairs to Apache's existing natural gas pipelines necessary to correct issues identified by the Commission's Division of Inspections.² In that case, the Commission granted approval to begin recovering PRP amounts of \$3.00 per residential customer and \$3.50 per commercial customer, through the local gas distribution company that is Apache's sole customer, to pay the debt service on two loans that financed the approved projects.³

In Case No. 2018-00106,⁴ Apache filed an application to revise its PRP rates as the prior approved charges were not going to provide sufficient funds to cover the debt service of the yet to be closed second loan. The Commission approved an additional \$0.29 per MCF volumetric charge to generate sufficient revenues to cover the debt service of the second loan. The Commission required that revenue from the PRP rates be held in escrow and used repay the loans used for the approved PRP projects.⁵

² Case No. 2017-00168, *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 Surcharge and Tariff* (Ky. PSC Aug. 29, 2017), Order.

³ Case No. 2017-00168, Dec. 21, 2017 Order.

⁴ Case No. 2018-00106, *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* (Ky. PSC Apr. 17, 2018), Order.

⁵ See Case No. 2017-00168, Aug. 29, 2017 Order at 5-6; Case No. 2018-00106, Apr. 17, 2018 Order at 2.

In Case No. 2019-00032,⁶ the Commission authorized Apache to include repairs to its Marrowbone Creek pipeline to Apache's PRP program. Apache did not request approval of additional financing because the total costs of the project were not known. There was no change in the surcharge at this time.

In Case No. 2020-00067,⁷ Apache reported that it had completed all approved projects, including the Marrowbone Creek project. Apache stated that it would need additional financing to cover the remaining costs of the PRP work. Apache did not seek a rate adjustment in Case No. 2020-00067 and stated that approval would be requested for any necessary increase in the PRP rate when Apache finalized and sought approval for financing.

In Case No. 2021-00120,⁸ Apache notified the Commission that the Small Business Administration (SBA) was making payments on Apache's outstanding PRP loans. Apache reported that with the SBA funding, the funds collected through the PRP surcharge were adequate to cover the debt service on the approved loans and a portion of the costs of the Marrowbone Creek Project. Apache indicated that an increase in the PRP could be needed to pay the remaining costs of the Marrowbone Creek project, but did not seek an increase at that time.

In Case No. 2022-00057, Apache stated that the SBA covered its loan payments from February 2020 through June 2020 and from February 2021 through June 2021,

⁶ Case No. 2019-00032, *Electronic Annual Pipeline Replacement Program Filing of Apache Gas Transmission Company, Inc.* (Ky. PSC May 24, 2021), Order.

⁷ Case No. 2020-00067, *Adjustment of the Pipe Replacement Program Rider of Apache Gas Transmission Company, Inc.* (Ky. PSC Mar. 26, 2020), Order.

⁸ Case No. 2021-00120, *Electronic Annual Pipeline Replacement Program Filing of Apache Gas Transmission Company, Inc.* (Ky. PSC May 24, 2021), Order.

which allowed Apache to meet its PRP obligations, and again Apache did not propose a change in its PRP surcharge. To facilitate Commission review of Apache's PRP, the Commission ordered Apache to file cost supports with its annual PRP filing and to file its next report no later than March 1, 2023.

In this case, Apache stated that it is currently evaluating its system to determine if any other projects would qualify for inclusion in the PRP program. Apache further stated that the PRP fees collected in 2022 were short of the amount needed to cover the debt service for the calendar year 2022, and that a separate filing for authorization would be made to raise the per/Mcf PRP fee to 0.063 to ensure that the annual PRP collections are enough to cover the debt service.

In support of its motion for an extension of the filing deadline established in Case No. 2022-00057, Apache stated that due to a change in the email and calendar systems of Apache's counsel, the PRP report filing date was not carried over to the new calendar system and the March 1, 2023 deadline was missed. Apache asserted that a motion for extension was filed as soon as the error was discovered, and that it has taken steps to ensure that the annual filing is filed by the deadline in the future. Apache requested the annual filing deadline be changed from March 1 to June 1 of each year because the months of March through May are busy months for Apache as its annual filings to the Commission and to the Department of Revenue are both due during these months. Apache asserted that it is a small company, and that changing the filing deadline for its annual PRP report to June 1 each year would help to evenly disperse some of the work required to produce these the annual filings.

DISCUSSION AND FINDINGS

The Commission finds that Apache has shown good cause for an extension of time to file the 2023 PRP annual report, and that Apache's motion for an extension of time to file its 2023 PRP report to May 1, 2023, should be granted. According to Apache, the failure to file by the March 1 deadline was the result of a change to counsel for Apache's email and calendar system and was addressed as soon as the error was discovered. The Commission also finds that Apache's request to move the annual filing deadline to June 1 is reasonable and should be granted.

Regarding the annual PFP report, the Commission finds that Apache should continue to file with each annual report cost supports, including itemized costs of PRP projects not previously provided, a breakdown of the most recent annual PRP revenue by month with monthly customer counts and Mcf sales, and documentation showing disbursements from the escrow account for the most recent calendar year, shall. Based upon the review of the current PRP revenue and debt service expenses, the Commission further finds that the rates should remain unchanged at this time and that the current PRP rates are fair, just and reasonable.

IT IS THEREFORE ORDERED that:

1. Apache's motion for an extension of time to file its 2023 annual PRP report to May 1, 2023, is granted.
2. Apache's motion to change the annual filing date for its annual PRP report to June 1 of each year is granted.
3. Apache shall continue to collect its PRP surcharges subject to the escrow terms contained in the final Orders in Case No. 2017-00168 and Case No. 2019-00032.

4. Apache shall file cost supports as discussed above with its next annual PRP report and any future annual PRP report until the Commission orders otherwise.

5. Apache shall file its next annual PRP report with the Commission no later than June 1, 2024.

6. Any request to increase or decrease the PRP rate shall be made in a separate proceeding.

7. This case is closed and removed from the Commission's docket.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

PUBLIC SERVICE COMMISSION

Walt Chil

Chairman

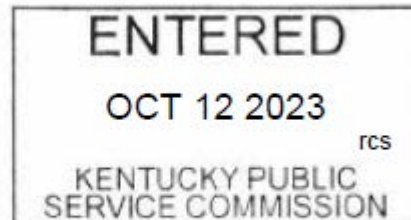
Angela Hatten

Vice Chairman

by KAC w/permission

May Pat Rogan

Commissioner



ATTEST:

Linda C. Bidwell

Executive Director

*L. Allyson Honaker
Honaker Law Office, PLLC
1795 Alysheba Way
Suite 6202
Lexington, KENTUCKY 40509

*Brittany H. Koenig
Honaker Law Office, PLLC
1795 Alysheba Way
Suite 6202
Lexington, KENTUCKY 40509

*Apache Gas Transmission Co., Inc.
2718 Wesley Street
Greenville, TX 75402

*David T Shirey, Jr.
President
Apache Gas Transmission Co., Inc.
2718 Wesley Street
Greenville, TX 75402