

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                      |   |            |
|--------------------------------------|---|------------|
| ELECTRONIC APPLICATION OF APACHE GAS | ) |            |
| TRANSMISSION COMPANY, INC. FOR       | ) | CASE NO.   |
| APPROVAL OF THE AUTHORITY TO OBTAIN  | ) | 2025-00301 |
| FINANCING                            | ) |            |

ORDER

On September 24, 2025, Apache Gas Transmission Company, Inc. (Apache) filed an application, pursuant to KRS 278.300, for approval of the authority to obtain a Small Business Administration (SBA) Microloan and a United States Department of Agriculture (USDA) Rural Microentrepreneur Assistance Program (RMAP) loan from Kentucky Highlands Investment Corporation (KHIC) to allow Apache Gas to commit funds to its 2025 Pipeline Replacement.<sup>1</sup>

In response to Commission Staff's First Request for Information (Staff's First Request), Apache also requested approval to increase its Pipeline Replacement Program (PRP) volumetric rate by \$0.44 per Mcf to repay the proposed financing and support system main replacement.<sup>2</sup> No party requested intervention in this proceeding. This matter stands submitted for decision by the Commission.

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<sup>1</sup> Apache tendered its application on September 12, 2025. By letter dated September 16, 2025, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application was deemed filed on September 24, 2025.

<sup>2</sup> Apache's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Oct. 27, 2025), Item 1.

## LEGAL STANDARD

KRS 278.300 requires Commission approval before a utility may “issue any securities or evidence of indebtedness or assume any obligation or liability in respect to the securities or evidence of indebtedness of any other person.”<sup>3</sup> KRS 278.300(3) establishes the scope of Commission review, stating:

The commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

## PROPOSED FINANCING

Apache is a public utility as that term is defined in KRS 278.010(3) and therefore is subject to the Commission’s jurisdiction. Apache owns an intrastate natural gas transmission line that extends from the Enbridge Energy Pipeline in Metcalf County, Kentucky to a location west of the city of Burkesville, Kentucky, and provides wholesale natural gas services to one customer, Burkesville Gas Company, Inc. (Burkesville Gas) in Cumberland County, Kentucky.<sup>4</sup>

Apache is seeking authority to incur indebtedness of \$100,000 via an agreement with KHIC in the form of two separate loans: an SBA Microloan in the amount of \$50,000; and a USDA RMAP loan in the amount of \$50,000. A specific breakdown of the proceeds

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<sup>3</sup> KRS 278.300(1).

<sup>4</sup> Application at 1, paragraph 1.

shows that \$50,994.20 will be used for funding the remaining 2025 PRP.<sup>5</sup> The remaining \$49,005.80 is specifically earmarked for the 2026 PRP.<sup>6</sup> Apache expects to finance \$50,000 of the total cost at 7.0 percent for 84 months or at a monthly payment of \$754.63 for the SBA Microloan,<sup>7</sup> and \$50,000 of the total cost at 6.0 percent for 120 months or at a monthly payment of \$555.10 for the USDA RMAP Loan.<sup>8</sup> The financing will be through KHIC, and Apache stated the funds will be used for Apache's PRP to continue providing safe and reliable service to Burkesville Gas.<sup>9</sup>

| Loan Type      | Amount     | Interest Rate | Term                  | Monthly Payment |
|----------------|------------|---------------|-----------------------|-----------------|
| SBA Microloan  | \$ 50,000  | 7.00%         | 84 months (7 years)   | \$ 754.63       |
| USDA RMAP Loan | 50,000     | 6.00%         | 120 months (10 years) | 555.10          |
| Total          | \$ 100,000 |               |                       |                 |

Apache indicated that since the beginning of its PRP in 2018, there have been years in which the PRP revenues were insufficient to pay the total debt service on the PRP loans, requiring Apache to use other funds to make those payments.<sup>10</sup> Apache stated that one of the two debts from the initial PRP program reached final maturity in May 2024, resulting in an excess of PRP revenues that have been escrowed, creating a modest PRP escrow fund surplus.<sup>11</sup> According to Apache, this surplus, together with the

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<sup>5</sup> Application, Exhibit C.

