

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NATURAL ENERGY)
UTILITY CORPORATION TO EXTEND)
EXISTING LINE TO PROVIDE SERVICE) CASE NO. 2002-00350
TO THE RAMEY-ESTEP HOME IN)
BOYD COUNTY, KENTUCKY)

O R D E R

Natural Energy Utility Corporation (NEUC) has notified the Commission that it intends to install 41,000 feet of 3-inch plastic pipe and a meter station to serve the Ramey-Estep Home, which is a state-licensed facility of troubled youth in Boyd County, Kentucky.

NEUC has requested a Declaratory Opinion from the Commission stating that this planned extension to serve the Ramey-Estep Home is an ordinary extension in the usual course of business and does not require a Certificate of Public Convenience and Necessity (CPCN) pursuant to KRS 278.020(1).

Administrative Regulation 807 KAR 5:001, Section 9(3), implements KRS 278.020, which provides that no CPCN is required if the proposed extension is an ordinary one in the usual course of business. The statute and regulation are designed to protect the public from exorbitant utility rates that would result from unnecessary and duplicitous facilities. Duerson v. East Kentucky Power Coop., Inc., Ky.App., 843 S.W. 2d 340 (1992).

Administrative Regulation 807 KAR 5:001, Section 9(3), has a two-pronged approach to the determination of the ordinary course exception. First, it must be determined if the proposed extension creates a wasteful duplication of plant or conflicts with an existing utility's CPCN. NEUC's proposed extension does not create a wasteful duplication of plant or facilities, as there is no other gas utility in the area. The second prong of the inquiry required by the regulation requires the Commission to ascertain whether the cost of the extension will have a material effect upon the financial condition of the utility and whether it will result in increased rates to its customers. The crux of the issue is then a question of cost.

In its Annual Report filed with the Commission, American Natural Gas Corporation showed year-end 2001 gross utility plant of \$7,594,822 and net utility plant of \$4,404,987. American Natural Gas Corporation became Natural Energy Utility Corporation during 2002.¹

NEUC states that this extension will not require a rate increase and that it will be financed internally. NEUC estimates that the Ramey-Estep Home service will provide NEUC with annual revenues of \$114,000, which should cover the \$180,000 estimated cost of the project. NEUC further states that it has applications from 40 residential and 3 commercial customers for service along the path of the planned extension, which should enhance NEUC's future service in the area.

Based upon the facts presented in the record, we find that the proposed extension of pipeline plant is an ordinary one in the usual course of business and does

¹ Case No. 2002-0050, The Joint Petition of American Natural Gas Corporation and Natural Energy Corporation For Approval of Transfer of Assets (Order dated March 15, 2002).

not require a CPCN. However, for record-keeping purposes, NEUC should file certain information relating to the construction.

IT IS HEREBY ORDERED that:

1. NEUC's petition for a declaration that no CPCN is required for the project described herein is granted.

2. Prior to beginning construction, NEUC shall file the following with the Commission:

- a. Construction schedule prior to starting the construction work;
- b. The name of the construction supervisor;
- c. The name and address of the construction inspector(s).

3. Within 60 days after completion of the construction, NEUC shall file the following with the Commission:

- a. A statement of the actual construction cost of the project;
- b. As-built-drawings;
- c. A statement of the operating pressure of the master meter.

Done at Frankfort, Kentucky, this 25th day of October, 2002.

By the Commission

ATTEST:


Executive Director