

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA)	
NATURAL GAS COMPANY, INC. FOR)	
APPROVAL OF AN ECONOMIC)	CASE NO.
DEVELOPMENT EXTENSION AND)	2020-00406
REGULATORY ASSET)	

VERIFICATION

The undersigned, **John B. Brown**, being duly sworn, deposes and states that he is President of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


John B. Brown

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Subscribed and sworn to before me, a Notary Public in and before said County and State, this
 16 day of March, 2021.

 (SEAL)
Notary Public

My Commission Expires:

 12-15-21



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VERIFICATION

The undersigned, **Jonathan Morpew**, being duly sworn, deposes and states that he is Vice-President – Operations of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Jonathan Morpew

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

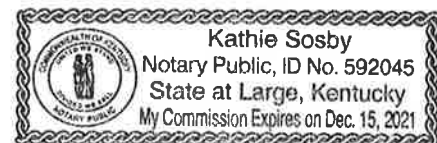
Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16 day of March, 2021.



Notary Public (SEAL)

My Commission Expires:

12-15-21



DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2020-00406

RESPONSES TO DATA REQUEST
ORDER DATED MARCH 4, 2021

1. Refer to the Application, page 3.
 - a. Provide the estimated time line for Phases 1 through 3, separated by phase.
 - b. For Phase 1, provide a breakdown of the estimated cost of \$3,976,000 for project engineering, right-of-way acquisition, tap, and purchase station. To the extent possible, separate costs related to Phases 2 and 3.
 - c. For Phase 2, provide a breakdown of the estimated cost of \$805,000.
 - d. Provide the deadline for receiving the Appalachian Regional Commission matching grant.
 - e. Confirm that any funding received from the Appalachian Regional Commission, the Stanford-Lincoln County Industrial Development Authority, and the Rockcastle County Fiscal Court will be recorded as contributions in aid of construction. If this cannot be confirmed, explain.

Response:

- a. Phase 1 – This phase will begin immediately upon the approval of the EDX Tariff and will continue through the end of 2022. The scope of work will include the installation of the TC Energy tap and the acquisition of the associated right of way needed at the tap location. This also includes the engineering design needed for the measurement and regulation station associated with the TC Energy tap. Also included is the acquisition of approximately 1.2 miles of right of way for the installation of the Lincoln County Industrial Park transmission line. Phase 1 will also include the design of the 23 mile Renfro Valley transmission pipeline extension, and the associated right of way acquisition. The acquisition of the right of way is anticipated to require the entire year of 2022.

Phase 2 – This phase will begin immediately upon the completion of the right of way acquisition of the Lincoln County transmission line, planned for the summer of 2021. This plan includes the completion of the transmission line on or before December 31, 2021. Should the EDX Tariff approval be delayed, the construction of this transmission line may not be started and completed until 2022. It is important to note that Phase 1 and Phase 2 are planned to be

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performed concurrently, and since Phase 2 will be less time consuming, it is planned to be completed prior to the completion of Phase 1.

Phase 3 – Currently there are no firm plans for the construction of the Renfro Valley pipeline in Phase 3. Funding has not been secured for the construction of this pipeline at this time. Should funding be secured in a reasonable time prior to 2023, construction may be started and completed, by the end of 2023.

- b. See Exhibit I.
- c. See Exhibit I.
- d. January 31, 2022
- e. Yes, any such funding will be recorded as contributions in aid of construction.

Sponsoring Witness:

Jonathan Morpew

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2. Refer to the Application, pages 3-4.
 - a. For Phase 3, provide a breakdown of the estimated cost of \$12,961,000.
 - b. Explain why Phase 3 designs and right-of-ways acquisition are included in Phase 1. Include a quantification of any estimated savings or reduction in costs from Delta's proposal.

Response:

- a. See Exhibit I.
- b. As Response 1 indicates, the design and right of way work for the 23 miles in Phase 3 could easily take an entire year. Assuming the pipeline construction itself can be done in a single construction season, having the design and right of way work done could easily cut in half the time needed to provide natural gas to a site being considered by a new industry, and that time saved could make the difference in whether the site is viable for their purposes and timeline. In addition, the Rockcastle County Fiscal Court recognizes the importance of getting this work done in Phase 1, and that is why they pledged \$125,000 towards Phase 1, which as they noted in their pledge letter "involves designing the entire project, acquiring the necessary right-of-way in Lincoln and Rockcastle Counties." The efficiency of this proposal relates more to the goal of getting the region poised for growth as quickly as possible as opposed to reducing the cost per foot of obtaining right of way.

Sponsoring Witness:

Jonathan Morphey

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3. Refer to the Application, page 4.
 - a. Given Delta's explanation that the 1.2 miles of pipe can be installed quickly, explain why Delta would install pipe before a prospective customer is identified.
 - b. Confirm that Delta plans to file a separate economic development extension application for Phase 3 after a customer is served by the Phase 2 extension. If this cannot be confirmed, explain.

Response:

- a. Delta understands from the Kentucky Cabinet for Economic Development that there are a shortage of truly shovel ready sites in the Commonwealth. Incorporating Phase 2, estimated to cost \$741,000 after the \$125,000 contribution from the Stanford-Lincoln County Industrial Development Authority, into this EDX would help alleviate that shortage in the shortest timeframe possible.

