

July 5, 2019

VIA HAND DELIVERY

Public Service Commission
Attn: Gwen R. Pinson, Executive Director
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602-0615

RECEIVED
JUL 05 2019
PUBLIC SERVICE
COMMISSION

RE: Jetta Operating Appalachia, LLC
Response to Request for Information Concerning Notification and Odorization Issues

Dear Ms. Pinson:

Please find enclosed one original and seven copies of "Jetta's Response to Request for Information Concerning Notification and Odorization Issues." We have enclosed one additional copy that we would request be returned to our office in the enclosed self-addressed, stamped envelope.

Should there be any questions or additional information needed, please do not hesitate to contact me.

Very truly yours,



Karen Greenwell

KJG/hd
Enclosures
61853948.1

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 05 2019

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF JETTA OPERATING
APPALACHIA, LLC FOR INITIAL RULES,
REGULATIONS, AND RATES FOR FURNISHING
GAS SERVICE PURSUANT TO KRS 278.485

CASE NO.
2018-00212

JETTA'S RESPONSE TO REQUEST FOR INFORMATION

CONCERNING NOTIFICATION AND ODORIZATION ISSUES

Jetta Operating Appalachia, LLC ("**Jetta**"), submits this objection and response to the requests of the Commission staff for information concerning notification and odorization issues.

Jetta objects to being required to respond to these information requests, because the subject of the requests, and the related proposed impositions, are unrelated to and exceed the very specific obligations imposed by KRS 278.485 on a producer/gatherer such as Jetta. For that reason, both the requests and the obligations the Commission proposed to impose on Jetta are unsupported and unduly burdensome.

As Jetta has previously made clear, Jetta is not a utility. It produces and

gathers natural gas for itself – not for the public. It operates over 400 wells and hundreds of miles of gathering pipelines. It is not in the business of selling or making gas available to residential end-users. However, through the dictates of KRS 278.485 (the “**Farm Tap Statute**”), the General Assembly has imposed on Jetta the unwanted obligation to make gas available to certain individuals, but only within the narrow confines of the express terms of the Farm Tap Statute. In recognition of the substantial burden the Farm Tap Statute places on a producer/gatherer such as Jetta, the General Assembly provided very specific limitations on the obligations of a producer/gatherer under that statute. The Farm Tap Statute is also very specific about the obligations and risks allocated to the recipient of gas pursuant to that statute.

There is no mention in the Farm Tap Statute of any obligation to identify any person who might be eligible to receive access to gas (“**Eligible Applicants**”) or to notify or solicit any Eligible Applicants to receive gas access. With regard to the equipment and pipeline necessary to make gas available to an Eligible Applicant, Section (2) of the Farm Tap Statute requires only that a producer/gatherer such as Jetta “provide, install and maintain the necessary gas meters.” That same provision makes the gas recipient responsible for all other aspects of the construction, maintenance and repair of any necessary pipelines or other required equipment. The Commission has recognized this statutory allocation of obligations in 807 KAR 5:026 §3(6) and (7).

The first of those sections, Subsection (6), limits the obligations of a producer/gatherer such as Jetta to furnishing, installing and maintaining the “meter

and the service tap, including saddle and first shutoff valve, which shall remain its property.” Subsection (7) allocates to the gas recipient the obligation to furnish, install and maintain at their own cost and expense “all other approved equipment and material required for the service.” (emphasis added) Under both the Farm Tap Statute and the Commission’s own regulations, any equipment necessary to artificially odorize gas supplied pursuant to the Farm Tap Statute must be furnished, installed and maintained by the gas recipient – not the producer/gatherer. Consequently, any requirements in that regard should be part of the pipeline construction obligations of the gas recipient, not part of Jetta’s tariff.

Notwithstanding its objection, Jetta submits the following substantive responses to the information requests.

1. *Provide the estimated cost that Jetta would incur to identify individuals who may come within the scope of KRS 278.485.*

Answer: Jetta estimates that it would cost approximately \$26,550 for it to attempt to identify the owners of properties that are within ½ mile of any of Jetta’s wells or pipelines and to solicit the identified property owners as recipients of gas pursuant to KRS 278.485. This expense was not, of course, included in Jetta’s tariff gas price per mcf.

- Purchase Updated County Tax Shapefiles @ \$2,000 (Perry, Letcher, Leslie) \$6,000.00
- Contract Field Landman 10 days @ \$575/Day (Verify Owners on County Level) \$5,750.00
- Company Mapping Cost 80hrs @ \$100/hr (Download files and create maps) \$8,000.00
- Company Administrative Cost 40hrs @ \$20/hr (Mailings) \$800.00
- Company Oversight Cost 40hrs @ \$150/hr (company oversight and approval) \$6,000.00

2. *Explain in full detail whether the natural gas that Jetta provides to its farm*

tap customers has a natural odorant. If some, but not all, of the natural gas Jetta furnishes to its farm tap customers contains a natural odorant identify the portions of Jetta's farm tap system that furnishes naturally odorized gas to customers, and state how Jetta determined which lines contains gas with a natural odorant.

