

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

APPLICATION

Pursuant to the Commission’s May 24, 2020 Order in Case No. 2020-00001, Delta Natural Gas Company, Inc. (“Delta”), by counsel, requests approval of an economic development extension and regulatory asset for the joint development project in Lincoln and Rockcastle Counties. In support of this Application, Delta states as follows:

1. The full name and mailing address of Delta are Delta Natural Gas Company, Inc., 3617 Lexington Road, Winchester, Kentucky 40391. Delta’s electronic mail address is ratereg@deltagas.com. Delta is a Kentucky corporation that was incorporated on October 7, 1949. Delta is currently in good standing under the laws of Kentucky.

2. In Case No. 2020-00001, the Commission approved a pilot program for economic development extensions, which are extensions of service in the ordinary course of business to potential economic development projects for local distribution companies such as Delta.¹ The Commission’s May 24, 2020 Order establishes the procedures for filing this application. This is Delta’s first request pursuant to the pilot program.

¹ *In the Matter of: Electronic Investigation of a Pilot Program for Economic Development Extensions of Service of Gas Local Distribution Companies* (Ky. PSC May 24, 2020).

3. Delta is seeking approval of an economic development extension and regulatory asset for the joint economic development project in Lincoln and Rockcastle Counties. When the three phases discussed below are complete, one industrial park in Lincoln County and two industrial parks Rockcastle County will have natural gas available, as well as a separate industrial site in Mt. Vernon. A map showing the locations of the sites, as well as the associated gas infrastructure, is attached as Exhibit I.

4. This is a significant regional opportunity to provide natural gas service where none is currently available. Attached as Exhibit II is a letter from the Kentucky Cabinet for Economic Development certifying that the economic development site is “Shovel Ready” but for the lack of natural gas service. Delta has also attached as Exhibit III a letter from the Judge Executive of Rockcastle County in support of the opportunity, as well as a letter from the Stanford-Lincoln County Industrial Development Authority attached as Exhibit IV. The long-range vision for this area of Kentucky is to bring natural gas to the only city of material size along Interstate 75 that does not currently have natural gas service--Mt. Vernon. This extension would also benefit and make natural gas available to the cities of Crab Orchard and Broadhead, which are along the proposed project route. The leadership of Lincoln and Rockcastle counties have long recognized the need for natural gas service in their industrial parks in order to spur economic development. Many of the key infrastructure components such as interstate access exits, highway improvements, water, sewer, and railroad are in place to support the expansion. These communities also have a significant available work force, sufficient and quality traffic travel counts and educational systems in place to pursue the large industrial customers that will provide the quality jobs necessary to elevate a population. The final, and missing, piece of the puzzle necessary to elevate the areas

economically is natural gas service for these industrial parks. This proposed tap is the first step in alleviating that deficiency.

5. There are three phases to this project. The first phase involves designing the entire project, acquiring the necessary right-of-way in Lincoln and Rockcastle counties, and engaging TC Energy to tap their lines in Lincoln County. The project to be designed is laid out on the map attached as Exhibit I. TC Energy will be constructing a dual tap on their interstate transmission pipelines. The tap will be located where TC Energy's pipelines cross KY Highway 1770 near US Highway 150 south of Stanford in Lincoln County. Delta estimates the costs of the project engineering, right-of-way acquisition, tap, and purchase station, will be \$3,976,000. The cost of this phase will be partially offset by a \$500,000 Appalachian Regional Commission ("ARC") grant, \$125,000 from the Stanford-Lincoln County Industrial Development Authority, and \$125,000 from The Rockcastle County Fiscal Court. This endeavor has garnered financial support of both federal and local entities because of the widespread conviction that this project is an economic development catalyst that is long overdue. The EDX tariff is particularly timely because the \$500,000 ARC grant is a matching grant, and if Delta fails to build this phase now, Kentucky and the area will lose this grant. After the contributions in aid of construction, the net cost of this phase is \$3,226,000.

6. The second phase of the project is to extend the new connection to the Lincoln County Industrial Park, which requires an extension of 1.235 miles of steel pipeline at a cost of approximately \$805,000.

7. The third and final phase of the project is building the steel transmission pipeline from the new Lincoln County tap to the Mount Vernon North/South industrial parks, the I-75 Exit 62 Development Area in the Rockcastle County—Mt. Vernon tax increment financing district, and

the Renfro Valley industrial site. The preliminary estimate for building this transmission line is \$12,961,000.

8. Delta requests approval of the first two phases of this economic development extension project totaling a net cost of \$4,031,000 as well as for approval of authority to create a regulatory asset in order to defer property taxes related to the capital investment, including the costs of land, until the effective date of new base rates in its next natural gas base rate case. The anticipated cost of the first and second phases comprise 2.7% of Delta's \$150,695,000 total net property, plant, and equipment as of November 30, 2020.

