

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF A PILOT)	
PROGRAM FOR ECONOMIC DEVELOPMENT)	CASE NO.
EXTENSIONS OF SERVICE OF GAS LOCAL)	2020-00001
DISTRIBUTION COMPANIES)	

ORDER

The Commission, on its own motion, establishes this administrative case to review the procedure for approval of economic development extensions (EDX), which are extensions of service in the ordinary course of business to potential economic development projects for gas local distribution companies (LDCs). The Commission, through this administrative case will establish a pilot program "Pilot Program," to implement procedures that will allow an LDC, subject to the conditions discussed herein, to receive Commission approval for an EDX to a potential economic development site where no current natural gas customer may yet exist. It is the Commission's intention that this Pilot Program will encourage economic development in the Commonwealth while at the same time protecting the LDCs and their customers.

The Pilot Program will remain in effect for as long as the Commission deems necessary in order to evaluate the effectiveness of the procedures established herein. The Commission will internally evaluate the effectiveness of the Pilot Program at periodic intervals, with the first such evaluation being conducted no later than 18 months after the date of entry of this Order. The Commission reserves the right to cancel or modify this

Pilot Program at any time. Such cancellation will not impact EDX projects or recovery thereof previously approved by the Commission through this Pilot Program.

There are several desirable sites in Kentucky well-suited for industrial and commercial development except that there is no existing natural gas service at the site. The lack of existing natural gas distribution places Kentucky at a disadvantage when seeking to attract businesses to the potential economic development sites. Extending gas service to a prospective economic development site would provide an additional incentive for a business to locate to the site. However, LDCs are reluctant to extend service to an economic development site where: (1) there is uncertainty as to whether the Commission will approve the construction; (2) there is no guarantee that a customer will take service; and (3) the Commission may disallow all or a portion of the cost of the facilities in the LDC's rate base for the purposes of calculating rates.

The Commission will allow an LDC only one EDX at a time. This will require the LDC to prioritize its requests and focus on the most viable projects. Once service is commenced to a customer at the economic development site, the LDC may seek approval for another EDX from the Commission.

The LDC should keep records of the project in sufficient detail to determine the original cost, net of any contributions in aid of construction, and will be permitted to include the net investment in rate base no earlier than when a customer has contracted for and is receiving gas service from the EDX. Eligible capital investment costs may include, but are not limited to, the net construction costs of the EDX and the exploration of routes and purchasing of easements or other property rights to facilitate the EDX construction in situations in which the pipeline size cannot be determined in advance of a customer

locating at the EDX site. When the LDC completes the most advanced phase of construction planned for the EDX project, the EDX project should be cleared to Account 105, Gas Plant Held for Future Use. Once a customer is receiving gas service, the EDX should be placed in Account 101, Gas Plant in Service.

The LDC, upon approval of the EDX, will be granted authority to create a regulatory asset in order to defer property taxes related to the EDX capital investment, including the costs of land, until the effective date of new base rates in its next natural gas base rate case. While the LDC maintains the regulatory asset, it will be able to include applicable carrying costs on the regulatory asset. The carrying costs during the deferral period should be calculated by applying the long-term debt rate as approved in the LDC's most recent base rate case to the regulatory asset balance. Assuming a customer¹ is receiving service, the regulatory asset will be included for recovery in the LDC's next application for a general adjustment in rates.

At the time of the LDC's next natural gas base rate case, for an EDX that has been placed in service, the net plant shall be included for recovery in the LDC's application for a general adjustment in rates and shall be accounted for in rate base as normal capital and eligible for a return on equity as approved in the rate case. The accompanying regulatory asset shall be amortized over a reasonable period as determined by the Commission.

An application for an EDX must use the electronic filing procedure set out in 807 KAR 5:001, Section 8, and should comply with the filing requirements in

¹ This does not have to be the same customer that was contemplated at the time the utility files its application. It only has to be located at the economic development site and not taking service at the time the utility files its application

807 KAR 5:001, Sections 14 and 15. The application shall also include supporting documentation from the Cabinet for Economic Development certifying that the economic development site is “shovel ready” but for the lack of natural gas service. The application shall also contain, at a minimum, a description of the proposed site, the anticipated customer(s) or customer type(s), estimated costs, and any other information that may assist the Commission in determining whether an EDX should be approved.