Answer: Jetta has no knowledge regarding the existence or extent of natural odorant contained in any gas it makes available to gas recipients from a tap installed pursuant to the mandates of KRS 278.485 (a "**Statutory Farm Tap**"). Jetta is aware that the gas produced from some of its wells has a natural odor because the smell is evident to Jetta's personnel who may be exposed to the gas. However, Jetta cannot say with certainty that all of the gas from each of its hundreds of wells has a natural odor. Gas made available through a Statutory Farm Tap is generally co-mingled gas which has been produced from more than one well, and sometimes from many wells.

While Jetta personnel may be exposed to gas from its wells on occasion in the ordinary course of Jetta's development and operation of those wells, Jetta's activities with regard to Statutory Farm Taps after installation of the tap and meter is limited to periodic meter reading. That activity typically would not expose Jetta personnel to the gas being made available through the Statutory Farm Tap.

3. *If Jetta's natural gas does contain a natural odorant, explain in full detail whether the natural odorant complies with 807 KAR 5:026, Section 6(12), which requires a combustible gas in a distribution line to contain a natural odorant or be odorized so that at a concentration in air of one-fifth of the lower explosive limit, the gas is readily detectable by a person with a normal sense of smell.*

Answer: Jetta has no knowledge or information with regard to level of natural odorant contained in any gas produced from any of its wells. Jetta is not a gas or natural gas distribution company, and it is not a utility. It only makes unprocessed, field-quality gas available as it is required to do by the Farm Tap Statute. Jetta does

not test gas made available through a Statutory Farm Tap for odor or any other characteristic. To Jetta's knowledge no producer/gatherer currently tests, has ever tested, or has ever been required to test, gas made available through a Statutory Farm Tap for odor or any other characteristic.

4. *Explain in full detail whether Jetta conducts periodic sampling of combustible gases in its lines using an instrument capable of determining the percentage of gas in air at which the odor becomes readily detectable. If so, provide the results of such sampling for 2017, 2018, and through June 2019.*

Answer: Jetta does not conduct such testing, and to its knowledge no producer/gatherer making gas available through a Statutory Farm Tap currently tests, has ever tested, or has ever been required to test gas for odor.

5. *Provide detailed estimates of costs that Jetta would incur to odorize the natural gas that Jetta provides to its farm tap customers.*

Answer: Jetta estimates that odorizing gas made available from a Statutory Farm Tap would entail the following costs for each Statutory Farm Tap:

- | | |
|---|-------------------------|
| • Odorant drip bottle cost including materials and installation | \$500.00 (one-time fee) |
| • Well Operator 2hrs month @ \$24/hr | \$48.00/month |
| • Chemical Drip cost | \$25.00/month |

These costs are based on the cost of purchasing and installing the equipment at each Statutory Farm Tap to dispense odorant (referenced generally as a "**drip bottle**") as well as the monthly cost of odorant and routine monthly monitoring and maintenance of the equipment and odorant. Jetta has not estimated a cost of testing gas made available through a Statutory Farm Tap for compliance with the odorant levels set forth in 807 KAR 5:026, Section 6(12). Nor does this estimate include compensation to Jetta for the additional risk of liability that could be imposed on it if it, and not the gas recipient, were required to provide the odorization referenced in 807 KAR 5:026, Section 6(12). That

potential for increased liability is a matter of significant concern to Jetta, and Jetta should be compensated for that additional risk in its tariff.

This \$500 onetime setup fee, the \$73 monthly reoccurring fee and any risk charge was not, of course, accounted for in original tariff price per mcf submitted by Jetta.

Respectfully submitted,

A handwritten signature in cursive script, reading "Karen Greenwell", written over a horizontal line.

Karen J. Greenwell
WYATT, TARRANT & COMBS, LLP
250 West Main Street, Suite 1600
Lexington, KY 40507-1746
(859) 288-7636

Counsel for Jetta Operating Appalachia,
LLC

CERTIFICATION

I, Jack Huxel, in my capacity as Senior Landman of Jetta Operating Company, Inc. which is the manager of Jetta Operating Appalachia, LLC, certify that I supervised the preparation of the forgoing responses to requests for information provided by Jetta Operating Appalachia, LLC, and that they are true and accurate to the best of my knowledge, information and belief, formed after reasonable inquiry.

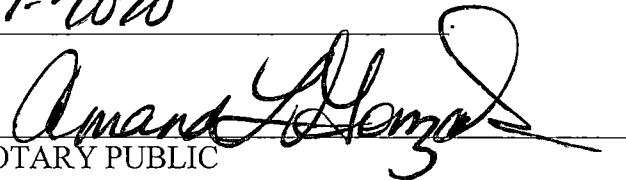
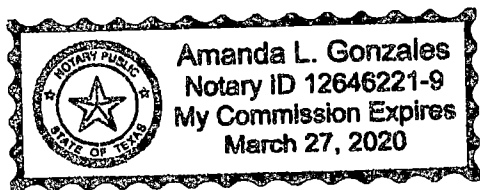


Jack Huxel, Sr. Landman
Jetta Operating Company, Inc., Manager
Jetta Operating Appalachia, LLC

STATE OF TEXAS)
) :SS
COUNTY OF TARRANT)

The foregoing Certification was subscribed and sworn before me this 1st day of July 2019, by Jack Huxel as Senior Landman of Jetta Operating Company, Inc. which is the manager of Jetta Operating Appalachia, LLC.

My commission expires: 3-27-2020


NOTARY PUBLIC