

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA)	
NATURAL GAS COMPANY, INC. FOR A)	
CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO)	
CONSTRUCT A PIPELINE IN LINCOLN)	CASE NO. 2022-00295
AND ROCKCASTLE COUNTIES,)	
KENTUCKY)	

APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

Delta Natural Gas Company, Inc. (“Delta”), pursuant to KRS 278.020 and 807 KAR 5:001, Section 15, hereby applies to the Kentucky Public Service Commission (“Commission”) for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a pipeline that will extend gas service to unserved portions of Lincoln and Rockcastle Counties, Kentucky. The estimated cost will be provided from funds allocated from the state to the Lincoln County Fiscal Court for the construction of this pipeline. In support of its Application, Delta states as follows:

1. Delta’s post office address, principal office, and place of business are located at 3617 Lexington Road, Winchester, Kentucky 40391. Delta’s full name is Delta Natural Gas Company, Inc. Delta can be reached at the email address of counsel set forth below.

2. Delta is a Kentucky corporation that was incorporated on October 7, 1949 and attests that it is currently in good standing under the laws of Kentucky.

3. Delta is a utility engaged in the natural gas business and is a wholly owned subsidiary of PNG Companies LLC. Delta purchases, sells, stores, and transports natural gas in Bath, Estill, Montgomery, Menifee, Madison, Powell, Garrard, Jackson, Lee, Bourbon, Jessamine, Rowan, Bell, Knox, Whitley, Laurel, Clay, Leslie, Lincoln, Fayette, Fleming, Clark, Robertson,

Mason, Lawrence, Johnson, Martin, Magoffin, Floyd, Pike, Perry, Knott, and Letcher Counties, Kentucky.

4. Delta has been working closely with government leadership and economic development teams in Lincoln County and Rockcastle County to bring natural gas service to these counties. The demand for service in these areas is multilayered. First, there are residential communities that have requested natural gas service. Second, there is significant economic development potential in industrial parks in Lincoln County and Rockcastle County, as well as a separate industrial park in Mt. Vernon, which is well-located near an interstate.

5. The Commission approved the first substantial step in opening up natural gas service to these areas in Case No. 2020-00406, when it approved, with modification, Delta's requests for approval of an economic development extension and regulatory asset for a joint development project in Lincoln and Rockcastle Counties.¹

6. As a result of the approvals obtained in that proceeding, Delta constructed a new tap onto TC Energy's interstate pipeline and installed a pipeline to serve the Lincoln County Industrial Park. That project has been supported by the community, with a grant from the Appalachian Regional Commission and contributions from the Stanford-Lincoln County Industrial Development Authority and the Rockcastle County Fiscal Court. The line is nearly complete; Delta anticipates that gas will flow through the line prior to the end of 2022.

7. In Case No. 2020-00406, Delta explained that "Phase 3" of the project—for which authority was not requested in that case—is building the transmission pipeline from the new Lincoln County tap to the Mount Vernon North/South industrial parks, the I-75 Exit 62

¹ Case No. 2020-00406, *In the Matter of: Application of Delta Natural Gas Company, Inc. for Approval of an Economic Development Extension and Regulatory Asset* (Ky. PSC April 28, 2021).

Development Area in the Rockcastle County—Mt. Vernon tax increment financing district, and the Renfro Valley industrial site.

8. In this proceeding, Delta is requesting a CPCN for the construction of the approximately 22-mile pipeline described as “Phase 3,” which will allow for natural gas service to be extended to the communities of Crab Orchard, Broadhead, Mt. Vernon, and Renfro Valley. The authority requested in this proceeding will continue to expand access to natural gas service in Lincoln County and Rockcastle County, and continues to be well supported by local and state partners.

9. Delta anticipates that the total cost of the pipeline will be approximately \$19,600,000. The cost is expected to be offset by \$20 million in funds that were appropriated by the Kentucky General Assembly in HB 1 in the 2022 Regular Session, which allocated \$10 million for each year of the biennium to the Lincoln County Fiscal Court for this pipeline. There is no requirement that the pipeline must be completed within a two-year timeframe.

10. On July 28, 2022, the Lincoln County Fiscal Court published an advertisement stating it was seeking proposals for the project, which include constructing and operating a steel natural gas pipeline that would serve the US 150 corridor from the intersection of KY 1770 and US 150 in Lincoln County to the KY 461 and US 150 intersection in Rockcastle County. The services area then proceeds along KY 461 and US 25 to Renfro Valley, and both industrial parks in Mt. Vernon. A copy of the request for proposals is attached as Exhibit 1.

