

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On January 24, 2020, the Commission, on its own motion, issued an Order establishing an administrative case to review the procedure for approval of economic development extensions (EDXs), which are extensions of service in the ordinary course of business to potential economic development projects for gas local distribution companies (LDCs).¹ The Commission, on May 4, 2020, issued an Order establishing the EDX Pilot Program. The May 4, 2020 Order also provided that the Commission will conduct periodic reviews of implementation of the EDX Pilot Program.²

Since establishment of the EDX Pilot Program on May 4, 2020, only one LDC, Delta Natural Gas Company, Inc. (Delta) has sought an EDX.³ In Case No. 2020-00406 Delta requested and EDX and establishment of a regulatory asset for a project in Lincoln and Rockcastle counties. Delta's proposed project was separated into three phases. The

¹ Case No. 2020-00001, *Electronic Investigation of a Pilot Program for Economic Development Extensions of Service of Gas Local Distribution Companies* (Ky. PSC Jan. 24, 2020).

² 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) Order at 2.

³ Case No. 2020-00406, *Electronic Application of Delta Natural Gas Company, Inc. for Approval of an Economic Development Extension and Regulatory Asset*, (filed Dec. 28, 2020), Application.

first two phases included obtaining rights-of-way, construction of a new tap to an interstate gas line, and construction of a distribution line to an industrial site. The third phase would build 23 miles of steel transmission pipeline from the new first phase tap to three industrial sites in Rockcastle County, at a cost of approximately \$12,961,000. Delta had no firm plans for construction of the third phase, and stated it would file for an EDX for the third phase. Delta, however, proposed to include some costs from the third phase, such as design and acquisition of easements, with the first two phases in the EDX.

The Commission approved the EDX and regulatory asset for the first two phases, but denied it for any costs from the proposed third phase. In denying including these costs, the Commission stated:

[T]he costs to be included in an EDX application, and thus placed into a regulatory asset, are limited to the costs incurred in construction of a single project, namely to extend service to a site that is “shovel ready” but for the lack of natural gas service. These 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.” When the Commission established the EDX, it envisioned that the regulatory asset would include costs associated solely with serving a potential customer or customers at the “shovel ready” site. Allowing costs beyond the project would encourage and allow a utility to include in the regulatory asset costs that were tenuously associated with the proposed EDX project.⁴

The Commission, however, found that Delta could still go forward with the design and easement acquisition for the third phase, but the costs could not be included in the EDX.

⁴ Case No. 2020-00406, *Electronic Application of Delta Natural Gas Company, Inc. for Approval of an Economic Development Extension and Regulatory Asset*, (Ky. PSC Apr. 28, 2021) final Order at 5.

Pursuant to Case No. 2020-00001, the Commission finds that a proceeding should be opened to review the EDX Pilot Program. The Commission further finds that a copy of this Order should be served on 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 and that those entities should be given an opportunity to file comments regarding this proceeding and if any modifications to the EDX Pilot Program should be made. The Commission also welcomes comments on its Order in Case No. 2020-00406, and its effects, if any, on the EDX Pilot Program. The Commission directs all filers to the Commission's July 22, 2021 Order in Case No. 2020-00085⁵ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

IT IS THEREFORE ORDERED that:

1. The Commission opens this proceeding to conduct a formal review of the EDX Pilot Program to determine if a change in the Pilot Program is warranted.
2. Any comments shall be filed no later than January 20, 2023.

⁵ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

PUBLIC SERVICE COMMISSION



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Vice Chairman



Commissioner



ATTEST:



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