

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

On October 8, 1992, the Commission established this proceeding to determine the manner and extent to which rates for service provided pursuant to KRS 278.485 (farm tap service) should be filed with and reviewed by the Commission. During the course of this investigation, the Commission requested input and recommendations from gas pipeline companies and other interested parties regarding what, if any, changes were required in 807 KAR 5:026, Gas Service; gathering systems, to allow the Commission to perform its regulatory responsibility.

In response to information requested in its October 8, 1992 Order, the Commission established a service list comprised of those gas pipeline companies which have rates for farm tap service. Companies which either provide no farm tap service or do so in exchange for a right-of-way or lease agreement (free gas service) were not included in the service list.

Subsequently, in its December 10, 1992 Order, the Commission requested certain information from the parties including existing rates and historic costs for providing farm tap service; accounting methods used for the company's farm tap operations; and each company's opinions and recommendations on what it considered to be

a reasonable basis and procedure for the Commission to use to determine the reasonableness of a farm tap rate.

In its August 6, 1993 Order, the Commission included proposed changes to 807 KAR 5:026 and a summary of the application and review procedure established for a proposed increase in farm tap rates. Comments were requested from the gas pipeline companies and other interested parties. Included in the proposed changes was a tiering procedure whereby any company which served more than 400 farm tap customers would be required to file an application for a change in rates pursuant to KRS 278.190 and 807 KAR 5:001, Section 10. In other words, gas pipeline companies with more than 400 customers would be subject to full rate base regulation similar to natural gas distribution utilities.

Prior to its September 27, 1993 hearing, the Commission received comments from two companies: Ashland Exploration, Inc. and Columbia Natural Resources. Both companies stated that the proposed tiering is unfair and that the requirement for full rate base review is unreasonable, unworkable, and overly burdensome.

Based upon the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. The Commission has a statutory responsibility to review and approve rates for farm tap service. KRS 278.485.

2. 807 KAR 5:026, Section 9(2), provides that "(E)ach gas company shall charge . . . tariff rates which have been approved by the commission, or if none, current Federal Energy Regulatory

Commission [FERC] approved rate." The FERC approved rate referred to the ceiling prices established by the Natural Gas Policy Act of 1978, some of which were decontrolled in 1985. The remaining categories of gas and their respective ceiling prices were decontrolled on January 1, 1993.

3. Attached as an Appendix to this Order are proposed changes to 807 KAR 5:026 absent the tiering procedure. The proposed changes should allow the Commission to perform its statutory responsibility without imposing an undue burden on gas pipeline companies or impeding their continued operation.


4. The proposed changes to 807 KAR 5:026 should be submitted to the Legislative Research Commission to initiate promulgation as an administrative regulation pursuant to KRS chapter 13A.


IT IS THEREFORE ORDERED that this case be and hereby is closed.

Done at Frankfort, Kentucky, this 9th day of May, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCK PUBLIC SERVICE
COMMISSION IN ADMINISTRATIVE CASE NO. 342 DATED May 9, 1994

807 KAR 5:026. Gas service; gathering systems.

RELATES TO: KRS Chapter 278

STATUTORY AUTHORITY: KRS 278.485(3)

NECESSITY AND FUNCTION: KRS 278.040(3) provides that the

commission may adopt, in keeping with KRS Chapter 13A, reasonable regulations to implement the provisions of KRS Chapter 278. KRS 278.485(1) provides that gas service shall be furnished at rates and charges as determined by the commission. KRS 278.485(3) requires that installation and standards of safety for installation of service lines may be prescribed by the commission. This regulation establishes rules which apply to service from natural gas gathering pipeline systems.

Section 1. Definitions. For purposes of this regulation:

(1) "Average volumetric rate" means the rate of a local gas distribution utility subject to rate regulation by the commission which is an average of the utility's volumetric retail gas sales rates for residential customers as authorized by the commission.

(2) [~~"Commission" means Public Service Commission.~~]

"Customer meter" means the meter that measures the transfer of gas from gas company to consumer.

(3) "Customer piping" means section(s) of natural gas piping owned by the customer as established by Section 3 of this regulation.

(4) "Gas company" means the owner of any producing gas well or gathering line.

