

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 AN ECONOMIC DEVELOPMENT EXTENSION)	2026-00123
AND REGULATORY ASSET)	

ORDER

On May 12, 2026, Delta Natural Gas Company, Inc. (Delta), filed an application for an Economic Development Extension (EDX), as permitted by the pilot program established in Case No. 2020-00001.¹ Delta requested an EDX and regulatory asset for a project in Rowan County, Kentucky.

Delta responded to one request for information from Commission Staff.² There are no intervenors in this proceeding. The matter stands submitted for a decision.

LEGAL STANDARD

The Commission, in establishing an EDX pilot program, defined an EDX as “extensions of service in the ordinary course of business to potential economic development projects for gas local distribution companies (LDCs).”³ An application for an EDX should contain, “supporting documentation from the Cabinet for Economic Development certifying that the economic development site is ‘shovel ready’ but for the

¹ Case No. 2020-00001, *Electronic Investigation of a Pilot Program for Economic Development Extensions of Service of Gas Local Distribution Companies* (Ky. PSC May 4, 2020).

² Delta’s Response to Commission Staff’s First Request for Information (Staff’s First Request) (filed June 4, 2026).

³ Case No. 2020-00001, May 4, 2020, Order at 1.

lack of natural gas service” and “a description of the proposed site, the anticipated customer(s) or customer type(s), estimated costs, and any other information that may assist the Commission in determining whether an EDX should be approved.”⁴

The EDX pilot program also established certain guidelines on the EDX. An LDC can have one EDX at a time and, once service is commenced to a customer at the economic development site, the LDC may seek another EDX.⁵ With regard to the capital costs that could be included in the EDX, the Commission stated:

Eligible capital investment costs may include, but are not limited to, the net construction costs of the EDX and the exploration of routes and purchasing of easements or other property rights to facilitate the EDX construction in situations in which the pipeline size cannot be determined in advance of a customer locating at the EDX site.⁶

The Commission also established accounting treatment for the EDX.⁷ KRS 278.220 provides that the Commission may establish a uniform system of accounts (USoA) for utilities and in Delta’s case, that the system of accounts shall conform as nearly as practicable to the system adopted or approved by the Federal Energy Regulatory Commission (FERC). The FERC USoA provides for regulatory assets, or the capitalization of costs that would otherwise be expensed but for the actions of a rate regulator. It must be probable that the utility will recover approximately equal revenue through the inclusion of these costs for ratemaking purposes, with the intent of recovering the previously incurred cost not a similar future cost.

⁴ Case No. 2020-00001, May 4, 2020, Order, Appendix A.

⁵ Case No. 2020-00001, May 4, 2020, Order, Appendix B.

⁶ Case No. 2020-00001, May 4, 2020, Order, Appendix A.

⁷ Case No. 2020-00001, May 4, 2020, Order, Appendix B.

BACKGROUND

In Case No. 2020-00406, Delta was granted an EDX to extend service to the Lincoln County Industrial Park.⁸ Delta applied for a certificate of public convenience and necessity (CPCN) for the pipeline in 2022.⁹ Delta stated it has completed the interstate tap and extension and began serving customers in the Lincoln County Industrial Park in December 2022.¹⁰ Delta serves one additional industrial customer, with a cumulative annual throughput of [REDACTED] Mcf, at the Lincoln County Industrial Park.¹¹ Delta stated that the first customer started taking service from the extended line 20 months after approval in Case No. 2020-00406.¹² Because LDCs can only have one EDX at a time, the completion of the previous EDX, including a customer taking service, makes Delta eligible to apply for another EDX.

DISCUSSION AND FINDINGS

Delta requested an EDX and regulatory asset for a project in Rowan County.¹³ Delta provided the necessary documentation from the Cabinet for Economic Development.¹⁴ Delta also provided documentation that the Menifee, Morgan and Rowan County (MMRC) Regional Industrial Authority supports the proposed project and has

⁸ Case No. 2020-00406, *Electronic Application of Delta Natural Gas Company, Inc for Approval of an Economic Development Extension and Regulatory Asset* (Ky. PSC Apr. 28, 2021).