<sup>6</sup> Application, Exhibit C and Apache's Response to Staff's First Request, Item 4(b).

<sup>7</sup> Application, Exhibit B.

<sup>8</sup> Application, Exhibit B.

<sup>9</sup> Application at 4, paragraph 14.

<sup>10</sup> Apache's Response to Staff's First Request, Item 2.

<sup>11</sup> Apache's Response to Staff's First Request, Item 2.

collection of PRP fees during higher-volume winter heating months, will provide sufficient liquidity to make timely payments on the proposed loans.<sup>12</sup>

Also, in the application, Apache indicated it would petition the Commission for an increase of \$0.44 per Mcf to the existing PRP system rate.<sup>13</sup> In response to requests for information, Apache explained that the incremental revenue associated with the proposed \$0.44 per Mcf increase is sufficient to fully cover the annual debt service obligations for both loans with a margin of approximately \$1,186.29 per year, ensuring repayment without dependence on its general operating revenues.<sup>14</sup>

### DISCUSSION AND FINDINGS

Having reviewed the record, the Commission finds that the proposed loans from KHIC are for lawful objects within the corporate purpose of Apache because the financing will enable Apache to continue to provide safe and reliable natural gas service to its sole customer Burkesville Gas, by being able to obtain the liquidity necessary to maintain and improve the resiliency and reliability of its transmission system. Upon review of the record and Apache's financials, Apache's plan to replace approximately 552 feet of its transmission pipeline at five different sites, including the site on Ann Hope Road, will allow Apache to improve the reliability and resiliency of its pipeline and continue to provide safe and reliable service to its customers. However, the Commission encourages Apache to be cognizant of the usage of the funds and to follow proper Commission procedures to obtain approval to amend the PRP tariff and rates it charges to Burkesville Gas.

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<sup>12</sup> Apache's Response to Staff's First Request, Item 2.

<sup>13</sup> Application, Exhibit C at 2.

<sup>14</sup> Apache's Response to Staff's First Request, Item 1.

The Commission further finds that the proposed financing is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and, after reviewing Apache's financials, will not impair Apache's ability to perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

The Commission notes, however, that a financing application, pursuant to KRS 278.300, is not the appropriate case type for a public utility to request an increase in rates. Further, upon review of Apache's tariffs, the Commission found that there are no charges on Apache's tariffs specifically tied to its PRP and the rates that it charges Burkesville Gas, including the volumetric rate that Apache proposed to increase in this proceeding. The Commission encourages Apache to follow the proper Commission procedures in order to establish and justify the rates and charges that it charges to Burkesville Gas to pass through to its customers.

IT IS THEREFORE ORDERED that:

1. Apache is authorized to execute the \$50,000 SBA Microloan and \$50,000 USDA RMAP Loan through KHIC as provided.
2. Apache shall, within 30 days of the date of issuance of the debt authorized herein, file with the Commission a written statement setting forth the date or dates of issuance of the debt authorized, the date of maturity, the price paid, the proceeds of such issuance, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution. Apache shall also file documentation showing the quotes that Apache relied upon to determine the lowest interest rate.

3. Apache shall agree only to terms and prices consistent with the parameters set forth in Apache's application.

4. Any documents filed in the future pursuant to ordering paragraph 2 of this Order shall reference this case number and shall be retained in Apache's post-case correspondence file.

5. Apache is directed to follow proper Commission procedures to obtain approval for any proposed changes to the volumetric PRP rate or to amend its rates or its PRP Rider.

6. Within 20 days of the date of service of this Order, Apache shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.

7. The proceeds of the loans shall be used only for the purposes specified in Apache's application. Apache is reminded to be cognizant of the cost of waiting to finalize its loans.

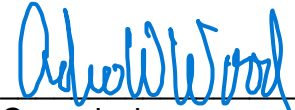
8. The Executive Director is delegated the authority to grant reasonable extensions of time for filing of any documents required by this Order upon Apache's showing of good cause for such extension.

9. Nothing contained in this Order shall be deemed a warranty or financing authorized herein on the part of the Commonwealth of Kentucky, or any agency thereof.

10. This case is hereby closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



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