

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ANNUAL PIPELINE	)	CASE NO.
REPLACEMENT PROGRAM FILING OF APACHE	)	2025-00169
GAS TRANSMISSION COMPANY, INC.	)	

ORDER

On May 30, 2025, Apache Gas Transmission Company, Inc. (Apache), filed its annual status report for its Pipeline Replacement Program (PRP) stating that it has completed all the projects previously approved for inclusion in the PRP including the Marrowbone Creek project. There are no intervenors, and Apache responded to one request for information.<sup>1</sup> This matter is now submitted to the Commission for a decision based upon the evidentiary record.

LEGAL STANDARD

In accordance with KRS 278.030, the Commission must ensure that utility rates are fair, just, and reasonable to discharge its duty under KRS 278.040 to ensure that utilities comply with state law.<sup>2</sup> Pursuant to KRS 278.509, a utility is allowed to record costs for investment in natural gas pipeline replacement programs that are not recovered in existing rates, provided that the Commission determines the costs are fair, just and reasonable.

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<sup>1</sup> Apache's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Aug. 4, 2025).

<sup>2</sup> KRS 278.030; *Pub. Serv. Comm'n v. Com. ex rel. Conway*, 324 S.W.3d 373, 377 (Ky. 2010).

## BACKGROUND

Apache's PRP was initially approved in Case No. 2017-00168 to fund certain replacements and repairs to Apache's existing natural gas pipelines necessary to correct issues identified by the Commission's Division of Inspections.<sup>3</sup> In that case, the Commission granted approval to begin recovering fixed monthly PRP amounts of \$3 per residential customer and \$3.50 per commercial customer, through the local gas distribution company<sup>4</sup> that is Apache's sole customer, to pay the debt service on two loans that financed the approved projects.<sup>5</sup> The Commission, by Order entered on December 21, 2017, authorized Apache to obtain two loans from the Kentucky Highlands Investment Corporation.<sup>6</sup> The first approved loan was for \$50,000 and carries a 7.5 percent interest rate, with a term of 72 months.<sup>7</sup> The second loan approved was for \$100,000 and has a 7.5 percent interest rate, and has a term of 120 months.<sup>8</sup>

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<sup>3</sup> Case No. 2017-00168, *Application of Apache Gas Transmission Company, Inc. for a Certificate of Public Convenience and Necessity Authorizing the Implementation of a Pipeline Replacement Program, Approval of Financing Pursuant to KRS 278.300 and Application of Apache Gas Transmission Company, Inc. and Burkesville Gas Company, Inc. for Approval of a Gas Pipeline Replacement Surcharge and Tariff* (Ky. PSC Aug. 29, 2017), Order.

<sup>4</sup> Burkesville Gas Company, Inc.

<sup>5</sup> Case No. 2017-00168, (Ky. PSC Aug. 29, 2017), Order at ordering paragraph 6.

<sup>6</sup> Case No. 2017-00168, (Ky. PSC Dec. 21, 2017), Order at 1-2; Post Case File (filed Mar. 14, 2018), Apache Gas Transmission Company, Inc. Loan Information Pursuant to Commission Order; and Post Case File, (filed May 15, 2019), Apache Gas Transmission Company, Inc. Loan Information Pursuant to Commission Order.

<sup>7</sup> Case No. 2017-00168, (Ky. PSC Dec. 21, 2017), Order at 1-2.

<sup>8</sup> Case No. 2017-00168, (Ky. PSC Dec. 21, 2017), Order at 1-2.

In Case No. 2018-00106,<sup>9</sup> Apache filed an application to revise its PRP rates as the prior approved changes did not provide sufficient funds to cover the debt service of the yet to be closed second loan.<sup>10</sup> The Commission approved an additional \$0.29 per Mcf volumetric charge to generate sufficient revenues to cover the debt service of the second loan.<sup>11</sup> The Commission required that revenue from the PRP rates be held in escrow and used to repay the loans used for the approved PRP projects.<sup>12</sup>

In Case No. 2019-00032,<sup>13</sup> the Commission authorized Apache to include repairs to its Marrowbone Creek pipeline in Apache's PRP program. Apache did not request approval of additional financing because the total costs of the project were not known.<sup>14</sup> There was no change in the surcharge at that time.<sup>15</sup>

In Case No. 2020-00067,<sup>16</sup> Apache reported that it had completed all approved projects, including the Marrowbone Creek project.<sup>17</sup> Apache stated that it would need

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<sup>9</sup> Case No. 2018-00106, *Application of Apache Gas Transmission Company, Inc., Annual Pipeline Replacement Program Filing to Approve New Pipeline Replacement Surcharge Rates Beginning with May 1, 2018 Billing Cycle* (Ky. PSC Apr. 17, 2018).

<sup>10</sup> Case No. 2018-00106, (filed Mar. 14, 2018), Annual Pipeline Replacement Program Filing at 1.

<sup>11</sup> Case No. 2018-00106, (Ky. PSC Apr. 17, 2018), Order at 2.

