

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION OF SERVICE AND RATES ) ADMINISTRATIVE  
TO KRS 278.485 GAS CUSTOMERS ) CASE NO. 342

O R D E R

On October 8, 1992, the Commission established this proceeding and requested information from gas pipeline companies regarding gas service provided pursuant to KRS 278.485 ("farm tap service"). Based upon the information received, the Commission has established a service list, attached as an Appendix to this Order, which is comprised of those gas pipeline companies which have rates for farm tap service. Gas pipeline companies responding which either provide no such service or do so for free in exchange for a right-of-way or lease agreement have not been included in the service list. The Appendix also includes any party which has requested to be added to the service list.

As stated in its October 8, 1992 Order, the Commission has a statutory responsibility to review and approve rates for farm tap service. The Commission seeks input and recommendations from gas pipeline companies and other interested parties regarding the manner and extent to which rates for farm tap service should be filed with and reviewed by the Commission.

IT IS THEREFORE ORDERED that each member of the service list attached as an Appendix herein shall file an original and six copies of the following information with this Commission within 15

days of the date of this Order. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

1. In the provision of farm tap service, have your costs been limited to making the initial tap, setting the meter and related equipment, and billing the customer for continued service? If not, what additional costs are incurred?

2. What is the BTU content of the gas provided to your farm tap customers?

3. Pursuant to KRS 278.485, a gas pipeline company can "[a]bandon any gas well or any gathering pipeline . . . and remove any such abandoned pipeline or lines." In such case, service to a farm tap customer can be terminated. Have you ever abandoned a gas well or gathering pipeline which resulted in the termination of service to farm tap customers?

4. How did you determine the existing rate charged to your farm tap customers?

5. Is your existing rate stipulated by contract? If yes, does the contract allow the rate to be changed?

6. If the business entity which provides the farm tap services indicated in the responses to the initial request in this proceeding maintains separate accounts and/or prepares financial statements for the farm tap service operations, provide a copy of the balance sheet and income statement for the most recent 12-month

period or fiscal year available. If no financial statements are available, provide the following:

a. The total revenues resulting from the provision of farm tap service for the most recent company fiscal year.

b. The costs incurred in the provision of farm tap service for the most recent company fiscal year in as great a detail as possible.

c. An explanation of the accounting and financial reporting system used to monitor the financial condition of the business.

7. Does your company capitalize, and keep segregated from other assets, the cost of any assets that are strictly related to the provision of farm tap service? If so, provide a listing of those assets along with each of the asset's original costs, i.e., the costs incurred when the assets were first dedicated to the provision of farm tap service. Additionally, provide the accumulated depreciation related to these assets and the depreciation methodology and asset lives used.

8. Provide the date you last changed the rate for your farm tap customers along with the rate prior to the change. Also, explain how you determined that the rate should be changed.

9. Explain the corporate structure of the company, division, or subsidiary providing the farm tap service including the relationship to other affiliated companies, the tax status, the nature of the business conducted by the affiliated companies and any

regulatory bodies or governmental units to which financial or any other type of reports are filed.

10. In lieu of full rate base regulation, what type of indices or other published information does your company feel would be appropriate for this Commission to use in determining a reasonable farm tap rate, if any? Why? Explain in detail why you believe this is an appropriate methodology and will result in fair, just, and reasonable rates.

11. In the past, the Federal Energy Regulatory Commission ("FERC") has established the maximum lawful price (MLP) that could be charged for gas based on a categorization by well types. Provide the number of wells your company has of each well type and how many customers are served from each well category.

12. If this Commission determined that the most reasonable rate setting mechanism involved averaging the selling prices received by the company for its gas entering the interstate market, what other factors would need to be considered in setting the rate to farm tap customers?

13. Since the farm tap customers are subject to interruption in gas supply, would an average in-state interruptible rate classification best reflect the nature of the service provided? Why or why not?

