

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF</b>	)	
<b>COMMERCIAL PROPANE SERVICE LLC</b>	)	<b>CASE NO. 2017-00343</b>
<b>FOR RATE ADJUSTMENT PURSUANT TO</b>	)	
<b>807 KAR 5:076</b>	)	

**MOTION TO APPROVE OFFER OF SETTLEMENT AND**  
**SUPPORTING MEMORANDUM**

Commercial Propane Service LLC d/b/a Bright’s Propane Service, Inc. (“CPS”), by counsel, moves the Commission to accept and approve without amendment the Offer of Settlement filed contemporaneously with this Motion and Supporting Memorandum and to authorize CPS to provide service under the terms of proposed tariff attached to the Offer of Settlement.

The Offer of Settlement provides a complete, reasonable and fair resolution of all matters presented in CPS’s application, is in the public interest, and is fully consistent with the Commission’s regulatory treatment of the only other Commission-regulated propane utility.<sup>1</sup> It recognizes CPS’s small size, the competitive nature of the market that CPS serves, and the need to provide Commission oversight and protection for CPS’s customers while eliminating unnecessary and burdensome ratemaking and reporting obligations.

In further support of the Offer of Settlement, CPS states:

1. CPS operates a propane delivery system that serves the Old Bridge Subdivision of Boyle County, Kentucky. This system consists of four propane storage tanks (one 18,000 gallon tank, two 1,000 gallon tanks, and one 500 gallon tank) and underground piping to customers’

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<sup>1</sup> See *In the Matter of: An Investigation into the Jurisdictional Status of the Irvington Gas Company’s Underground Propane Operations*, Case No. 2013-00076 (Ky. PSC Nov. 25, 2014).

structures. It is one of the smallest utilities that the Commission regulates. It serves fewer than 60 customers. In 2016 it had revenues from regulated services of approximately \$46,470.

2. Because of its small size, few revenues, and limited customer base, the expenses that CPS incurs to comply with the Commission's regulatory requirements represent a much greater portion of its revenues and are a far greater burden than those incurred by larger utilities. As a result, CPS and its predecessors in interest have sought to limit their interaction with the Commission. Since the Commission asserted jurisdiction over CPS's propane delivery system in 1991 and until the initiation of this proceeding, neither CPS nor its predecessors had applied for a general adjustment of rates or sought any revisions to its non-recurring charges.<sup>2</sup> Its interactions with the Commission were limited to the periodic tariff revisions to reflect changes in the cost of purchased propane.

3. Unlike other regulated utilities, CPS does not operate as a monopoly but in a very competitive environment. It is not the only propane service provider in its service area and it does not provide propane delivery service to all residents and structures within the Old Bridge Subdivision. Several properties within the Old Bridge Subdivision have their own above- or below-ground storage tanks and thus can seek service from the several competing bottled-propane providers within the area.

4. The Commission's regulation of CPS has produced an anomalous situation. Although CPS customers obtain benefits through the CPS's delivery system that individual customers receiving propane deliveries through the retail market do not, Commission regulation has resulted in CPS providing propane at a price significantly below retail residential price for bottled propane service. Thus CPS charges less than its competitors but, unlike its competitors,

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<sup>2</sup> *Jurisdictional Status of Bright's Propane Company's Propane Distribution System*, Case No. 90-091 (Ky. PSC Apr. 23, 1991).

operates as a regulated utility and is subject to the additional costs and operational constraints of rate regulations. As result, CPS has been operating at a loss since assuming ownership of its propane delivery system in January 2015.

5. To reduce CPS's financial and administrative burdens associated with traditional rate regulation while retaining the regulatory benefits currently afforded to CPS's customers, CPS proposes a simplified alternative-rate mechanism similar to that approved for the only other Commission-jurisdictional propane utility. As reflected in the Offer of Settlement, CPS proposes:

a. CPS will begin billing a rate for propane utility service that is not to exceed \$0.107 per cubic foot (equivalent to \$3.85 per gallon).<sup>3</sup> This rate is based on the highest weekly retail charge reported to the U.S. Energy Information Administration in the last five years.<sup>4</sup> Assessment of this rate will permit CPS to avoid seeking future rate relief except in truly extraordinary circumstances.

b. CPS will continue to assess a minimum monthly bill based upon the usage of 400 cubic foot of propane gas. This minimum charge will be calculated at the rate charged for propane consumption each billing period. All consumption in excess of 400 cubic foot will also be calculated at the applicable rate for propane consumption for that billing period.

c. The gas cost adjustment mechanism ("GCA") in CPS's current tariff will be eliminated. Any changes in CPS's cost of propane will be reflected in the "not-to-exceed rate." This proposal eliminates the need for CPS to file quarterly reports with the Commission on

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<sup>3</sup> *Id.* at 9-10 (Nov. 25, 2014).

<sup>4</sup> The weekly retail residential propane price reported by EIA for the week of Feb. 3, 2014, was \$3.852/gallon. Available at: [https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W\\_EPLLPA\\_PRS\\_SKY\\_DPG&f=W](https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPLLPA_PRS_SKY_DPG&f=W) (accessed Mar. 27, 2018)

its propane costs. Upon the effective date of the proposed tariff, any obligations that CPS had under the GCA in its present will cease.

d. CPS will continue to assess charges for non-recurring services and these charges will be subject to Commission review and approval. The proposed tariff contains the non-recurring charges that CPS proposed in its Application, as modified by CPS's responses to Commission Staff Requests for Information. These charges are reasonable, cost-based, and comparable to the special charge imposed by the Commission's only other propane utility company.

e. CPS will withdrawal its proposal for a Meter Replacement Surcharge. The proposed tariff attached to the Offer of Settlement does not contain this charge.

