

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC REVIEW OF THE PILOT	)	
PROGRAM FOR ECONOMIC DEVELOPMENT	)	CASE NO.
EXTENSIONS OF SERVICE OF GAS LOCAL	)	2022-00403
DISTRIBUTION COMPANIES	)	

ORDER

On May 4, 2020, the Commission established a pilot program implementing a procedure for approval of economic development extensions (EDXs) for gas local distribution companies (LDCs).<sup>1</sup> The May 4, 2020 Order also provided that the Commission would conduct periodic reviews of the pilot program.<sup>2</sup> Pursuant to this, on December 13, 2022, the Commission issued an Order establishing this proceeding and requesting comments from the LDCs and the Office of Rate Intervention for the Attorney General of the Commonwealth of Kentucky, (Attorney General), regarding whether any suggested changes to the EDX pilot program should be implemented.

Louisville Gas and Electric Company (LG&E), Duke Energy Kentucky Inc. (Duke Kentucky), Atmos Energy Corporation (Atmos), Columbia Gas of Kentucky (Columbia), and the Attorney General all filed comments in response to the Commission's Order in this case. A copy of the Order was also sent to the Cabinet for Economic Development, which did not file any comments.

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<sup>1</sup> Case No. 2020-00001, *Electronic Investigation of a Pilot Program for Economic Development Extensions of Service of Gas Local Distribution Companies* (Ky. PSC May 4, 2020).

<sup>2</sup> Case No. 2020-00001, May 4, 2020 Order at 2.

Duke Kentucky and Columbia stated that no changes to the EDX were necessary.<sup>3</sup> Atmos stated that no changes were needed and noted that it had been using economic development riders instead of applying for an EDX.<sup>4</sup> Delta suggested making the EDX program permanent.<sup>5</sup> The Attorney General recommended keeping the pilot program, provided that sufficient safeguards and review were in place to protect ratepayers.<sup>6</sup>

LG&E suggested several modifications to the EDX pilot program. LG&E noted that most “shovel ready” projects have gas or are close to an LDC so an extension of service can be made quickly but asserted that restricting to “shovel ready” projects limits the practical usefulness of the EDX.<sup>7</sup> LG&E alleged that the Cabinet for Economic Development is moving away from the “shovel ready” concept and adopting approach that involves “de-risking” communities and increasing certainty for economic development prospects.<sup>8</sup>

LG&E asserted that expanding the EDX project beyond “shovel ready” projects could help “de-risk communities” economic development. LG&E proposed that the Commission expand the sites eligible for the EDX pilot program to include sites or areas to which state or local governments have committed some form of support for economic development or in which development is occurring organically and would benefit from

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<sup>3</sup> See Comments of Duke Kentucky (filed Jan 20, 2023) and Comments of Columbia (filed Jan. 20, 2023).

<sup>4</sup> Comments of Atmos (filed Jan. 20, 2023) at 2.

<sup>5</sup> Comments of Delta (filed Jan. 19, 2023) at 2.

<sup>6</sup> Attorney General Comments (filed Jan. 19, 2023) at 3.

<sup>7</sup> Comments of LG&E (filed Jan. 20, 2023) at 3.

<sup>8</sup> Comments of LG&E at 3-4.

expanded availability of gas service.<sup>9</sup> The LDC would still have the burden of proof to show that the project would advance economic development.<sup>10</sup>

LG&E also proposed that LDC's be allowed to have more than one EDX project at a time. LG&E argues that limiting EDX projects to one at a time overlooks the financial, customer base, and operational differences between LDCs.<sup>11</sup>

LG&E proposes a second type of EDX project for projects that are less detailed and more prospective than "shovel ready" sites. LG&E proposed a two-step approach requiring two applications. The first application would address: (1) the preliminary determination that the proposed project would be EDX-eligible as an extension in the ordinary course of business; (2) the review of the proposed route and property rights acquisitions; and (3) the approval of proposed accounting and financial treatment of the costs.<sup>12</sup> LG&E asserted that approval of this application does not guarantee recovery, but merely allows the LDC to work with government to create a plan re: financing, property rights etc.<sup>13</sup>

The second application would be filed when one or more customers are known and the LDC can provide specifics about the project. LG&E alleges that this would ensure project costs are reasonable. The utility would propose the potential accounting treatment, subject to Commission approval.<sup>14</sup>

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<sup>9</sup> Comments of LG&E at 5.

<sup>10</sup> Comments of LG&E at 5.

<sup>11</sup> Comments of LG&E at 6.

<sup>12</sup> Comments of LG&E at 6-7.

<sup>13</sup> Comments of LG&E at 6-7.

<sup>14</sup> Comments of LG&E at 7.

LG&E's final recommendation is that an LDC acquiring property rights for an EDX project following an initial EDX approval under LG&E's proposed application process would be able to carry those rights on its books as Gas Plant Held for Future Use and to recover the property taxes on such property acquisitions in accordance with the Commission's existing EDX pilot program orders.<sup>15</sup>

### DISCUSSION AND FINDINGS

The Commission appreciates the filing of comments in the record of this proceeding. As the commenters know, the EDX pilot program was the result of numerous discussions between representatives of LDCs, the Cabinet for Economic Development, the Energy and Environment Cabinet, the Attorney General, and the Commission. The current pilot program was consciously crafted to balance the varying interests of the stakeholders and Kentucky LDC customers.

Besides LG&E, the LDCs and the Attorney General do not propose substantive changes to the EDX pilot program. The changes that LG&E recommends would drastically expand a pilot program that was the result of extended discussions between stakeholders. The pilot program establishes limits, especially limiting the EDX to one at a time, so that the Commission could review the pilot program as well as ensure that the LDCs not take advantage of the pilot program to make multiple EDX extensions and subsequently seek recovery of the costs of the investment. LG&E's proposal not only removes the limit on the number of active EDX projects, but it also proposes to expand the criteria for approving EDX projects and removes the requirement that the extension be supported by the Cabinet for Economic Development.

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<sup>15</sup> Comments of LG&E at 7.

The Commission noted in the Order opening this review that only one LDC has taken advantage of the EDX pilot program and since the beginning of this proceeding no other LDC has applied for an EDX. One EDX application does not provide sufficient evidence upon which the Commission to base a decision to amend or expand the EDX pilot program. Furthermore, given that all but one commenter in this proceeding suggested no substantive changes to the EDX pilot program, the Commission is not inclined to make any changes to the EDX pilot program at this time. The Commission, of course, on its own motion or upon the request of the EDX pilot program stakeholders, could make subsequent changes to the EDX pilot program. For the moment, however, the Commission finds that no changes should be made to the EDX pilot program and that this case should be closed and removed from the Commission's docket.

IT IS THEREFORE ORDERED that:

1. No changes will be made to the EDX pilot program, and
2. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ENTERED  
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SERVICE COMMISSION

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