14. Explain the source of the gas provided to the farm tap customers. If the gas is supplied from sources other than the local well, explain the gas supply arrangements and provide a copy of the contract for the gas supply.

Done at Frankfort, Kentucky, this 10th day of December, 1992.

PUBLIC SERVICE COMMISSION

  
For The Commission

ATTEST:

  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN ADMINISTRATIVE CASE NO. 342 DATED 12/10/92

Ashland Exploration, Inc.  
P. O. Box 391 (AT7)  
Ashland, KY 41101

Baiden Gas Company  
Route 5, Box 261  
Louisa, KY 41230

Bear Fork Gas  
c/o Amos Newsom  
Route 4, Box 783  
Pikeville, Ky 41501

CD&G Development Co.  
P. O. Box 2728  
Pikeville, KY 41501

Cobra Oil & Gas, Inc.  
P. O. Box 511  
Salyersville, KY 41465

Columbia Gas Transmission Corp.  
P. O. Box 1273  
Charleston, WV 25325

Columbia Natural Resources, Inc.  
P. O. Box 1273  
Charleston, WV 25325

Columbus Hobbs, Operator  
P. O. Box 270  
Ashland, KY 41101

Delta Natural Gas Co., Inc.  
3617 Lexington Road  
Winchester, KY 40391

Equitable Gas Co.  
420 Boulevard of the Allies  
Pittsburgh, PA 15219

Holly Creek Production Corp.  
602 Insurance Exchange Bldg.  
505 5th Avenue  
Des Moines, IA 50309

Huntington Energy Corp.  
Route 2, Box 278  
Corbin, KY 40701

Huntington Oklahoma Oil Co.  
P. O. Box 424  
Huntington, WV 25709

Interstate Natural Gas Co.  
130 Hibbard St.  
Pikeville, KY 41501

J. W. Kinzer & Affiliated  
Companies  
P. O. Box 155  
Allen, KY 41601

Jack's Creek Oil & Gas Co.  
P. O. Box 902  
Pikeville, KY 41501

Jake's Branch Gas Co.  
c/o Bill Weinberg  
P. O. Box 783  
Hindman, KY 41822

Jefferson Gas Transmission Co.  
P. O. Box 610  
Jackson, KY 41339

John Allen, Trustee  
P. O. Box 441  
Prestonsburg, KY 41653

KRCC Oil & Gas Co.  
200 W. Vine St.  
Suite 8K  
Lexington, KY 40507

Magnum Drilling of Ohio, Inc.  
P. O. Box 5119  
Ashland, Ky 41105-5119

Merit Gas and Oil Co., Inc.  
P. O. Box 219  
Barbourville, KY 40609

Midway City Gas Co.  
412 Sixth Ave.  
Huntington, WV 25701

Montgomery Creek Gas Co.  
c/o Bill Weinberg  
P. O. Box 783  
Hindman, KY 41822

North East Gas Corp.  
P. O. Box 5663  
Ashland, KY 41105

Orbit Gas Company  
P. O. Box 2100  
Henderson, KY 42420

Osborne Oil and Gas  
P. O. Box 37  
Hueysville, KY 41640

Penn Virginia Resources Corp.  
P. O. Box 386  
Duffield, VA 24244

Petroleum Exploration &  
Transmission, Inc.  
P. O. Box 715  
London, KY 40743

Prather Drilling & Producing Co.  
P. O. Box 386  
Inez, KY 41224

R. E. Riley & Co.  
Box 310  
Pineville, WV 24874

Riley-Scott Gas Co.  
P. O. Box 507  
Pikeville, KY 41501

Southeastern Gas Co.  
P. O. Box 2347  
Charleston, WV 25328-2347

The Wiser Oil Co.  
P. O. Box 460  
Corbin, KY 40701

W. E. Elliott, Jr.  
Box 2828  
Pikeville, KY 41501

W. W. Lindsey Enterprises  
P. O. Box 902  
Pikeville, KY 41501

Winmar Corporation  
1500 West Main  
Lexington, KY 40505



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