9. Designing a project like this, coordinating with TC Energy, and acquiring the necessary right-of-way is an extremely time-consuming process that is most efficiently performed in one phase. Having this work complete puts this region in a much better competitive position when any of these industrial sites have prospective tenants. Delta then can mobilize pipe laying contractors very quickly once industries commit to these locations. Given that the tap is so close to the Lincoln County Industrial Park, it is prudent to go ahead and lay the 1.2 miles of pipe so that the area will immediately have a "Shovel Ready" industrial park to market.

10. Delta does not propose inclusion of Phase 3 of the project in the EDX at this time. Delta's anticipates that once phases 1 and 2 are complete, industries will commit to locate in the Rockcastle industrial parks or along the US Highway 150 corridor that will justify completion of Phase 3.

11. In accordance with the Commission's May 24, 2020 Order, if approved, Delta will keep records of the project in sufficient detail to determine the original cost, net of any contributions in aid of construction, so that Delta can 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 development extension.

12. A copy of this application will be provided to the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention.

WHEREFORE, Delta respectfully requests the Commission approve the economic development extension project as described herein.

Dated: December 28, 2020

Respectfully submitted,

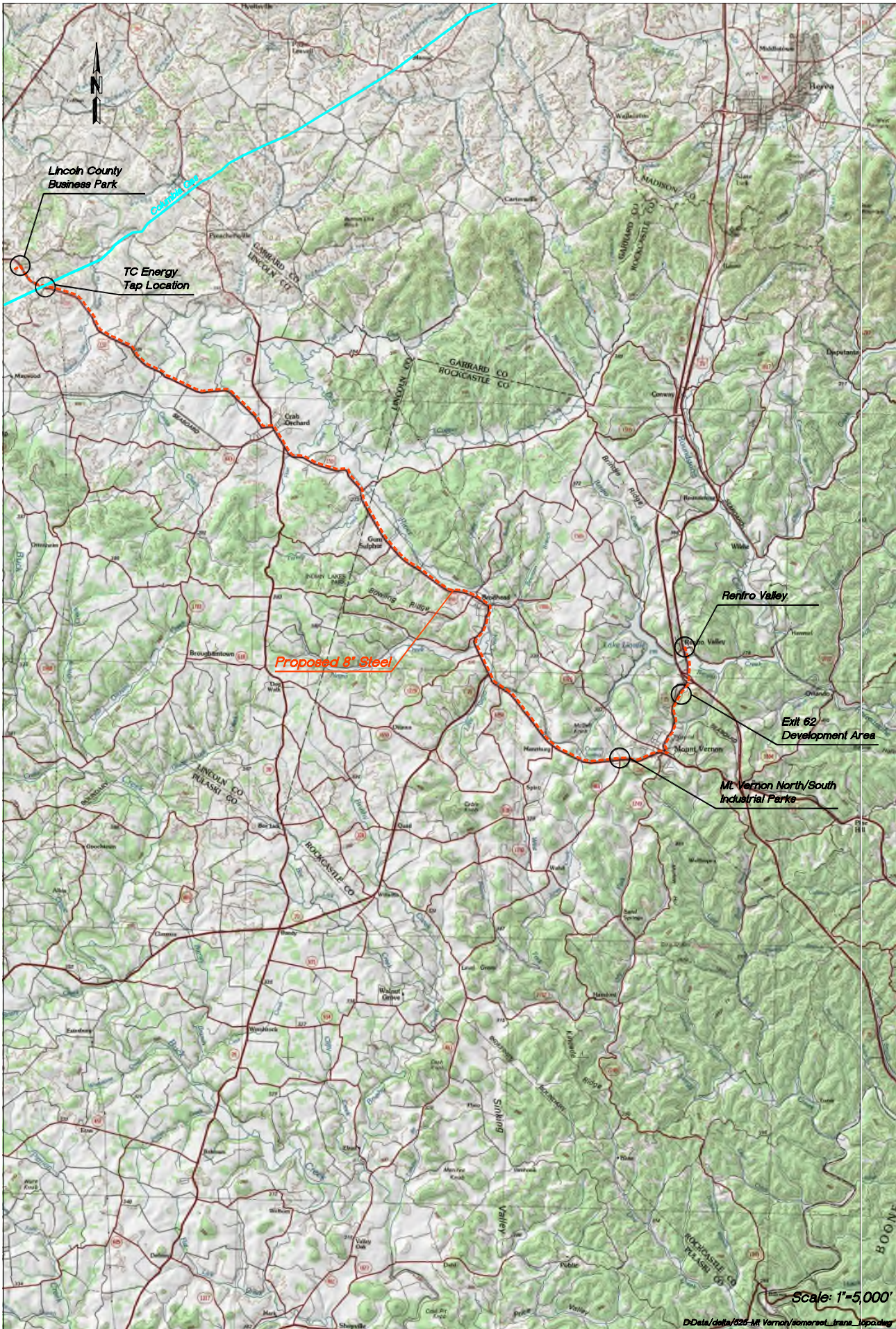


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Counsel for Delta Natural Gas Company,
Inc.