<sup>12</sup> See Case No. 2017-00168, (Ky. PSC Aug. 29, 2017), Order at 5-6; Case No. 2018-00106, (Ky. PSC Apr. 17, 2018), Order at 2.

<sup>13</sup> Case No. 2019-00032, *Electronic Annual Pipeline Replacement Program Filing of Apache Gas Transmission Company, Inc.* (Ky. PSC Apr. 29, 2019), Order at 3-4.

<sup>14</sup> Case No. 2019-00032, (filed Apr. 18, 2019), Apache's Response to Commission Staff's First Request for Information Item 1.

<sup>15</sup> Case No. 2019-00032, (Ky. PSC Apr. 29, 2019), Order at 3.

<sup>16</sup> Case No. 2020-00067, *Adjustment of the Pipeline Replacement Program Rider of Apache Gas Transmission Company, Inc.* (Ky. PSC Mar. 26, 2020).

<sup>17</sup> Case No. 2020-00067, (filed Mar. 2, 2020), Apache's Annual PRP Status Report (2020 Annual Report) at 4-5.

additional funding to cover the remaining costs of the PRP work.<sup>18</sup> Apache did not seek a rate adjustment in Case No. 2020-00067 but stated that approval would be requested for any necessary increase in the PRP rate when Apache finalized and sought approval for financing.<sup>19</sup> The Commission did not make any changes to the mechanism in that case.<sup>20</sup>

In Case No. 2021-00120,<sup>21</sup> Apache notified the Commission that the Small Business Administration (SBA) was making payments on Apache's outstanding PRP loans.<sup>22</sup> Apache reported that, with the SBA funding, the funds collected through the PRP surcharge were adequate to cover the debt service on the approved loans and a portion of the costs of the Marrowbone Creek Project.<sup>23</sup> Apache indicated that an increase in the PRP could be needed to pay the remaining costs of the Marrowbone Creek project but did not seek an increase at that time.<sup>24</sup> In that case, the Commission did not make any changes but noted that any request to increase or decrease to the PRP fee as the result of additional financing or subsequent to a change in the terms of the current financing would be considered in a separate proceeding.<sup>25</sup>

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<sup>18</sup> Case No. 2020-00067, (filed Mar. 2, 0220), 2020 Annual Report at 1-2.

<sup>19</sup> Case No. 2020-00067, (filed Mar. 2, 2020), 2020 Annual Report at 1-2.

<sup>20</sup> Case No. 2020-00067, (Ky. PSC Mar. 26, 2020), Order at 2.

<sup>21</sup> Case No. 2021-00120, *Electronic Annual Pipeline Replacement Program Filing of Apache Gas Transmission Company, Inc.* (Ky. PSC May 24, 2021).

<sup>22</sup> Case No. 2021-00120, (filed Mar. 1, 2021), Apache's Annual PRP Status Report (2021 Annual Report) at 1.

<sup>23</sup> Case No. 2021-00120, (filed Mar. 1, 2021), 2021 Annual Report at 1.

<sup>24</sup> Case No. 2021-00120, (filed Mar. 1, 2021), 2021 Annual Report at 1.

<sup>25</sup> Case No. 2021-00120, (Ky. PSC May 24, 2021), Order at 2.

In Case No. 2022-00057,<sup>26</sup> Apache stated that the SBA covered its loan payments from February 2020 through June 2020 and from February 2021 through June 2021, which allowed Apache to meet its PRP obligations, and again Apache did not propose a change in its PRP rate. The Commission, once again, approved and continued the PRP without change.<sup>27</sup>

In Case No. 2023-00124,<sup>28</sup> Apache stated that the PRP rates collected in 2022 were short of the amount needed to cover the debt service for the calendar year 2022, and that a separate filing for authorization to increase the PRP rate would be made.<sup>29</sup> The Commission found that Apache's rate should remain the same, and that any request for an increase or decrease in the PRP rate would be considered in a separate proceeding.<sup>30</sup>

In Case No. 2024-00167, Apache stated that its annual debt service for the two PRP related notes amounted to \$24,656.52 for 2023.<sup>31</sup> Due to weather conditions, total sales were lower in fiscal year end 2023, which resulted in PRP revenue of \$20,233.45.<sup>32</sup> To ensure Apache successfully met the SBA debt service payments from August to

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<sup>26</sup> Case No. 2022-00057, *Electronic Annual Pipeline Replacement Program Filing of Apache Gas Transmission Company, Inc.* (Ky. PSC Aug. 11, 2022), Order citing Application at 1.

<sup>27</sup> Case No. 2022-00057, (Ky. PSC Aug. 11, 2022), Order.

<sup>28</sup> Case No. 2023-00124, *Electronic Annual Pipeline Replacement Program Filing of Apache Gas Transmission Company, Inc.* (filed Apr. 21, 2023), Apache's Annual PRP Status Report at 2.

