

Melnykovich, Andrew (PSC)

From: Melnykovich, Andrew (PSC)
Sent: Thursday, January 16, 2014 1:30 PM
To: 'J Porter'
Subject: your comments in case 2013-00332 - AmeriGas

Mr. Porter:

Thank you for your comments in case 2013-00332. They will be placed into the case file for the Commission's consideration as it deliberates in this matter.

Thank you again for your continued interest in this matter.

Andrew Melnykovich

Director of Communications
Kentucky Public Service Commission
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By Kentucky Public Service Commission at 1:33 pm, Jan 16, 2014

From: J Porter [REDACTED]
Sent: Wednesday, January 15, 2014 10:13 PM
To: Melnykovich, Andrew (PSC)
Cc: Linda Porter
Subject: Response to R. Duncan Crosby III January 09 response to PSC and Old Bridge Resident's concerns

Mr. Melnykovich

After reviewing the material supplied to us by AmeriGas I have penned the following document that I would respectfully ask to be placed on the PSC web site in the 2013-00332 case file. I certainly wish that the members of the PSC would read this before rendering a decision as I think some of the points that I make are germane and, indeed, crucial to the outcome of this case.

Thanks for all your help to us in this matter, Jim Porter

Jim Porter
155 Old Bridge Road
Danville, KY 40422
[REDACTED]

Jeffrey DeRouen Executive Director KY Public Service
Commission
Sower Boulevard P.O. Box 615
Frankfort, K Y
January 16, 2014

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 – Response to R. Duncan Crosby's January 09, 2014 communication to the Public Service Commission
Case No. 2013-00332

Mr. DeRouen and members of the Public Service Commission

I have read R. Duncan Crosby's responses to the Public Service Commission's questions and I find them to be unsatisfactory.

In an earlier communication it was stated that AmeriGas personnel "drove around" Old Bridge and counted 15 above ground propane gas tanks. The number was overstated by a factor of two as there are 8 above ground tanks in Old Bridge at this time. These tanks are for the most part small cylindrical utility tanks of approximately 60 gallons capacity. The newest and largest one of these is 120 gallons capacity. These tanks are used to supply gas grills or fireplaces, not for home heating. AmeriGas seems to equate these small tanks with the large 500-gallon tanks commonly used to supply homes, trailers, and outbuildings. The comparison is invalid because the smaller tanks are relatively unobtrusive and are generally located adjacent to a basement wall or chimney. The same cannot be said of the large "hot dog" tanks. While AmeriGas has said that they will "bury the tanks at no cost to the customer" I am afraid they are underestimating the difficulty of accomplishing this. If you dig almost anywhere in Old Bridge you will strike limestone very quickly. Would they propose blasting next to

people's homes to excavate for tank structures? I fear that after securing PSC approval to abandon our present master tank system AmeriGas would become much less diligent about their promise to bury tanks saying "we tried but there's too much rock we'll have to mount the tank above ground", and then I ask what will be our recourse?

I find their photographs of pad-mounted transformers, Cable T.V. service access enclosures, and even outside air conditioning or heat pump units to be disingenuous in the extreme. Once again AmeriGas is attempting to equate one thing to another. Any development that has underground electrical service has to have pad-mounted transformers. Better than electrical lines strung on poles and pole mounted transformers. And in high-end developments every home is going to have cable access and one (or more) outside A/C units. But the presence of propane tanks practically screams out trailer park or farm building. AmeriGas may find them attractive but I can guarantee them that no one in Old Bridge does!

Surprisingly perhaps the most important objection was not addressed by Mr. Crosby. This is the contention that AmeriGas/Heritage/Bright's is losing money on their service to Old Bridge. We were supplied with a summary of Bright's Profit & Loss statements for 2010, 2011, & 2012. This document shows that gross revenues for propane sales to Old Bridge exceeded the cost of that propane in all three years. In getting to the net line, where they show large losses, there are some very unusual and questionable numbers. The most egregious of these is the line entitled "Other Expenses (880)". This line averages \$50,000 per year, which amazingly is MORE THAN THE COST OF THE PROPANE SUPPLIED.

When questioned about this huge cost line – they stated that it is "Allocated labor costs" and "Vehicle costs". One has to ask what

was the basis of that allocation of \$150,000 of costs to Old Bridge? Based on the information AmeriGas supplied accompanying their offer to sell the master tank and pipeline we find that the expenses of servicing the Old Bridge infrastructure is minimal. Aside from replacing a meter now and then there is very little maintenance associated with the master tank and pipeline. Meter reading and billing would not generate significant costs, and further we find that the master tank is only filled two times per year – so why the huge allocation of labor and vehicle expense?

I think I know the answer. Logically the basis of cost allocation would be CF of gas used. If you use 1% of the gas then you get 1% of the cost allocation. But the “Cost to Serve” a typical retail customer located in a rural part of the county would be vastly different than a customer in Old Bridge. Each retail customer would receive 2-3 (or more) visits per year as well as other associated costs such as vehicle expenses. For a customer base of 56 individual customers you would be looking at 112 to 150 trips per year. But the cost to serve 56 Old Bridge customers would be much, much less since the master tank is only filled once or twice per year. So, in conclusion, I think that the allocation of \$150,000 in fixed costs to the old bridge customer base is based on a fallacious cost to serve model that does not recognize that Old Bridge customers are served from 1 master tank and are all grouped in a tight 1 square mile locale as opposed to being spread out all over the county.

Once again I maintain that if AmeriGas feels that they are not making an adequate return in serving its Old Bridge customers that their remedy should be to petition the PSC for a rate structure that will allow them to do so. Of course this assumes that they correct their flawed “cost to serve model” that accesses “operating expenses” of \$1.60 for every \$1.00 of propane supplied!

Most of us here in Old Bridge would be willing to pay retail for propane if we are allowed to keep our present master tank and pipeline.

Sincerely, Jim & Linda Porter
155 Old Bridge Road
Danville, Kentucky 40422