(5) "Gathering line" means any pipeline gathering gas from a producing gas well excluding pipelines on the discharge side of compressor stations.

(6) "Interior fuel gas piping" means the line from point of entry into the building to point or points of utilization.

(7) "Price index" refers to the producer price index-utility natural gas (PPI 05-5), and means the average of the PPI 05-5 for the most recent twelve (12) month period as published monthly by the United States Department of Labor, Bureau of Labor Statistics.

(8[7]) "Service line" means a line that transports gas from a gathering line to:

(a) A customer meter or the connection to a customer's piping, whichever is farther downstream; or

(b) The connection to a customer's piping if there is no customer meter.

(9[8]) "Yard line" means a line that transports gas from:

(a) A customer meter or the connection to a customer's piping, whichever is farther downstream; or

(b) The connection to a customer's piping if there is no customer meter to point of entry into the building.

Section 2. Construction Standards. Instances not covered by this regulation shall meet, where applicable, the requirements of the "American National Standard Code for Pressure Piping, Gas Transmission and Distribution Piping Systems (ANSI B31.8)" 1982 edition as published by the American Society of Mechanical Engineers, United Engineering Center, 345 East 47th Street, New

York, N.Y. 10017 herein incorporated by reference. Copies are available at the Commission office, 730 Schenkel Lane, P. O. Box 615, Frankfort, Kentucky 40602.

Section 3. Requirements for Service. (1) Persons desiring gas service under KRS 278.485 shall file applications at the local gas company office. Applications shall contain the following information:

- (a) Name and address of applicant.
- (b) Purpose for which gas is requested.
- (c) Name and address of contractor installing service or yard line and other facilities required to be furnished by applicant.
- (d) Name and address of gas company from which service is requested.

(2) Gas company shall furnish applicant with construction drawing showing installation and material meeting the company's specifications as approved by the commission for service installation.

(3) After receipt of the application, the gas company shall furnish a copy to the commission.

(4) Applicant's gas service or yard line shall be inspected and approved by commission staff before service is commenced. No service or yard line shall be inspected for which an application has not been received.

(5) The commission shall notify the applicant by mail if the service or yard line does not meet the requirements of its rules and regulations. If defects are not corrected within the time

permitted, the commission shall notify the gas company and the application shall be discontinued by the company until the defects are corrected.

(6) The gas company shall furnish, install and maintain the meter which shall remain its property.

(7) The service tap including saddle and first service shutoff valve shall be installed by the gas company and shall remain its property unless other provisions are made by tariff approved by the commission.

(8) All other approved equipment and material required for such service shall be furnished, installed and maintained by applicant at his expense and shall remain applicant's property.

(9) If leaks or other hazardous conditions are detected in the service or yard line, the gas company shall discontinue service until such leaks or other hazardous conditions are repaired or remedied by customer.

Section 4. Connections to High Pressure Gathering Lines. (1) Connections shall be smaller than the diameter of the gathering line.

(2) Connections shall be on the upper one-half (1/2) of the pipe surface, preferably at an angle of forty-five (45) degrees.

(3) Connections shall be at right angles to the center line of the gathering line.

(4) A service shutoff shall immediately follow the connection to the gathering line.

(5) A drip tank shall be installed preceding regulating equipment, but may be omitted upon approval of commission staff.

Section 5. Control and Limiting of Gas Pressure. (1) When maximum pressures may exceed sixty (60) p.s.i. a service regulator and a secondary regulator located upstream from the service regulator shall be installed. Regulators shall be spring type, and the secondary regulator shall in no case be set to maintain pressure higher than sixty (60) p.s.i. A spring type relief valve shall be installed to limit pressure on the inlet of the service regulator to sixty (60) p.s.i. or less in case the secondary regulator fails to function properly.

(2) Every service line shall be equipped with an adequate spring type relief valve. The valve may be part of the final stage regulator.

(3) Regulators shall not be by-passed.

(4) Each relief valve shall be vented into outside air.

(5) Vents shall be covered to prevent water and insects from entering.

(6) All metering and regulating equipment shall be as near to the gathering line as practicable, in accordance with safe and accepted operating practices.

(7) Regulating equipment shall be properly protected by the applicant.