f. CPS will be authorized to assess a deposit not to exceed \$85.

g. Within 20 days of the issuance of an order from the accepting this Offer of Settlement, CPS will file with the Commission the proposed tariff that is attached to its Offer of Settlement as Settlement Exhibit 1.

h. Pursuant to KRS 278.2219, CPS is granted a waiver from KRS 278.2219 and shall not be required to develop a cost-allocation manual for its regulated and non-regulated operations. This waiver is appropriate and reasonable as CPS's rates will be based on market conditions and limited by the not-exceed rate.

i. Effective beginning with the calendar year ending December 31, 2017, CPS will satisfy the requirements of 807 KAR 5:006 Section 4(2) by submitting to the Commission a report that contains (1) a title page similar to that of a standard annual report; (2) the feet of pipe and mains and the number of meters on its piped underground systems at year-end; (3) the revenues, sales volumes, and year-end number of customers served via its piped

underground systems for the calendar year; and (4) the number of price changes during the year and the range, from highest to lowest, of the prices that were charged during the year. This reporting requirement in lieu of the more lengthy reports required of Commission-regulated natural gas distribution systems is consistent with the Public Service Commission's approach in Case No. 2013-00076, which involved the only other Commission-regulated propane utility.

6. The Offer of Settlement recognizes CPS's limited size and administrative abilities and the competitive reality that multiple bottled propane companies deliver propane to the Old Bridge Subdivision. Any or all CPS customers can elect to cease taking service from CPS and receive service from a bottled propane supplier. The risk of customer attrition creates an incentive for CPS to charge reasonable, market-based rates. CPS recognizes the desire of some of its customers to continue receiving regulated service rather than bottled-gas service. CPS's size and revenues, however, make impractical and inefficient many of the regulatory requirements and expenses associated with such regulated service, for example, rate case expenses and annual reporting requirement. The Offer of Settlement attempts to balance the competitive reality in the Old Bridge Subdivision, limits CPS's rates to market-based rates capped by a maximum amount, reflects CPS's financial and administrative needs and limitations, and maintains the regulatory benefits currently afforded to CPS's customers.

7. CPS requests a waiver from KRS 278.2219 to permit it to operate without a cost-allocation manual for its regulated and non-regulated operations. Because CPS's rates will be market-based and limited by the not-to-exceed rate, the need to develop a cost-allocation manual for CPS's regulated and nonregulated operations does not exist. The cost allocations between CPS's regulated and nonregulated operations will have no effect on the rate assessed to CPS's customers. To the extent a customer or the Commission has questions or concerns regarding

CPS's proposed tap-on fee and meter-relocation charges, which are listed in the proposed tariff as "actual cost," the customer or Commission may review the costs prior to or subsequent to the work. Given the limited number of undeveloped lots remaining in the Old Bridge Subdivision, CPS expects few requests for tap-ons or meter relocations and thus few instances of assessing those charges.

8. CPS further proposes that, effective beginning with the calendar year ending December 31, 2017, it be allowed to satisfy the requirements of 807 KAR 5:006 Section 4(2) by submitting to the Commission a report that contains (1) a title page similar to that of a standard annual report; (2) the feet of pipe and mains and the number of meters on its piped underground systems at year-end; (3) the revenues, sales volumes, and year-end number of customers served via its piped underground systems for the calendar year; and (4) the number of price changes during the year and the range, from highest to lowest, of the prices that were charged during the year. This reporting requirement in lieu of the more lengthy reports required of Commission-regulated natural gas distribution systems is consistent with the Public Service Commission's approach in Case No. 2013-00076, which involved the only other Commission-regulated propane utility. The omission of the other schedules and statements contained in the standard annual report will not impede the Commission's ability to monitor and regulate CPS's operations, but will eliminate the unnecessary reporting requirements and reduce the administrative burden placed on CPS

9. The Offer of Settlement is reasonable and in the public interest and should be accepted it without delay. It is consistent with the Commission's rate-making and regulatory approach regarding the only other Commission-jurisdictional propane utility and will reduce the regulatory burden on one of the smallest utilities in the Commonwealth, but still maintain

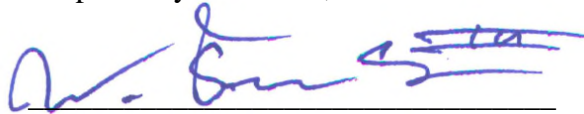
essential protections for CPS's customers while recognizing the competitive realities of retail propane supply.

**WHEREFORE**, Commercial Propane Service LLC respectfully requests that the Commission issue an order:

1. Accepting and approving CPS's Offer of Settlement as a full resolution of all issues in this proceeding;
2. Approving CPS's proposed tariff effective for service rendered beginning with the first calendar month following the date of the order;
3. Effective beginning with the calendar year ending December 31, 2017, permit CPS to satisfy the requirements of 807 KAR 5:006 Section 4(2) by submitting to the Commission a report with contents specified in the Offer of Settlement;
4. Grant CPS a waiver from KRS 278.2219 and relieve it of any obligation to develop a cost-allocation manual for its regulated and non-regulated operations;
5. Granting CPS all other relief to which it may be entitled.

Dated: March 30, 2018

Respectfully submitted,



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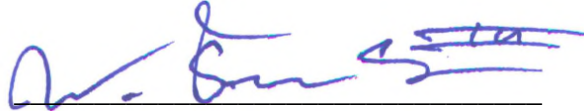
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**CERTIFICATE OF COMPLIANCE**

This is to certify that Commercial Propane Service LLC's March 30, 2018 electronic filing of the Motion and Supporting Memorandum is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on March 30, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a copy in paper medium of the Motion and Supporting Memorandum is being mailed by first class U.S. Mail, postage prepaid, to the Commission on March 30, 2018.



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