

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO EQUITABLE GAS) CASE NO.
COMPANY'S STATUS AS A PROVIDER OF FARMTAP) 92-168
SERVICE)

O R D E R

On April 17, 1992, the Commission initiated an investigation into the status of Equitable Gas Company ("Equitable Gas"). At issue is whether Equitable Gas should continue to be considered a supplier of "farm-tap service." Having reviewed the evidence gathered during that investigation, Commission finds in the affirmative.

Equitable Gas supplies natural gas to approximately 4,296 customers in eastern Kentucky. Aside from gas meters and gas meter installations, Equitable Gas has no gas distribution facilities in Kentucky. It functions primarily as the distribution agent for Kentucky West Virginia Gas Company ("Kentucky West"), a natural gas producer and interstate pipeline. Both companies are subsidiaries of Equitable Resources, Incorporated.

Equitable Gas serves its customers directly off Kentucky West's pipelines. It taps into Kentucky West's gathering lines and installs gas meters. Kentucky West considers each meter a discrete delivery point. In essence, Kentucky West sells its gas to

Equitable Gas at each metering point. Equitable Gas in turn immediately resells gas to its retail customer.

As set forth in its filed tariff, Equitable Gas provides limited service. It serves only rural service connections in close proximity to Kentucky West's gathering lines, well connecting lines and related facilities. The point of delivery is always at Kentucky West's system. Service is not guaranteed. Equitable Gas may abandon service to any customer served from any line or well which Kentucky West abandons or discontinues. Unlike local gas distribution companies ("LDCs"), which must supply gas within specified operating conditions and gas specification, it supplies gas within gathering line regulations. Finally, its customers are responsible for supplying, maintaining, and operating the necessary regulator and service line.

KRS 278.485 and Commission Regulation 807 KAR 5:026 permit such limited service in the case of "farm-tap service." These provisions, however, apply only to the owners of producing gas wells or gas gathering pipelines. Equitable Gas is neither. Furthermore, a Commission Staff inspection revealed that Equitable Gas was providing some farm-tap service from gas transmission lines, not merely gas gathering lines.

Although conceding that it does not own any gas gathering lines or producing wells, Equitable Gas contends the Commission has authorized it to provide farm-tap service. It notes that, prior to 1958, Kentucky West provided farm-tap service as mandated by KRS

278.485. In Case No. 3563,¹ the Commission authorized Kentucky West "to transfer its present and future retail domestic customers to Equitable Gas Company."² In granting such authorization, the Commission noted that its action would "result in Kentucky West Virginia Gas Company's eliminating its retail distribution of natural gas to domestic customers."³ Equitable Gas contends that this action implicitly, if not expressly, authorized it to provide the service which it currently provides. The Order, Equitable Gas contends, authorizes it to provide the service which Kentucky West would have been required to provide but for the transfer.⁴

Equitable Gas also argues that serving customers off Kentucky West's gas transmission lines does not alter its status as a provider of farm-tap service. It contends that only a small fraction of its customers are served off such lines and most of these customers were served in such manner prior to the 1958 transfer.

¹ Case No. 3563, Joint Application of Kentucky West Virginia Gas Company and Equitable Gas Company For a Certificate of Public Convenience and Necessity Authorizing the Former To Transfer Its Retail Domestic Customers to the Latter; and Application By Equitable Gas Company For Disclaimer of Jurisdiction Over or In the Alternative for Approval of the Issuance of Securities.

² Id., Order dated December 1, 1958, at 4-5.

³ Id. at 2.

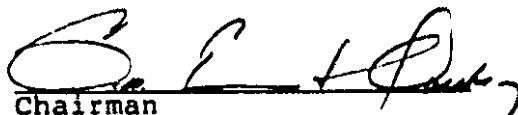
⁴ Limitations on the extent to which KRS 278.485 may require Kentucky West or Equitable Gas to provide gas service exist. See Pub. Serv. Comm'n v. Fed. Energy Regulatory Comm'n, 610 F.2nd 439 (6th Cir. 1979).

Based upon its review of the evidence of record and being otherwise sufficiently advised, the Commission finds that this investigation should be closed. Equitable Gas's present action is authorized by and consistent with the Commission's prior Order. The Commission, however, cautions Equitable Gas that any attempt to serve new customers off Kentucky West's transmission lines may alter its status as a farm tap service provider and subject it to more extensive service requirements.

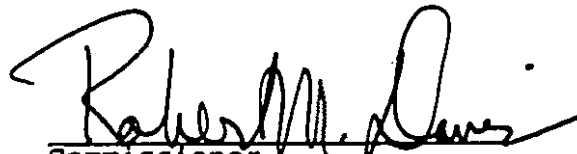
IT IS THEREFORE ORDERED that this investigation is closed and this case shall be removed from the Commission's docket.

Done at Frankfort, Kentucky, this 8th day of February, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director