

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

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

ATTORNEY GENERAL'S COMMENT

Pursuant to the Kentucky Public Service Commission’s (“Commission”) Order of December 13, 2022, the Kentucky Attorney General (“Attorney General”) submits the following Comment.

The Attorney General supports all reasonable efforts to promote economic development in the Commonwealth. The Commission should continue to provide options such as the Economic Development Extension (“EDX”), which is one tool for local economic development stakeholders to attract and retain investment.

An EDX is an extension of service to a potential economic development site where no current natural gas customer exists.¹ In 2020, the Commission approved a pilot program allowing for EDX. In approving the pilot, the Commission intended to encourage economic development while protecting local distribution companies (“LDC”) and their customers.² The Commission stated:

There are several desirable sites in Kentucky well-suited for industrial and commercial development except that there is no existing natural gas service

¹ Case No. 2020-00001, *Electronic Investigation of a Pilot Program for Economic Development Extensions of Service of Gas Local Distribution Companies*, Order of January 24, 2020 at 1.

² *Id.*

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.

To date, one EDX project has been approved, a project pursued by Delta Natural Gas Company, Inc. in Rockcastle and Lincoln Counties.³

The pilot program approved by the Commission is not without limits. The Commission has sought to protect existing ratepayers in several ways. For example, costs for the project are not included in base rates until a customer is established at the site.

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.⁴

Further, LDCs are limited in the extent of their spending.

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.⁵

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

⁴ Case No. 2020-00001, *Electronic Investigation of a Pilot Program for Economic Development Extensions of Service of Gas Local Distribution Companies*, Order of January 24, 2020 at 2.

⁵ *Id.*

As long as sufficient requirements continue to protect existing ratepayers and prevent waste, the Commission should maintain EDX as an option for LDCs to utilize should circumstances warrant.

Respectfully submitted,

DANIEL J. CAMERON
ATTORNEY GENERAL

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Certificate of Service and Filing

Pursuant to the Commission's Orders and in accord with all other applicable law, Counsel certifies that, on January 19, 2023, a copy of the forgoing was served via the Commission's electronic filing system.

This 19th day of January, 2023

A handwritten signature in blue ink, appearing to read "J. Michael West". The signature is written in a cursive style with a long horizontal stroke at the end.

Assistant Attorney General