<sup>29</sup> No separate filings requesting authorization to increase the PRP rate were made.

<sup>30</sup> Case No. 2023-00124, (Ky. PSC Oct. 12, 2023), final Order at 5-6.

<sup>31</sup> Case No. 2024-00167, *Electronic Annual Pipeline Replacement Program Filing of Apache Gas Transmission Company, Inc.* (filed May 31, 2024), Apache's Annual PRP Status Report (2024 Annual Report) at 1.

<sup>32</sup> Case No. 2024-00167, (filed May 31, 2024), 2024 Annual Report at 1.

November, it borrowed a total of \$3,900 from Burkesville Gas Company, Inc (Burkesville).<sup>33</sup> Apache paid off one of the SBA loans, which made the debt service payments lower than the previous years.<sup>34</sup> Apache claimed it could replace approximately 750 feet of 3-inch mains which it had identified for replacement with 6-inch pipe each year without increasing PRP rates.<sup>35</sup> Apache stated it may request to increase the number of feet to be replaced each year, or to increase the PRP rate to replace the remaining 3-inch mains on a faster timeline.<sup>36</sup> The Commission denied Apache's request to replace the 750 feet of 3-inch pipeline with 6-inch pipe, stating that its current PRP collections were unlikely to cover the cost, and that the Commission does not generally allow for the immediate expensing and recovery of capital projects through the PRP.<sup>37</sup> Apache was ordered to continue to collect its previously approved PRP rates.<sup>38</sup>

In this case, Apache did not request an increase of the PRP rate.<sup>39</sup> Apache stated that it is reviewing the Commission's March 31, 2025 Order in Case No. 2024-00167 regarding Apache's request to replace its 3-inch pipe with 6-inch pipe.<sup>40</sup> Apache is still evaluating whether it will qualify for an additional loan to pay for the replacement of the

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<sup>33</sup> Case No. 2024-00167, (filed May 31, 2024), 2024 Annual Report at 1-2.

<sup>34</sup> Case No. 2024-00167, (filed May 31, 2024), 2024 Annual Report at 2.

<sup>35</sup> Case No. 2024-00167, (filed May 31, 2024), 2024 Annual Report at 2.

<sup>36</sup> Case No. 2024-00167, (filed May 31, 2024), 2024 Annual Report at 3.

<sup>37</sup> Case No. 2024-00167, (Ky. PSC Mar. 31, 2025), final Order at 10 and 13.

<sup>38</sup> Case No. 2024-00167, (Ky. PSC Mar. 31, 2025), final Order at 13.

<sup>39</sup> Annual Report Filing for PRP (2025 Annual Report) (filed May 30, 2025) at 1.

<sup>40</sup> 2025 Annual Report at 1.

3-inch pipeline and recover the amount needed to make the debt payments through the PRP program.<sup>41</sup>

### DISCUSSION

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that Apache's request to maintain its current PRP rate is reasonable and should be granted. Apache should continue to collect its PRP surcharges subject to the escrow terms contained in the final Orders in Case No. 2017-00168 and Case No. 2018-00106. The Commission notes that Apache filed an application in Case No. 2025-00301, after the application in this proceeding, wherein it requested an increase in the PRP rate along with a request to execute two loans.<sup>42</sup> The Commission instructs Apache to follow the relevant statutes and regulations regarding the proper procedures for requesting Commission approval of any proposed changes to its volumetric PRP rate or to amend its rate or PRP Rider.

Lastly, the Commission finds that it will consider any request to increase the PRP rate as a separate proceeding should Apache obtain additional financing that will require a modification to its PRP rate, or Apache determines that an increase or decrease is necessary subsequent to the modification of the financing conditions outlined in its pending application.

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<sup>41</sup> 2025 Annual Report at 1-2.

<sup>42</sup> Case No. 2025-00301, *Electronic Application of Apache Gas Transmission Company, Inc. for Approval of the Authority to Obtain Financing* (filed Sept. 12, 2025), Application at 5 and Apache Gas Transmission Company Assumption and Financial Projections at 1.

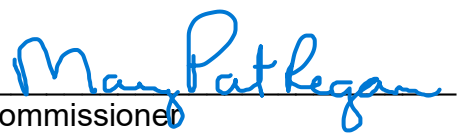
IT IS THEREFORE ORDERED that:

1. Apache shall continue to collect its previously approved PRP rate and subject to the escrow terms contained in the final Orders in Case No. 2017-00168 and Case No. 2018-00106.
2. Apache shall file its next annual PRP status report with the Commission no later than June 1, 2026.
3. In the 2026 annual PRP filing, Apache shall include a status update of its exposed or inadequately buried 3-inch pipeline referenced in Case No. 2024-00167 and separately provide the Mcf usage changes, if any, its residential and commercial customer usages.
4. Any request to increase or decrease the PRP rate due to a change in Apache's financing will be considered in a separate proceeding.
5. This case is closed and removed from Commission's docket.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



Case No. 2025-00169

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