Section 6. Service or Yard Lines and Metering Facilities. (1) The customer shall furnish and install the service or yard line from tap to point of utilization. The customer shall also secure

all rights-of-way, railroad, highway and other crossing permits. The customer's service line shall be laid on undisturbed or well compacted soil in a separate trench avoiding all structures and hazardous locations. No structure shall be erected over the service or yard line.

(2) No branch tee or other connection shall be permitted on the line to serve any user other than the applicant without prior written consent of the gas company and the applicant, in which event service to each user shall have an automatic shutoff valve with manual reset located on the riser in a horizontal position. Such shutoff valve shall have operating pressure of eight (8) ounces with a shutoff pressure setting of not less than two (2) ounces.

(3) Service or yard lines shall be constructed to avoid subsurface structures but in no case shall service lines be constructed within a distance of less than thirty-six (36) inches from any subsurface structure.

(4) Service or yard lines shall be leak checked by the gas company prior to being placed into service. If feasible the service line connection to main shall be included in the test; if not feasible, it shall be given a leakage test at the operating pressure when placed into service. Service or yard lines shall be tested by the company with air, natural gas or inert gas to fifty (50) psig for at least thirty (30) minutes.

(5) Service or yard lines shall be purged after testing to remove any air accumulations.

(6) Metering pressure shall not exceed eight (8) ounces per square inch or .5 psig, or as otherwise approved by the commission.

(7) Steel service or yard lines shall be constructed of new plant coated black steel pipe with all joints and fittings coated or taped in accordance with manufacturer's recommendations from the gas meter to the outlet side of the stopcock located on the riser entering into the building and shall be of a size not less than one and one-fourth (1 1/4) inches.

(a) When the service line passes through cultivated land the trench shall be of sufficient depth to permit backfill cover of twenty-four (24) inches above the service line.

(b) Where twenty-four (24) inch cover is not practical, trench depth shall be sufficient to permit minimum cover of eighteen (18) inches.

(8) Each steel service or yard line shall have two (2) insulating joints, one (1) of which shall follow the regulating units, the other shall separate the yard line from interior fuel gas piping.

(9) Plastic service or yard lines shall be constructed of plastic pipe qualified for gas use in accordance with American Society for Testing and Material standards. Plastic service lines shall only be installed with at least twelve (12) inches of cover in private property and at least eighteen (18) inches of cover in streets and roads. When passing through cultivated land the plastic service line shall be installed with at least twenty-four (24) inches of cover. Plastic service lines shall be buried with

an electrically conductive wire capable of locating the plastic line. All joints in plastic service lines shall be made by persons qualified in accordance with the provisions of 49 CFR Part 192.285. No exposed plastic shall be installed above ground.

(10) Yard lines shall enter the building above ground level with a shutoff valve located on the riser.

(11) Service to each customer shall have an automatic cut-off valve with manual reset to shut off gas if gas pressure fails. The valve may be part of the final stage regulator. Such a valve shall have operating pressure of eight (8) ounces with shutoff pressure setting of not less than two (2) ounces.

Section 7. Payment of Bills or Other Default. (1) The customer shall pay the installation charge and thereafter pay the gas company for all gas delivered at rates approved by the commission. The gas company shall render statements to the customer at regular monthly or bimonthly intervals for gas delivered. These statements shall be rendered not later than ten (10) days following each billing period. No gas company shall discontinue service to any customer for nonpayment of bills (including delayed payment charges) without first having made a reasonable effort to induce the customer to pay the bill. The customer shall be given at least forty-eight (48) hours written notice, but cutoff shall not be effected before fifteen (15) days after the mailing date of the original bill. Service shall not be re-established until the customer has paid the gas company all amounts due for gas delivered plus a turn-on charge of twenty-five

dollars (\$25), and placed himself in full compliance with commission regulations pertaining to such service. If the customer fails or refuses to pay such unpaid bill(s) and turn-on charge or to comply with commission regulations within thirty (30) days from the date the gas is turned off, the gas company may disconnect customer's service line from its gathering line. Service shall not be re-established until the customer has complied with commission regulations pertaining to initial service.

(2) The gas company may require a cash deposit or other guaranty from the customer to secure payments of bills.