11. Delta submitted a proposal to the Lincoln County Fiscal Court on August 5, 2022, stating that it has the capability to construct and serve the requests set forth in the advertisement. A copy of Delta’s proposal is attached as Exhibit 2. On August 9, 2022, Delta was notified that the Lincoln County Fiscal Court had accepted Delta’s proposal. Delta’s proposal explained that

it must obtain a Certificate of Public Convenience and Necessity from the Commission before it can commence construction.

12. In addition to the proposed pipeline, Delta plans to extend its distribution system to provide natural gas service to the communities of Crab Orchard, Broadhead, Mt. Vernon and Renfro Valley, as customer load requirements demand. The construction of distribution mains and services in these areas are anticipated to be completed by the end of 2028. Given that this will be incremental construction through 2028, the extensions are expected to be in the ordinary course of business and are not part of the requested CPCN.

13. Pursuant to KRS 278.020(1) and 807 KAR 5:001, Section 15(2)(a), Delta proposes to construct a 22-mile pipeline that will begin at the Lincoln County purchase station near the Lincoln County Industrial Park and terminate at on US Highway 25 near Renfro Valley.

14. Pursuant to 807 KAR 5:001, Section 15(2)(b), Delta does not yet have any franchises or permits for the project but will acquire all necessary permits prior to commencing construction.

15. Pursuant to 807 KAR 5:001, Section 15(2)(c), Mr. Morphew's testimony contains a full description of the proposed location and route of the proposed construction or extension, including a description of the manner of the construction. The proposed route is appended to Mr. Morphew's testimony and identifies the grade and natural and as-built features.

16. Pursuant to 807 KAR 5:001, Section 15(2)(c), there are no public utilities, corporations, or persons with whom the proposed construction or extension is likely to compete.

17. Pursuant to 807 KAR 5:001, Section 15(2)(d)(1)-(2), Mr. Morphew's testimony contains a map to suitable scale showing the location or route of the proposed construction or extension, as well as a description of the plans and specifications for the facilities.

18. Mr. Morphew's testimony also contains plans and drawings for the proposed construction. The map, plans, and drawings were prepared by EnSite USA and comply with KRS 322.340.

19. Pursuant to 807 KAR 5:001, Section 15(2)(e), Delta does not separately finance its projects and will fund the pipeline utilizing the general financing available to it, in addition to seeking reimbursement from the Lincoln County Fiscal Court up to \$20 million.

20. Pursuant to 807 KAR 5:001, Section 15(2)(f), the estimated annual cost of operation after the proposed facilities are placed into service is \$5,400. Mr. Morphew's testimony contains a further description of the annual cost of operation.

WHEREFORE, Delta Natural Gas Company, Inc. respectfully requests that the Kentucky Public Service Commission grant a Certificate of Public Convenience and Necessity to construct a pipeline that will provide natural gas service to certain unserved portions of Lincoln and Rockcastle Counties.

Dated: August 26, 2022

Respectfully submitted,



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Counsel for Delta Natural Gas Company,
Inc.

CERTIFICATE OF COMPLIANCE

In accordance with 807 KAR 5:001, Section 8(7), this is to certify that Delta's August 26, 2022 electronic filing is a true and accurate copy of the documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on August 26, 2022; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

Marcia H. Braun

EXHIBIT 1

PUBLIC NOTICE

Advertisement

The Lincoln County Fiscal Court is seeking proposals from Natural Gas Providers regulated by the Kentucky Public Service Commission to provide gas service to the US 150 corridor in Lincoln and Rockcastle Counties.

The services area will be the US 150 Corridor from the intersection of KY 1770 and US 150 in Lincoln County to the KY 461 and US 150 Intersection in Rockcastle. The services area will then proceed along KY 461 and US 25 to Renfro Valley, and both industrial parks in Mt Vernon.

The gas provider should plan to provide adequate gas volume and pressure to support the current demand and a large Regional Industrial Park using a 75-year projection of needs, and be prepared to meet the following:

- Construction and operation of a .322 w.t. 8" steel natural gas pipeline that would serve the communities of Crab Orchard, Brodhead, Mt. Vernon, the I-75 interchange commercial/industrial area, and Renfro Valley.
- The offeror is responsible for land acquisition, designing, engineering, constructing, and operating the pipeline and all appurtenant facilities, including but not limited to, a tap, meter station, odorizer equipment and preheater equipment.
- By December 31, 2022, the offeror must own a constructed and operational natural gas tap and meter facility to which the pipeline will be connected to in order to receive sufficient supply from an interstate pipeline.
- All facilities, including the pipeline, shall be designed, constructed and operated in accordance with Pipeline and Hazardous Materials Safety Administration and Kentucky Public Service Commission Rules and Regulations.
- Pipeline construction activities should begin no later than January 2023, subject to approval of the Kentucky Public Service Commission and any other administrative or judicial tribunal with jurisdiction.