CERTIFICATE OF COMPLIANCE

This is to certify that this December 28, 2020, electronic filing is a true and accurate copy of the same documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on December 28, 2020; that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means; and that the original copy of this filing in paper medium will be filed by hand-delivery with the Commission in accordance with the Commission's emergency procedures.







CABINET FOR ECONOMIC DEVELOPMENT

Andy Beshear
Governor

Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601

Larry Hayes
Interim Secretary

August 13, 2020

Mrs. Talina Mathews
Commissioner
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40602

Dear Commissioner Mathews,

On behalf of the Kentucky Cabinet for Economic Development, I submit this letter of support for Rockcastle County/Lincoln County joint project to submit an application to the Public Service Commission's pilot gas line extension program. The site meets all the criteria to be considered "Shovel Ready", with the exception of a gas line being in place. The availability of a gas line at the site is critical to the marketing of the site to potential suitors and, ultimately, spurring investment and jobs for Kentuckians.

The Kentucky Cabinet for Economic Development is pleased to collaborate with you on such an important program for our Commonwealth. By helping to improve the quality of Kentucky's industrial sites, we will be better positioned to attract new investment opportunities to Kentucky.

Sincerely,

A handwritten signature in black ink that reads "Kristina Slattery".

Kristina Slattery
Executive Director, Office of Business and Community Services
Kentucky Cabinet for Economic Development

EXHIBIT III

COUNTY OF ROCKCASTLE

County Judge-Executive's Office

P.O. Box 755

Mt Vernon, KY 40456

Phone 606-256-2856

Fax 606-256-8104

VIA ELECTRONIC MAIL

December 23, 2020

Mr. John Brown
President
Delta Natural Gas Company, Inc.
3617 Lexington Rd.
Winchester, KY 40391


Dear Mr. Brown:

The Rockcastle County Fiscal Court is excited about the work and partnership between Delta Natural Gas and the Rockcastle County Industrial Development Authority in the effort to secure natural gas services to the US HWY 150 corridor and into Rockcastle County. It is our understanding that Delta Natural Gas project will be in two current phases and a final future third phase. The first phase involves designing entire project, acquiring the necessary right-of-way in Lincoln and Rockcastle Counties, engaging TC Energy to tap their lines in Lincoln County for a dual tap. The second phase is to extend the new connection to the Lincoln County Industrial Park by placement of 1.235 miles of steel pipeline. We further understand this allows for the future ability for completion of a future third phase to complete the steel transmission line from Lincoln County to the Mount Vernon North/South industrial parks, the I-75 Exit 62 Development Area in Rockcastle County-Mt. Vernon TIF District, and the Renfro Valley Industrial site.

This Project has the potential to be transformational for the residents of Lincoln and Rockcastle Counties and our neighboring counties. In the spirit of Regional planning and cooperation, The Rockcastle County Fiscal Court is pledging \$125,000.00 (One Hundred Twenty-Five Thousand Dollars) as match funds for the Economic Development Extension and Regulatory Asset application by Delta Natural Gas.

We appreciate the combined efforts of the Rockcastle County Industrial Development Authority (RCIDA), The Stanford-Lincoln County Industrial Development Authority (SLCIDA), Lincoln County Fiscal Court, Delta Natural Gas working together on this much needed asset for our communities. Should you have any questions, please contact me directly at (606) 256-2856 or email: holbrookhh@windstream.net

Sincerely,


Howell Holbrook
County Judge Executive

C: Jeff VanHook, RCIDA; George Leamon, SLCIDA; Jim W. Adams, Jr., Lincoln County Judge Executive

EXHIBIT IV



STANFORD - LINCOLN COUNTY

INDUSTRIAL DEVELOPMENT AUTHORITY

VIA ELECTRONIC MAIL

July 10, 2019

Jeffrey L. VanHook
Executive Director
Rockcastle Co. Industrial Development Authority
P.O. Box 592
Mt. Vernon, KY 40456

Dear Mr. VanHook:

The Stanford-Lincoln County Industrial Development Authority (SLCIDA) is excited to partner with Rockcastle County Industrial Development Authority to secure much needed natural gas services to the Rowland Industrial Park. It is understanding that Delta Natural Gas Company would like to tap a main natural gas transmission line in Lincoln County. This tap has the potential to greatly impact our industrial park, our residents in the eastern part of the county and a large portion of Rockcastle County.

In the spirit of regional planning and cooperation, The SLCIDA is pledging \$125,000 (One Hundred Twenty-Five Thousand Dollars) as match funds for the Kentucky Product Development Initiative Program solicitation that your organization is applying. Please be aware that these match funds are immediately available if the grant application is approved.

We appreciate Rockcastle County including us on the grant application team. Should you have questions, please contact me directly at 859.321.8052 or email: gleanon@lincolnky.com

Sincerely,

George E. Leamon, Executive Director
Stanford-Lincoln County IDA

C: Sheree Gilliam, SLCIDA-Chair
John B. Brown, Delta Natural Gas Company-President