Section 8. General Provisions. The gas company shall at all times have access to premises where the connection is made and the meter is located, and may shut off gas and remove its property from said premises upon reasonable notice for any of the following reasons: repairs or because of leakage; non-payment of any bills; failure to make a cash deposit, if required; any violation of this regulation; moving of the customer from premises; fraudulent tampering with the meter, regulators or connections; shortage of gas or reasons of safety; larceny of gas; any action by a customer to secure through his meter gas for purposes other than those requested, or for any other party without written consent of the gas company; or false representation with respect to ownership of property to which service is furnished.

Section 9. Rates and Charges. (1) Rates. Each gas pipeline company shall charge, for gas furnished, rates approved by the commission and listed in the company's tariff which shall be filed

with the commission. A gas pipeline company may request an adjustment in its rates to reflect changes in its costs to provide service pursuant to KRS 278.485.

(a) A gas pipeline company which provides service to end-use customers may request an adjustment in rates as a proposed tariff if submitted at least sixty (60) days prior to its proposed effective date and:

1. The percentage change in rates does not exceed the percentage change in the price index during the most recent twelve (12) month period immediately preceding the date filed; and

2. The proposed rate does not exceed the highest average volumetric rate of a local gas distribution utility approved by the commission and in effect the date filed. The commission shall provide the current percentage change in the price index and the highest prevailing rate upon receipt of written request.

3. If the proposed percentage increase in rates exceeds the percentage change in the price index but the proposed rate remains below the highest prevailing gas rate approved by the commission, the gas pipeline company shall submit with its proposed tariff cost data which support the percentage increase proposed. The cost data shall include the company's costs to provide the service during each of the previous two (2) years and shall be current within ninety (90) days of the date the proposed tariff is filed.

4. A proposed tariff increasing rates shall not be filed with a proposed effective date less than one (1) year later than the last approved increase. Once it has been determined that

sufficient information has been filed with the proposed tariff, the commission shall either approve or deny the proposed adjustment within sixty (60) days. The commission may suspend the proposed tariff beyond the sixty (60) day review period.

5. A gas pipeline company which files a proposed tariff to increase rates shall mail notice to its customers no later than twenty (20) days prior to the filing date of the proposed tariff. The notice shall be dated and state the proposed rate and the estimated amount of monthly increase per customer and state that any customer may file comments with the commission by mailing to Public Service Commission, 730 Schenkel Lane, P. O. Box 615, Frankfort, Kentucky 40602.

(b) In lieu of a rate adjustment through a proposed tariff, a gas pipeline company may file an application with the commission for authority to adjust rates pursuant to 807 KAR 5:001, Section 10. If eligible, the gas pipeline company may file under the commission's alternative rate adjustment procedures, 807 KAR 5:076.

(2) Charges. (a) Any nonrecurring, customer-specific charge, such as those listed in 807 KAR 5:006, Section 8, and assessed by the gas pipeline company, shall be listed in the company's tariff. Such charges may be adjusted outside of a rate case filing by filing a proposed tariff with the commission at least thirty (30) days prior to the effective date of the adjustment.

(b) Each gas company may charge \$150 for each service tap, including saddle and first shutoff valve which, under this regulation, are required to be furnished and installed by the gas

company. No part of this charge shall be refunded by the gas company.

~~[(2) Each gas company shall charge, for gas used, tariff rates which have been approved by the commission, or if none, current Federal Energy Regulatory Commission approved rate.]~~

(3) Provisions contained in this regulation shall apply only to connections and services made pursuant to KRS 278.485 and subsequent to the effective date of this regulation.

(4) In submitting notice to the commission and customers required by Section 9(1)(a)5 of this regulation, the following form shall be used:

NOTICE OF PROPOSED RATE CHANGE

(Name of gas company) has filed a request with the Public Service Commission to increase its rates. The rates contained in this notice are the rates proposed by (Name of gas company). However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this notice.

Any corporation, association, body politic, or person may file written comments within 30 days of the date of this notice with the Public Service Commission, 730 Schenkel Lane, P. O. Box 615, Frankfort, Kentucky 40602.

Copies of the request for an increase in rates may be obtained by contacting the gas company at (Address of gas company). A

copy of the request for an increase in rates is available for public inspection at this address.

<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Estimated Monthly Increase</u>
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Section 10. Deviation from Rules. In special cases for good cause shown the commission may permit deviations from these rules.