

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA)	
NATURAL GAS COMPANY, INC. FOR APPROVAL)	CASE NO.
OF LOGO DISCLAIMER AND NOTICE OF)	2024-00057
NONREGULATED ACTIVITY)	

ORDER

On March 7, 2024, Delta Natural Gas Company, Inc. (Delta) filed an application requesting Commission approval of a logo disclaimer and notice for the establishment of a new incidental nonregulated activity to be provided by HomeServe USA Repair Management Corporation (HomeServe) pursuant to 807 KAR 5:080, Section 4.

On March 22, 2024, the Commission issued a procedural schedule. Delta responded to four requests for information.¹ On May 22, 2024, Delta filed a request to submit the matter on the written record. On July 23, 2024, Commission Staff along with Delta participated in an Informal Conference. There were no intervenors in this matter. The case now stands submitted for a decision.

LEGAL STANDARD

KRS 278.2201 through KRS 278.2219 set forth many of the requirements that apply to utilities undertaking nonregulated activities. KRS 278.2201 prohibits utilities from subsidizing nonregulated activities provided by the utility or by an affiliate as well as

¹ Delta's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Apr. 10, 2024); Delta's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed May 16, 2024); Delta's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed June 26, 2024); Delta's Response to Commission Staff's Fourth Request for Information (Staff's Fourth Request) (filed Aug. 16, 2024).

mandating separate accounting and cost allocation of any nonregulated activities. KRS 278.2203 requires utilities engaged in nonregulated activities to identify, report, and allocate the costs of those activities in accordance with Kentucky law. KRS 278.2213 governs utilities sharing of information, databases, and resources when involved in the marketing or the provision of nonregulated activities.

Commission regulation 807 KAR 5:080 applies to all procedure, filing and safeguards for nonregulated utility activities. Commission regulation 807 KAR 5:080 Section 4 states that within ten days of establishing a new nonregulated active, the utility shall file written notice with the Commission describing the new nonregulating activity, and stating whether it is proposed to be classified as an incidental nonregulated activity.

DISCUSSION AND FINDINGS

According to the application, the new incidental nonregulated activity to be provided by the HomeServe program will be a third-party program through which HomeServe will offer Delta's customers voluntary protection plans on customer-owned utility service lines, water heaters, heating repairs, cooling repairs, plumbing and drainage repairs, and certain electronics.²

Delta indicated that no customer information will be shared with HomeServe, instead HomeServe proposes to conduct up to six mailing campaigns during each 12-calendar month period³ to potential customers using zip code information in areas where Delta currently offers gas utility service⁴. In addition, Delta stated that it would provide

² Application (filed Mar. 7, 2024) at 2, paragraph 4.

³ Delta's Response to Staff's First Request, Item 2(a), Marketing Agreement between HomeServe and Delta.

⁴ Application at 4, paragraph 9.

links on its website displaying the HomeServe approved marketing materials and a link directing its customers to HomeServe's website,⁵ as well as transfer specific customer calls to a HomeServe representative.⁶ Regarding transfers, Delta noted it will offer to transfer call-in customers to a HomeServe representative to learn more about the program. Delta stated that its customer service agents may offer to transfer a customer to HomeServe if the customer is a new homebuyer, an existing customer moving to a new residence, a customer calling with a general inquiry, or if a customer asks if warranty programs are available.⁷

Delta will be compensated for plan sales and fees, and for offering to transfer customers to HomeServe.⁸ Delta does not expect its total annual nonregulated revenue to exceed two percent of its total annual revenue in accordance with 807 KAR 5:080, Section 2(1)(b). In Delta's 2022 annual report submitted to the Commission, Delta identified total revenues of \$54,754,677 from a total of 39,375 customers. For the total 2022 revenues of \$54,754,677, the two percent incidental threshold is \$1,095,093.54. According to Delta, the expected revenue from HomeServe in Kentucky is far below that threshold.⁹ Delta also stated that no cost associated with this contract will be passed to

⁵ Delta's Response to Staff's First Request, Item 2(a), Marketing Agreement between HomeServe and Delta.

⁶ Delta's Response to Staff's First Request, Item 4(c).

⁷ Delta's Response to Staff's Fourth Request, Item (1).

⁸ Delta's Response to Staff's First Request, Item 4(a).

⁹ Application at 2, paragraph 7(a).

its customers since HomeServe will bill participating Delta customers directly for its services.¹⁰

Delta requested approval for use of disclaimer language to accompany Delta's logo in marketing materials sent by HomeServe. Delta requested approval of the following disclaimer language for use in the mailing campaigns and in links on Delta's website:

HomeServe USA Repair Management Corp. ("HomeServe"), with corporate offices located at 601 Merritt 7, 6th Floor, Norwalk, CT 06851, is not the same company as Delta Natural Gas Company, Inc. ("Delta"), is an independent company separate from Delta and offers this optional service plan as an authorized representative of the service contract provider, CNA Warranty Services, Inc., 151 N Franklin St., Chicago, IL 60606. HomeServe is not regulated by the Kentucky Public Service Commission. You do not have to buy HomeServe's services in order to continue to receive quality regulated services from the utility. Delta and HomeServe entered into an agreement to introduce these plans to Delta customers. See eligibility requirements and coverage limitations in this package.

Delta also requested approval of the following disclaimer language for use during any customer transfers to HomeServe:

One last thing before you go, I want to let you know about an offer for low-cost home repair plans which may protect you from expensive repairs. May I transfer you to HomeServe to learn more?

Delta asserts that its proposed language is consistent with the principles of 807 KAR 5:080, Section 6.

Furthermore, Delta stated that all work performed by HomeServe will be contracted through local independent contractors who will not bear any Delta insignias.¹¹ Delta's

¹⁰ Application at 2, paragraph 5.

¹¹ Application at 2, paragraph 6.

name will appear only on marketing materials sent by HomeServe, after review and approval by Delta.¹²

Having considered Delta's request and being otherwise sufficiently advised, the Commission finds that HomeServe is a new incidental nonregulated activity, pursuant to 807 KAR 5:080 Section 4. The Commission also finds that Delta's request for approval of the proposed disclaimers is consistent with the requirements of 807 KAR 5:080, Section 6, is reasonable, and should be approved as proposed.

IT IS THEREFORE ORDERED that:

1. Delta's application for approval of its disclaimer for use in the mailing campaigns and links on Delta's website is approved.
2. Delta's application for approval of its disclaimer for use during any customer transfers to HomeServe is approved.
3. Delta shall account for the activities, income, and expense of its nonregulated HomeServe activity in preparation for any testimony necessary to address its nonregulated activities in its next general rate case.
4. This case is closed and removed from the Commission's docket.

¹² Delta's Response to Staff's First Request, Item 5.

PUBLIC SERVICE COMMISSION



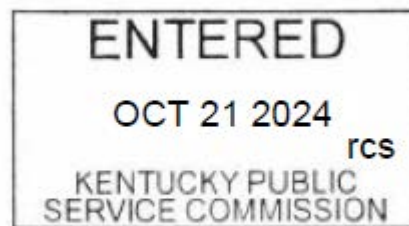
Chairman



Commissioner



Commissioner



ATTEST:



for
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