

Henry Walker
hwalker@bradley.com
615.252.2363 direct



October 30, 2019

RECEIVED

OCT 31 2019

PUBLIC SERVICE
COMMISSION

Gwen R. Pinson, Esq., Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: Case No. 2019-00241
Purchased Gas Adjustment of Navitas KY NG, LLC

Dear Ms. Pinson:

On behalf of B&W Pipeline, LLC (“B&W”), I am writing to let the Commission know that, although no written order has yet been issued, the Tennessee Public Utility Commission voted on October 14, 2019 to replace B&W’s current flat and volumetric rates that were set by the Tennessee Commission in 2016 with a single, volumetric rate of \$1.23248 per Mcf. That rate, which was effective October 14, 2019, applies only to the transportation of gas delivered to Navitas TN and consumed by end users in Tennessee.

This docket was opened when Navitas KY filed its GCR Report on July 8, 2019. In the report, Navitas KY said the Commission must determine whether Navitas KY should flow through to its Kentucky customers gas transportation charges based on the interstate rate recently set by the Federal Energy Regulatory Authority (“FERC”) or based on the flat monthly rate set by the Tennessee Commission in 2016, a pro rata share of which was intended to be allocated to Navitas KY.

Since the issuance of the final FERC Order on May 17, 2019 setting an interstate transportation rate of \$2.7172 for B&W Pipeline, the pipeline has been required by federal law to bill that rate to Navitas KY.¹ Nevertheless, Navitas KY has continued to argue that instead of charging the FERC rate, B&W Pipeline should continue charging the flat rate of \$13,897 per month set by the Tennessee Commission in 2016 and allocated by Navitas between its Tennessee and Kentucky operations. That argument, which had no legal basis whatsoever, is now, in any event, moot. The flat rate has been abolished and replaced with a volumetric rate that applies only to gas consumed in Tennessee.

¹ On August 6, 2019, this Commission issued an Order approving on an “interim” basis using the FERC rate to calculate the gas transportation costs of Navitas KY. Since that time, Navitas KY has presumably billed and collected those charges from its customers.

207335-301001
4821-8718-8395.1

B&W does not anticipate the need to make any further comments in this docket but will be glad to respond to any questions from the Commission that may arise.²

Sincerely,

BRADLEY ARANT BOULT CUMMINGS, LLP



Henry Walker

² Since the issue of which rate to apply is now moot, there is no need for B&W to file comments responding to all of the factual and legal misstatements made in the “Attorney General’s Comments” filed October 11, 2019. Suffice it to say that (1) as described in the “Stipulation and Agreement,” the FERC settlement was reached following negotiations between B&W and the FERC Staff and was not a “unilateral settlement” as described in the Attorney General’s Comments (see “Stipulation and Agreement,” Article II); (2) the FERC rate does not “embed” the purchase price of 96 oil and natural gas wells as stated in the Comments but expressly excludes them, reducing B&W’s rate base by \$1,278,329 (see Stipulation and Agreement, Article III, Section C and Attachment C, Schedule 2); and (3) once B&W elected to file a FERC rate case instead of adopting the Tennessee rate, B&W cannot later “re-elect state rate regulation” as erroneously discussed in the Comments. See B&W’s letter of July 16, 2019 and 18 C.F.R. § 284.123(b)(2)(iii).