

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

<i>Electronic</i> Application of East Kentucky)	Case No.
Midstream, LLC for Approval of a)	2023-00112
Proposed Tariff under 807 KAR 5:026,)	
Section 9)	

Notice of Filing to Cure Deficiencies

Please take notice that East Kentucky Midstream, LLC submits the attachments hereto as a supplemental filing for its Application, to cure the deficiencies identified by the 6/12/23 PSC Letter with respect to the following Application Exhibits:

	<u>Application</u>	<u>Notice Attachment</u>
807 KAR 5:026, § 9(1)(b)	Exhibit D	Supp./Rev. Exhibit D – Cost Justification for Proposed Rates
807 KAR 5:026, § 9(4)	Exhibit C	Exhibit E – Supplemental Notice of Proposed Rate Change, dated 6/26/23

Supplemental and Revised Exhibit D expands the previous Exhibit D to include cost data current within 90 days of the proposed tariff's filing date. The four-page Supplemental Notice of Proposed Rate Change was mailed to EKM's farm-tap customers via first-class U.S. Mail on June 26, 2023, and expressly provides the identified information about present and proposed rates.

Respectfully submitted,

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COST JUSTIFICATION for Proposed Rates

EKM expects that the proposed rates will not fully recover all the costs incurred to provide farm-tap service, illustrating this by using 2022 expense and customer data. In 2022, EKM had no more than 315 farm-tap customers per month, of which 10 were non-residential.¹ Farm-tap customers together averaged 1932.75 Mcf usage per month during 2022.

The cost of the gas supplied by EKM was (and is) the Inside FERC TCo Appalachian Index, which is stated in Dekatherms (Dth); to convert to the volumetric units (Mcf) in which gas is supplied to farm-tap customers, EKM multiplies by 1.1837. The TCo Appalachian Index prices for each month in 2022 and the first three months in 2023,² per Dth and per Mcf, were as follows:

Month	per Dth	per Mcf
Jan. 22	3.300	3.906
Feb. 22	5.800	6.865
Mar. 22	3.920	4.640
April 22	4.630	5.481
May 22	6.580	7.789
June 22	8.140	9.635
July 22	5.720	6.771
Aug. 22	7.870	9.316
Sept. 22	8.030	9.505
Oct. 22	4.890	5.788
Nov. 22	4.020	4.758
Dec. 22	5.890	6.972
Jan. 23	3.960	4.687
Feb. 23	2.480	2.936
Mar. 23	2.080	2.462

¹ EKM estimates that 4-6 of these non-residential customers would have been served in the Non-Residential, Small Volume classification if it had been in effect during 2022.

² Source: *Gas Pricing Information*, available at https://gatherco.com/documents/PRICING_1.pdf (last visited June 28, 2023).

The per-Mcf cost in 2022 thus ranged between \$3.906 and \$9.635; the simple average is \$6.786 and the median is \$6.818.³

EKM then examined its ordinary expenses for 2022 and focused on non-gas-cost categories directly allocable to farm-tap service operations or allocable on a relatively straightforward basis (e.g., proportion of customers, revenues, or volumes). The 2022 EKM unallocated totals for this subset of ordinary expenses are as follows:

		2022
5200	Wages	322,899.20
5210	Workers Comp	18,565.15
5215	Payroll Taxes	26,547.72
60200	Automobile Expense	119,746.25
6040	Credit Card Fees	404.40
61700	Computer / Internet Expenses	2,382.87
6330	Insurance Expense	26,505.95
6331	Health Insurance	79,258.76
64300	Meals and Entertainment	58.01
64900	Office Supplies	4,038.60
66700	Professional Fees	107,569.74
67201	Pipeline repairs	525,719.66
67205	Vehicle	85,855.44
68100	Telephone Expense	4,425.93
68405	Taxes	13,184.56
68600	Utilities	25,395.98
TOTAL		1,362,558.22

The overall allocator to farm-tap service operations for these categories in 2022 is 0.153, which yields a (partial) operating expense for those operations of \$ 207,930.24. Note that this subset of expenses does not include such categories as depreciation, amortization, or compressor expense.