Proposals will be accepted in the office of the Lincoln County Judge Executive until 3:00 PM August 8, 2022. The mailing address is 102 West Main Street, Stanford, KY 40484. All proposals should be in a sealed envelope labeled "Natural Gas Supply US 150 Corridor".

The Lincoln County Fiscal Court reserves the right to reject any and all proposals.

PUBLIC NOTICE

Child Find for Children with Disabilities in Need of Special Education or 504 Services

EXHIBIT 2



DELTA NATURAL GAS COMPANY, INC.

3617 Lexington Road
Winchester, Kentucky 40391-9797

859-744-6171, ext. 1109
fax: 859-744-6552
jbrown@deltagas.com

JOHN B. BROWN
PRESIDENT

August 5, 2022

Jim W. Adams Jr.
Lincoln County Judge Executive
102 West Main Street
Stanford, KY 40484

Mr. Adams and the Lincoln County Fiscal Court:

Delta Natural Gas Company, Inc. is pleased to submit a proposal in response to the advertisement on July 28, 2022 in the Stanford Interior Journal regarding the provision of natural gas service to the US 150 corridor in Lincoln and Rockcastle Counties. Delta stands ready to fulfill each item described in the advertisement and values the opportunity to continue partnering with Lincoln and Rockcastle Counties in bringing natural gas service to your communities.

Delta is a natural gas provider regulated by the Kentucky Public Service Commission. Delta provides gas service to approximately 40,000 customers, primarily in southern and eastern Kentucky. Through the support and partnership of Lincoln and Rockcastle Counties, Delta is completing the project to extend service into Lincoln County at the Industrial Park.

Delta is fully prepared to extend its existing infrastructure to serve the US 150 corridor from the intersection of KY 1770 and US 150 in Lincoln County to the KY 461 and US 150 intersection in Rockcastle County. Delta will extend its infrastructure to proceed along the services area of KY 461 and US 25 to Renfro Valley, and both industrial parks in Mt. Vernon.

Delta has the capability to provide adequate gas volumes and pressures to the support the current demand, as well a large regional industrial park using a 75-year projection of needs. Specifically, Delta agrees to construct and operate a .322 w.t. 8" steel natural gas pipeline from its dual tap on the TC Energy interstate transmission pipelines, which is located where TC Energy's pipelines cross KY 1770 near US 150 south of Stanford. Using the appropriate mix of steel and plastic distribution piping, constructing the .322 w.t. 8" steel natural gas pipeline will allow Delta to then serve the communities identified in the advertisement.

Delta agrees to be responsible for land acquisition, designing, engineering, constructing, and operating the pipeline and all appurtenant facilities, including but not limited to, a tap, meter station, odorizer equipment and preheater equipment.

Delta already owns a constructed tap that allows Delta to receive sufficient supply from the TC Energy interstate pipelines.

Delta agrees that all facilities shall be designed, constructed and operated in accordance with Pipeline and Hazardous Material Safety Administration and Kentucky Public Service Commission Rules and Regulations.

Delta agrees to commence construction activities no later than January 2023, subject to the receipt of a Certificate of Public Convenience and Necessity from the Kentucky Public Service Commission authorizing Delta to undertake this extension. Delta is aware that the Kentucky General Assembly authorized \$10,000,000 for two fiscal years to the Lincoln County Fiscal Court for this pipeline project. Delta submits this proposal with the understanding that, if selected as the provider, it will be entitled to obtain reimbursement for the costs of the pipeline and appurtenant facilities described in the advertisement for an amount up to \$20,000,000. Should the costs exceed \$20,000,000, Delta agrees to bear the costs of the pipeline and appurtenant facilities in excess of \$20,000,000 and the costs of extending to and serving the communities identified in the advertisement, subject to approval by the Kentucky Public Service Commission. Should the ultimate costs be materially different than the estimated amount in Delta's application to the Commission, Delta may need to obtain additional authority from the Commission or take other action to ensure it remains compliant with its regulatory and fiscal responsibilities.

We wish to reiterate our interest and enthusiasm in partnering with Lincoln and Rockcastle Counties on this project that we believe will significantly benefit the region.

Sincerely,

A handwritten signature in black ink, appearing to read "John B. Brown", with a long horizontal flourish extending to the right.

John B. Brown
President