

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT)
AND POWER COMPANY FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY)
TO CONSTRUCT GAS DISTRIBUTION FACILITIES) CASE NO. 2002-00089
WITHIN ITS SERVICE TERRITORY AND)
FOR A DEVIATION FROM ADMINISTRATIVE)
REGULATION 807 KAR 5:022, SECTION 9(17))

ORDER

On March 20, 2002, The Union Light, Heat and Power Company (ULH&P) submitted an application requesting a Certificate of Public Convenience and Necessity (CPCN) to replace approximately 27 miles of cast iron and bare steel facilities, including customer service lines, through the end of year 2002. ULH&P also requests a deviation from Administrative Regulation 807 KAR 5:022, Section 9(17)(a)(2), to allow it to assume responsibility for the maintenance and repair of customer service lines. Administrative Regulation 807 KAR 5:022, Section 9(17)(a)(2), requires the customer to furnish and lay necessary pipe to make the connection from curb stop to place of consumption and to keep the service line in good repair. ULH&P requests that customers continue to be responsible for the initial cost of installing the pipe from the curb stop to the point of consumption, but that it be allowed to assume responsibility for keeping the service lines in good repair.

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (AG), requested and was granted full intervention in this

proceeding. He was directed by the Commission in its May 20, 2002 Order to file a written information request, written comments, and/or a written request for a hearing within 10 days of the date of that Order. He filed only a written information request on May 30, 2002, to which ULH&P timely responded. Accordingly, the case stands submitted for a decision.

ULH&P has presented its proposed construction plan for the year 2002. It has divided the construction work into modules located within a particular community, with each module consisting of 2 to 5 miles of cast iron and bare steel pipe for a total of 27.3 miles. It estimates the construction costs through the end of year 2002 to be \$17,713,598.

The construction proposed herein and the issue of whether ULH&P shall be granted a deviation from Administrative Regulation 807 KAR 5:022, Section 9(17)(a)(2), were both reviewed by the Commission in ULH&P's last general gas rate case.¹ ULH&P stated in that proceeding that it had approximately 150 miles of cast iron and bare steel mains in its distribution system that dated back to 1887 and 1906,² and that it had begun an Accelerated Main Replacement Program (AMRP) to replace those mains as well as the customer-owned cast iron and bare steel service lines within 10 years. ULH&P did not include in that proceeding a request for a CPCN as it did not believe that approval of a CPCN was necessary for replacements, but it did include a

¹ Case No. 2001-00092, Application of The Union Light Heat & Power Company for an Adjustment of Gas Rates, final Order dated January 31, 2002.

² See Case No. 2001-00092, Torpis Direct Testimony at 8.

request for the approval of a tracking mechanism that would permit ULH&P to recover the costs of its AMRP.

The Commission carefully considered the replacement program as well as the proposed Rider before making its decision in that proceeding. The findings necessary for the construction project in general and the deviation requested in this proceeding were made by the Commission in its January 31, 2002 Order. As to the construction, the Commission stated at page 78 of that Order that it found the replacement within 10 years of ULH&P's cast iron and bare steel mains to be necessary and in the public interest. We further stated that we found the replacement to be an important endeavor and that general approval of the construction program should be granted.³ Our statements in the Order of January 31, 2002 that we believed that the ownership of ULH&P's distribution system should be the same throughout; that we approved an AMRP Rider that included the replacement of cast iron and bare steel customer service lines; and that any customer service lines for which ULH&P assumed responsibility that were not in conjunction with the AMRP would not be included in the AMRP Rider but could be included in the next general gas rate case are clear indication that we found good cause to grant the deviation from Administrative Regulation 807 KAR 5:022, Section 9(17), requested herein.⁴

However, because the application in the previous proceeding did not include a specific request for a CPCN and a deviation, and because information regarding specific engineering and construction location was needed, the Commission found that

³ See Case No. 2001-00092, January 31, 2002 Order at 81.

⁴ See Case No. 2001-00092, January 31, 2002 Order at 82.

ULH&P needed to file for a CPCN and deviation from Administrative Regulation 807 KAR 5:022, Section 9(17). Therefore, ULH&P filed this proceeding providing the specific information.

There are clear safety and reliability risks associated with the use of the old cast iron and bare steel mains and service lines. Therefore, by this Order, we confirm the findings in the January 31, 2002 Order in Case No. 2001-00092 that ULH&P's AMRP is necessary and in the public interest and that good cause exists to grant ULH&P's request for a deviation from Administrative Regulation 807 KAR 5:022, Section 9(17)(a)(2). Thus, to the extent a CPCN and deviation were not granted in Case No. 2001-00092, they should be granted herein.

IT IS THEREFORE ORDERED that:

1. ULH&P is granted a CPCN to proceed with the proposed construction project as set forth in the plans and specifications of record herein.
2. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.
3. ULH&P shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.
4. ULH&P is granted permission to deviate from Administrative Regulation 807 KAR 5:022, Section 9(17)(a)(2), to assume responsibility of the customer service lines. When a service line needs replacement in whole or in part, ULH&P shall perform

the necessary replacement at no cost to the customer. Thereafter, ULH&P shall own the portion of the service line it replaced and shall operate and maintain the entire service line.

Done at Frankfort, Kentucky, this 29th day of August, 2002.

By the Commission

ATTEST:

Deputy W. H. Fowler
Executive Director