If the \$ 207,930.24 in allocated operating expenses were to be recovered from 315 farm-tap customers in a monthly customer charge, that charge would have had to be \$55.01 per month —

³ Over the 15 months January 2022 – March 2023, the simple average is \$6.101 and the median is \$5.788.

an amount greater than most of the monthly bills sent to residential customers in 2022, and without including a charge for the gas used. On the other hand, if these operating expenses were to be recovered solely through a volumetric charge, that would require a base charge of \$8.97 per Mcf — again before including any gas-cost recovery.

If the proposed rates had been charged in 2022 to 315 customers, then the revenues obtained would have totaled \$344,409.00:

305 residential customers x 12 mos. x \$11.00/mo. customer charge	=	\$40,260.00
10 non-residential customers x 12 mos. x \$22.00/mo. customer charge	=	2,640.00
1932.75 Mcfs/mo. x 12 mos. x \$13.00 per Mcf	=	<u>301,509.00</u>
TOTAL		\$344,409.00

This would cover all the allocated subset of operating expenses, and leave \$ 136,478.76 to contribute to gas costs. For the 23,193 Mcfs total of gas usage in 2022 (1932.75 Mcfs/mo. x 12 mos.), this is only \$ 5.88 per Mcf — lower than the average and median of the TCo Index in 2022.

Supplement for January-March 2023 non-gas costs

The following are the EKM unallocated monthly totals in January-March 2023 for the same subset of ordinary expenses as were presented above (p.2) for calendar year 2022:

	Jan-23	Feb-23	Mar-23	1st Q 2023
5200 Wages	24,777.70	26,592.10	33,856.85	85,226.65
5210 Workers Comp	3,035.28	1,529.04	1,946.72	6,511.04
5215 Payroll Taxes	1,597.17	3,162.34	3,316.81	8,076.32
60200 Automobile Expense	47,674.44	9,104.72	9,104.72	65,883.88
6040 Credit Card Fees	39.95	1,099.95	39.95	1,179.85
61700 Computer / Internet Expenses	131.20	131.20	4,242.40	4,504.80
6330 Insurance Expense	639.85	639.85	639.85	1,919.55
6331 Health Insurance	8,092.43	8,092.43	8,115.86	24,300.72
64300 Meals and Entertainment	0.00	0.00	0.00	0.00

	Jan-23	Feb-23	Mar-23	1st Q 2023
64900 Office Supplies	173.51	261.33	179.35	614.19
66700 Professional Fees	10,950.00	59,019.92	22,466.84	92,436.76
67201 Pipeline repairs	6,405.90	4,761.06	6,777.98	17,944.94
67205 Vehicle	7,154.62	7,154.62	7,154.62	21,463.86
68100 Telephone Expense	143.53	684.40	324.35	1,152.28
68405 Taxes	1,564.15	891.63	888.55	3,344.33
68600 Utilities	3,316.14	5,456.29	3,658.55	12,430.98
TOTAL	115,695.87	128,580.88	102,713.40	346,990.15

Applying the full-year 2022 allocator for farm-tap operations (0.153) to these totals yields a (partial) operating expense for those operations of \$52,951.68 for the first quarter of 2023.

DATE OF SUPPLEMENTAL NOTICE: June 26, 2023

SUPPLEMENTAL NOTICE OF PROPOSED RATE CHANGE

East Kentucky Midstream, LLC has started a case, Case No. 2023-00112, at the Public Service Commission to request an increase in its rates effective for service rendered on and after August 1, 2023. The rates contained in this supplemental notice and in the initial notice, dated May 3, 2023 (copy enclosed) are the rates proposed by East Kentucky Midstream. However, the Public Service Commission may order rates to be charged that differ from the rates in these notices.