The Commission will issue an Order either granting or denying the application for an EDX within 75 days of receiving an LDC’s application. The Commission may, for good cause, extend this period up to 45 days. The LDC must file its application within 30 days of filing the notice required by 807 KAR 5:001, Section 8(2)(a). The LDC must, at the time that it files with the Commission, send a copy of the notice and the application to the Attorney General. The Commission, after the filing of the notice, may, at any time, convene an informal conference with the applicant, the Cabinet for Economic Development, and any other entity or party in order for the Commission to assess the merits of the application and the proposed economic development site.

IT IS THEREFORE ORDERED that:

1. Within 30 days of the date of entry of this Order, any interested person may file comments regarding the proposed Pilot Program.
2. If no comments on this Order are received, within 75 days of the date of entry of this Order, a Pilot Program is established for the purposes of reviewing LDCs’ applications for economic development extensions to an economic development site.
3. If comments on this Order are received, the Commission will enter further orders addressing the comments and set a date in which a Pilot Program will be

established for the purposes of reviewing LDCs' applications for economic development extensions to an economic development site.

4. Unless otherwise ordered by the Commission, the electronic filing procedures set forth in 807 KAR 5:001, Section 8, shall be followed when filing papers in this proceeding.

5. LDCs wishing to apply for an economic development extension to an economic development site shall follow the procedure set forth in this Order, or amended in subsequent orders.

6. A copy of this Order shall be served on all LDCs subject to the Commission's jurisdiction, the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention, and the Kentucky Cabinet for Economic Development.

By the Commission

ENTERED
JAN 24 2020
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2020-00001

*CitiPower, L.L.C.
CitiPower, L.L.C.
37 Court Street
P. O. Box 1309
Whitley City, KY 42653

*Irvington Gas Company, Inc.
Irvington Gas Company, Inc.
401 S 1st Street
P. O. Box 55
Irvington, KY 40146

*Natural Energy Utility Corporation
Natural Energy Utility Corporation
2560 Hoods Creek Pike
Ashland, KY 41102

*B & H Gas Company
B & H Gas Company
P. O. Box 447
Betsy Layne, KY 41605

*Martin Gas, Inc.
Martin Gas, Inc.
P. O. Box 783
Hindman, KY 41822

*Atmos Energy Corporation
Atmos Energy Corporation
3275 Highland Pointe Drive
Owensboro, KY 42303

*Johnson County Gas Company, Inc.
Johnson County Gas Company, Inc.
P. O. Box 447
Betsy Layne, KY 41605

*Bluegrass Gas Sales, Inc.
Bluegrass Gas Sales, Inc.
3620 Rockland Mills Road
Center City, KY 42214

*Sentra Corporation c/o Sentra Resources LLC
Sentra Corporation c/o Sentra Resources LLC
2006 Edmonton Road
Tompkinsville, KY 42167

*Orbit Gas Transmission, Inc.
Orbit Gas Transmission, Inc.
1401 Spring Bank Drive, Suite 16
Owensboro, KY 42303

*Public Gas Company, Inc.
Public Gas Company, Inc.
4891 Independence Street, Suite 200
Wheat Ridge, CO 80033

*Commercial Propane Service, LLC d/b/a Bright's
Commercial Propane Service, LLC d/b/a Bright's
160 Sulphur Springs Road
Lebanon, KY 40033

*Burkesville Gas Company
Burkesville Gas Company
119 Upper River Street
P. O. Box 69
Burkesville, KY 42717

*Auxier Road Gas Company, Inc.
Auxier Road Gas Company, Inc.
P. O. Box 408
Prestonsburg, KY 41653

*Millennium Energy, Inc.
Millennium Energy, Inc.
951 Fairview Avenue
P. O. Box 1118
Bowling Green, KY 42102

*Slick Rock Gas Company
Slick Rock Gas Company
3375 KY RT 321
Prestonsburg, KY 41653

*Kentucky Frontier Gas, LLC
Kentucky Frontier Gas, LLC
4891 Independence Street, Suite 200
Wheat Ridge, CO 80033

*Columbia Gas of Kentucky, Inc.
Columbia Gas of Kentucky, Inc.
290 W Nationwide Blvd
Columbus, OH 43215

*Valley Gas, Inc.
Valley Gas, Inc.
401 S First Street
P. O. Box 366
Irvington, KY 40146

*Duke Energy Kentucky, Inc.
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45202

*Delta Natural Gas Company, Inc.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391

*Louisville Gas and Electric Company
Louisville Gas and Electric Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010

*Navitas KY NG, LLC
Navitas KY NG, LLC
3186-D Airway Avenue
Costa Mesa, CA 92626

*Western Lewis-Rectorville Water and
Western Lewis-Rectorville Water and Gas District
8044 KY 3161
Maysville, KY 41056-9344