Jeffrey DeRouen Executive Director Kentucky Public Service Commission
Sower Boulevard P.O. Box 615
Frankfort, K Y
September 25, 2013

RE: An Investigation of the Proposed Abandonment by AmeriGas Partners, L.P. and AmeriGas Propane, L.P. of Utility Service by Bright's Propane Service, Inc., in Old Bridge Subdivision, Boyle County, Kentucky
No. 2013-00332

Mr. DeRouen and members of the Public Service Commission

The purpose of my letter is to strenuously object to AmeriGas Propane, L.P. 's application to the Kentucky Public Service Commission seeking approval to abandon abandon utility service that is now provided by Heritage Operating, L.P. d/b/a/Bright's Propane, Inc. to customers in Old Bridge Subdivision.

On June 21, 2013 Amerigas filed an application for approval of the acquisition of Bright's Propane and for approval to abandon that (Old Bridge pipeline) utility service. But let it be noted that we the residents of Old Bridge did not receive notice of Amerigas's intention to abandon our present pipeline delivery service until September 23, 2013.

When many of us purchased our homes in Old Bridge the delivery of propane gas by pipeline was a big factor in locating here. The original developers installed the "master gas tank" and laid in underground lines to the homes in a manner that is pleasing esthetically, and adds to the value of our properties. Having unsightly individual propane tanks and frequent truck delivery service is not in keeping with the concept of Old Bridge as an upscale golf course community.

Delivering gas via the pipeline is far more economical than going to the expense of installing individual tanks at the homes of those wishing to continue gas service. This is especially true since Amerigas is proposing to bury the propane gas tanks at each location. Most of the homes in Old Bridge are 10-25 years old with mature landscaping. Installing and burying tanks would be disruptive and destructive of this landscaping especially with the presence of so much limestone in the ground here.

The price of propane seems to be in question. I have been told that the current acquisition cost of propane to Brights is in the range of $1.35/gallon which converts to $0.0371/cubic foot. In old Bridge we read our own meters and calculate our own bills and most recently we paid $0.040/cubic foot, which would be approximately $1.45 per gallon. This varies seasonally and we have paid as much as $0.06/cubic foot or $2.18/gallon

Amerigas claims that they would have to charge $3.60/gallon to continue to deliver propane gas via the pipeline in order to "avoid a loss". Now I ask you Mr. Derouen and members of the public service commission if this makes any sense? The master tank and pipelines have been in place for at least 20 years. Surely the cost of the installation has been depreciated, amortized and written off by now! As I mentioned earlier we, the residents of Old Bridge read our own meters and, as nearly as I can tell, the maintenance of the current system is minimal. Certainly the cost of maintaining delivery via pipeline would pale in comparison with the cost of abandoning it and installing individual tanks at 40-50 locations! Especially if, as Amerigas suggests, these tanks would be buried! Additionally Brights Propane recently installed brand new gas meters at many homes including my own. I simply cannot believe that the cost of maintaining the current delivery system via pipeline is anywhere near as onerous as AmeriGas claims.

<u>So lets cut to the chase; The big motivating factor as far as AmeriGas is concerned is the fact that they purchased a company - Heritage Operating, L.P. d/b/a Bright's Propane Inc. - that delivers propane gas to a set of customers (Old Bridge) and the rates that they are allowed to charge their customers are overseen and set by the Kentucky Public Service Commission. By abandoning the current pipeline delivery system and switching to individual service they avoid the PSC altogether and can charge customers whatever the market will bear. That is the sole objective in making this application and everything else is ancillary to this end.</u>

"Nor did AmeriGas acquire the assets (Of Bright's Propane) with an intent to alter the means of serving Bright's pipeline customers." This statement simply does not ring true to me. The implication is that AmeriGas did not know what they had purchased and only found out when they were collecting information to file their annual report. I do not find this credible, but given the failure of AmeriGas to notify the PSC of their acquisition of the pipeline system serving Old Bridge I suppose it may be true.

<u>Nevertheless it seems to me that the appropriate remedy for AmeriGas would be to petition the Kentucky Public Service Commission for a rate to Old Bridge customers that would allow them (Amerigas) to make a fair profit using the present pipeline delivery system.</u>

Amerigas claims that they have been losing money in Old Bridge. Well in calculating profit two factors enter in to the equation. One is selling price and the other is cost. If the cost side of the equation is artificially inflated to include elements such as a big proration from Amerigas's corporate headquarters, transfer costs, and such things as marketing expenses (Amerigas admits they have done no marketing in Old Bridge) then it is possible to inflate the cost side so much that the selling price required to make a "profit" is so high as to be unreasonable. I suspect that is where the \$3.60.gallon figure (see text below) originated.

These are my objections to what AmeriGas plans to do and I would ask that the PSC take them into consideration when arriving at a decision. This is a classic "David & Goliath" situation whereby a large public company (AmeriGas) bought a much smaller company and now plans to abrogate existing arrangements with little regard to the expense, inconvenience, and hardship placed on the residents of a community (Old Bridge) many of whom are retirees living on relatively fixed incomes.

Sincerely, Jim & Linda Porter

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[redacted]

Q-9.
A-9.
AMERIGAS PARTNERS, L.P. AND AMERIGAS PROPANE, L.P. CASE NO. 2013-00332 Response to Commission's Request for Information Dated: September 10, 2013 Question No. 9 Responding Witness: R. Grady
Did AmeriGas acquire Bright's Propane with the specific intent to abandon utility service to the customers served? If not, explain when AmeriGas made the decision to seek approval to abandon service.

No. First, AmeriGas does not wish to abandon "service" to any of its customers. It does, however, wish to cease serving some of them by pipeline. Nor did AmeriGas acquire the assets with an intent to alter the means of serving Bright's pipeline customers. Discussions concerning altering the means of service began around April between then acting Area Director, Bruce Jones (who has since left the company) and District Manager Rick Harris as a result of their collection of information required for filing the annual report. Further discussions concerning the lack of profitability of the pipeline service were prompted by AmeriGas's receipt of notice from the Kentucky Public Service Commission concerning the failure to obtain approval prior to the acquisition of the pipeline system.The decision to seek approval to cease providing service by pipeline (while making every effort to continue to serve those customers by propane delivery) was reached thereafter.

Has Bright's Propane made a financial analysis to show the level of rates needed to operate the utility on a profitable basis? I f so, provide a copy o f the analysis.

In order to be profitable, the Company would have to substantially increase the price per gallon o f propane charged to pipeline customers. As o f September 17, the current selling price of propane per gallon is approximately $2.44 per gallon. The company estimates it would have to increase the price to $3.60 per gallon to avoid a loss. Such a price is unreasonably high. Charging it would virtually eliminate the Company's ability to be competitive in this market. As Exhibit C to my Affidavit filed Case No. 2013- 00241

shows, some of our competitors are charging as little as $1.99 per gallon. However, the expenses of operating the pipeline are such that, to date, Bright's pipeline operations at Old Bridge have sustained a combined loss from the years 2007 through
in the amount of with a minimal profit for the years 2004 through 2007. The Company's utility operation in 2011 alone operated at an estimated net income loss of $27,000.