Any corporation, association, body politic or person may file written comments or a written request for intervention in Case No. 2023-00112 within thirty (30) days of the date of this notice with the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602. Copies of the request for an increase in rates may be obtained by contacting East Kentucky Midstream at 525 George Road, P.O. Box 565, Betsy Lane, Kentucky 41605. A copy of the request for an increase in rates, filed with the Public Service Commission on May 31, 2023, is available for public inspection at this address as well as online at <http://www.psc.ky.gov/Case/ViewCaseFilings/2023-00112>.

In accordance with instructions from the Public Service Commission, East Kentucky Midstream supplements the Notice dated May 3, 2023 (copy enclosed), as follows:

Present Minimum Bill and Usage Charge: The present minimum bill and usage charge change each month because they follow the month's Inside FERC TCo Appalachian Index. The Notice dated May 3, 2023, compares the proposed charges to the minimum bill and usage charges for January and June 2022; this Supplemental Notice also includes minimum bill and usage charges for May and June 2023, when the Notice and Supplemental Notice (respectively) were issued.

- **Minimum Bill:** The present monthly minimum bill makes no distinction between customer types and charges the customer for at least one (1) Mcf even if no gas is used that month. In comparison with the proposed monthly customer charge of \$11.00 (residential) and \$22.00 (non-residential), the monthly minimum bill charge levels were/are for the following months:

January 2022	June 2022	May 2023	June 2023
\$11.05	\$15.89	\$9.52	\$9.28

- Usage Charge: The present usage charges are for every Mcf in addition to the one (1) Mcf included in the minimum bill. In comparison with the proposed usage charge of \$13.00 per Mcf (all tariff customers), the usage charge levels per Mcf were/are for the following months:

January 2022	June 2022	May 2023	June 2023
\$11.05	\$15.89	\$9.52	\$9.28

Proposed and Present Installation Fee and Deposit: At present, and in the proposed tariff,

- the installation fee for initial installation of the meter is \$25.00.
- new customers are to provide a \$100 deposit (waivable by East Kentucky Midstream) to initiate service.

DATE OF NOTICE: May 3, 2023

NOTICE OF PROPOSED RATE CHANGE

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Any corporation, association, body politic or person may file written comments or a written request for intervention in Case No. 2023-00112 within thirty (30) days of the date of this notice with the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602. Copies of the request for an increase in rates may be obtained by contacting East Kentucky Midstream at 995 East Mt. Parkway, Suite 1, Salyersville, Kentucky 41465. After it is filed with the Public Service Commission (on or before May 31, 2023), a copy of the request for an increase in rates will also be available for public inspection at this address as well as online at <http://www.psc.ky.gov/Case/ViewCaseFilings/2023-00112>.

The following table shows the proposed rates and how the requested change compares to the highest and lowest rates in 2022 for a similar charge by East Kentucky Midstream.

Rate	Proposed	Compared with Rate for	Highest (June 2022)		Lowest (Jan. 2022)	
			\$ change	% change	\$ change	% change
Customer Charge	(per month, per account)	Minimum Bill, zero gas used (per month / account)				
• residential	\$11.00		-\$4.89	-30.77%	-\$0.05	-0.45%
• commercial	\$22.00		+\$6.11	+38.54%	+\$10.95	+99.095
Usage Charge	\$13.00 per Mcf	Charge per Mcf used	-\$2.89	-18.19%	+\$1.95	17.65%
Seasonal/ Temporary Disconnect	\$100.00 per occurrence	NEW (no similar existing charge)	N/A	N/A	N/A	N/A

The changes proposed by East Kentucky Midstream include (1) a per-month, per account customer charge instead of the existing minimum bill which charges the customer for at least one Mcf, even if no gas is used that month; (2) distinguishing between accounts for residential and commercial use for the customer charge; and (3) changing to a fixed usage (per Mcf) charge

instead of a usage (per Mcf) charge that increases or decreases month-to-month depending on changes to the monthly Inside FERC TCo Appalachian Index. The estimated amount and percentage of monthly increase (compared to 2022) for

- a residential customer averaging 4 Mcfs of gas per month is \$9.07 (16.82%); and
- a commercial customer averaging 10 Mcfs of gas per month is \$17.18 (12.73%).