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June 5, 2020

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VIA EMAIL to PSCED@ky.gov

Mr. Kent Chandler
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

Re: Apache Gas Transmission Company, Inc. PRP proceeds – Case No. 2019-00032

Dear Mr. Chandler:

Apache Gas Transmission Company, Inc., (“Apache Gas”) is writing to notify the Commission of withdrawals that will be made from the Pipeline Replacement Program’s (“PRP”) escrow account to reimburse costs expended by Apache Gas on its emergency line break at Marrowbone Creek last year. Apache Gas filed its annual report with the Commission and a Motion for Expedited Treatment to include the Marrowbone Creek emergency repairs in the PRP and to be able to pay costs of the Marrowbone Creek project with the PRP funds and also requested to not raise the amount collected from customers for the PRP at that time. Apache Gas had been working with Kentucky Highlands to secure additional financing to cover the cost of the Marrowbone Creek project prior to the current state of emergency for COVID-19 being declared. Apache Gas was waiting to see what the cost of the financing would be prior to requesting any increase in the PRP fee.

Due to the fact that the PRP program was approved and PRP fees began to be collected prior to the financing being put into place, there is a surplus accumulated in the PRP account. As you will recall, Apache Gas had some difficulties obtaining financing and that process took longer than expected. Apache Gas was eventually able to obtain two loans through Kentucky Highlands that were small business loans. Apache Gas has received notice from Kentucky Highlands that due to COVID-19 and the CARES Act, the Small Business Administration will be using CARES Act fees to pay the loan payments on Apache Gas’ two PRP loans beginning with the May 2020 payment through the October 2020 payment. This will allow for additional surplus to be accumulated in the PRP account.

Apache Gas plans on distributing approximately \$8,000 from the PRP account to Apache Gas to reimburse Apache Gas for a portion of the expenses previously paid by Apache Gas out of its reserve funds for the repairs that had to be made on the emergency repairs at Marrowbone Creek. The approximately \$8000 is the surplus currently contained in the PRP account and would

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leave a little over a month's debt service payments in the PRP account. Furthermore, in order to continue to reimburse for a portion of the remaining unreimbursed fees, Apache Gas is planning on distributing the PRP funds collected between May 2020 and November 1, 2020 to Apache Gas since the funds will not be needed during that time period to pay the loan payments on the two initial PRP loans. With doing this, Apache Gas hopes to be able to reimburse the Marrowbone Creek project costs without having to obtain additional financing or without raising the PRP surcharge amount, or at the least being able to prolong any increase in the PRP fee. Due to the increase in the non-payment of natural gas bills by Burkesville Gas Company customers due to the COVID-19 impacts and restrictions, the PRP amount collected may be less each month than normal months. Apache Gas will be able to better determine if any increase in the PRP will be needed to cover the costs of the Marrowbone Creek project after the October 2020 amounts are collected and distributed to Apache Gas. Apache Gas will update the Commission in its next annual filing that will due by March 2021.

Since the Marrowbone Creek project was included in the PRP and the Motion for Expedited Treatment to pay the costs and reimbursements from the PRP account was granted in Case No. 2019-00032 by Order dated April 29, 2019, Apache Gas does not believe Commission approval is necessary for these disbursements. However, since the new CARES Act updates were not foreseeable, Apache Gas wanted to inform the Commission of its intentions and what the withdrawals from the escrow account would be attributed to so as not to be a surprise when Burkesville Gas Company has to file the escrow statements with its next GCA filings. Apache Gas will at all times maintain at least an amount equal to one month's debt service payments in the escrow account.

Please contact me if you have any questions.

Very truly yours,

L. Allyson Honaker

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