Prospective companies seeking property for the location and construction of new industrial facilities often utilize outside consultants, the State Cabinet for Economic Development and local Economic Development officials. During this process of site selection, a RFI (Request For Information) process is implemented to highlight locations that best meet specified criteria of the industrial prospect. The Industrial site search process is typically multi state and very competitive. Proper and timely completion of the RFIs is paramount for making the search list. Typically excluding any of the top variables that were on the prospects wish list will immediately remove them from making the first target list. For many industrial prospects, utility availability, capacity, and price are key considerations and absolutes. Without available utility infrastructure the Industrial Authorities are merely marketing farm land and limiting their community's ability to attract more substantial industry and businesses to their communities. An Industrial Park must first make it past the first phase of the selection process by making the site list. The site list guarantees nothing but it does enhance the chance of having actual visits and further investigation of the area and the property which can hopefully lead to industry locating in the community.

As noted in Response 4, the Lincoln County Industrial Park has been the subject of inquiries recently, and for the Stanford-Lincoln County Industrial

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Development Authority to be able to tell these potential buyers that natural gas is on the property will enhance their success. While it is true building 1.2 miles of pipeline can be done relatively quickly, the most likely scenario will be that the first customer will not be of sufficient size, on its own, to justify the \$741,000 expenditure. Smaller businesses can add up to significant load, but if Delta is not there with gas as those smaller businesses are constructed, often times the opportunity is lost after they have constructed their building to utilize an alternate heating source. The faster Delta gets gas to the park, though, the faster the park will have the opportunity to grow to the size where the load provides a return on not only the investment of the line to the park, but also on the investment in the tap itself, that will serve the region for generations to come.

- b. Delta confirms it will file a separate economic development extension application for Phase 3, or sub-sections of Phase 3, after a customer is served by the Phase 2 extension unless alternative funding is secured. While the Commission is evaluating the effectiveness of this pilot program, Delta will also continue to work with the Stanford-Lincoln County Industrial Development Authority, the Rockcastle County Fiscal Court, and industries potentially locating in the region to evaluate all possible sources of funding to see this pipeline built and serving this region.

Sponsoring Witness:

John B. Brown

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4. Provide a description of the proposed sites and the anticipated customer(s) or customer type(s).

Response:

- The Stanford Lincoln County Industrial Development Authority has owned Lincoln County Industrial Park #2 for several years. In discussing this inquiry with Executive Director George E. Leamon, he said “The lack of natural gas connectivity has made it difficult to market the 220 acre park to potential site developers. All critical infrastructure is already in place with the exception of natural gas.” The park is approximately 3 miles southeast from Stanford and 4 miles northwest of Cedar Creek Lake along the US 150 corridor. One business is currently at the park, and Pitman Creek Wholesale LLC is currently constructing a \$16 million facility on approximately 26 acres in the park. A prospect known as Project Blue Bot is currently working with a professional engineer to evaluate the suitability of an approximate 20 acre tract.
- The Lincoln County Planning Commission has set aside an additional 285 acres adjacent to Park #2 which will provide over 500 acres of Industrial land for the future.
- Commercial/Industrial property located along Cordier Street off Highway 150 towards Stanford is a possible development area that could benefit from a natural gas line with the higher pressure and service capabilities afforded by this tap on the TC Energy pipelines.
- We believe AppHarvest, an agriculture technology company that develops and operates large-scale greenhouses is exploring potential sites in Lincoln County for future facilities. Utility infrastructure must be in place for AppHarvest to consider committing to such investments. Natural gas is one of the essential requirements for AppHarvest’s operation. AppHarvest’s Morehead facility is on Delta’s service, and the company is currently constructing two facilities in Madison County, both also utilizing Delta’s service. Delta’s customers will benefit from AppHarvest’s use of natural gas for many years to come and that benefit could be further enhanced by granting this request.
- The Lincoln County Comprehensive Plan cites future commercial and residential growth around the Cedar Creek Lake recreational area. The catalysis for this growth projection is the potential need for housing and services generated by both the Lincoln County Industrial Park and popularity of the lake.

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- The City of Crab Orchard has an 80-acre business park accessing Highway 150 with available property. Being in a prime location enroute to the Cedar Creek Lake also makes available potential commercial growth opportunities.
- The City of Brodhead has potential for additional business and industrial sites as it is strategically located along Highway 150.
- The City of Mt. Vernon has two existing Industrial parks. Available vacant structures are on the market for new tenants as well as 88.6 acres of available land in the South Park. The South Park could configure a 64-acre tract to a prospective industrial client. Existing industrial and large businesses could benefit from the many advantages of natural gas and especially the cost savings by converting from propane and fuel oil. In discussing this inquiry, Jeff VanHook, the Executive Director of the Rockcastle County Industrial Development Authority, said “We used to have locally produced natural gas at our industrial park and it fueled the process load for a plastics plant and other businesses. When the natural gas wells went dry, the plastics plant had to shut down and 400 people lost their jobs. Despite the fact that this building has rail service on site and is very close to I-75, it has been very difficult trying to market this facility due to the lack of natural gas in the park.”
- Mt. Vernon has commercial property available along the west side of Interstate 75 between the two exits designated as the Mt. Vernon tax increment financing district. This area offers interstate visibility and easy access paralleling a major interstate. The Industrial Authority has identified an additional property between I-75 and Highway 25 for commercial use.
- The Renfro Valley exit and commercial property on the east side of interstate 75 has potential for the revitalization of the Entertainment Park and/or for other commercial retail use. The Renfro Valley property could also be repurposed for an industrial site.

Sponsoring Witness:

John B. Brown