⁹ Case No. 2022-00295, *Electronic Application of Delta Natural Gas Company, Inc. for a Certificate of Public Convenience and Necessity to Construct a Pipeline in Lincoln and Rockcastle Counties, Kentucky* (Ky. PSC Dec. 13, 2022).

¹⁰ Application at 2 and Delta's Response to Staff's First Request, Item 1.

¹¹ Delta's Response to Staff's First Request, Item 1a.

¹² Delta's Response to Staff's First Request, Item 1b.

¹³ Application at 1.

¹⁴ Application, Exhibit 2.

requested appropriations from the Kentucky General Assembly to support the proposed project.¹⁵ Although no grants have been obtained at this time, Delta stated that MMRC Regional Industrial Authority continues to seek grants to support the proposed project.¹⁶

The initial project steps involve designing the project, acquiring the necessary rights-of-way in Rowan County, and engaging Kinder Morgan to tap its lines in Rowan County, at an expected engineering and preconstruction cost of \$4.9 million.¹⁷ The actual project costs include \$140,000 for engineering, \$3.0 million for the tap, \$1.5 million for the purchase station, \$10,000 for the Rowan County easements, \$175,000 for electrical contract service, and \$75,000 for station fencing.¹⁸ Delta stated that the cost of construction for the pipeline is estimated at \$270,000, for a total project estimate of \$5.17 million.¹⁹ Delta expects to acquire easements for the Rowan County pipeline by 2027.²⁰

Delta stated that there are businesses located at this industrial park already taking natural gas service, and that the additional natural gas capacity would attract additional customers.²¹ Additionally, Delta stated that several customers have approached Delta about potential service at the industrial park, but that it does not currently have sufficient capacity to serve additional customers.²²

¹⁵ Application at 3 and Exhibit 3.

¹⁶ Delta's Response to Staff's First Request, Item 2d.

¹⁷ Application at 3.

¹⁸ Delta's Response to Staff's First Request, Item 3.

¹⁹ Application at 3–4.

²⁰ Delta's Response to Staff's First Request, Item 6.

²¹ Application at 2–3.

²² Application at 2–3.

As an initial matter, the Commission notes that the costs to be included in an EDX application, and thus placed into a regulatory asset, are limited to the costs incurred in construction of a single project, namely, to extend service to a site that is “shovel ready” but for the lack of natural gas service. These costs, “may include, but are not limited to, the net construction costs of the EDX and the exploration of routes and purchasing of easements or other property rights to facilitate the EDX construction.”²³ When the Commission established the EDX pilot program, it envisioned that the regulatory asset would include costs associated solely with serving a potential customer or customers at the “shovel ready” site.

The total estimated cost of the project is \$5.17 million.²⁴ Of the \$5.17 million total estimated cost, \$10,000 is associated with acquiring pipeline easements for the MMRC Regional Industrial Park.²⁵ These easements will accrue property taxes. The Commission finds that the proposed EDX, including costs associated with extending natural gas service to the MMRC Regional Industrial Park, are the types of projects and costs that are properly allowed in an EDX.

The Commission finds that Delta’s request to establish a regulatory asset, subject to a subsequent prudency review, should be approved. The Commission further finds that Delta should defer property taxes related to the EDX capital investment, including property taxes on the costs of land, and that Delta may include applicable carrying costs in the regulatory asset. The carrying costs during the deferral period should be calculated

²³ Case No. 2020-00001, May 4, 2020 Order, Appendix B.

²⁴ Application at 4.

²⁵ Delta’s Response to Staff’s First Request, Item 3.

by applying the long-term debt rate as approved in Delta's most recent base rate case to the regulatory asset balance. This regulatory asset may be included for recovery in Delta's application for a general adjustment in rates following a customer receiving service as a result of this project.

IT IS THEREFORE ORDERED that:

1. Delta's application for an EDX has been approved.
2. Delta's application for an EDX is approved as proposed in Delta's application, in so far as it is related to providing natural gas service to the MMRC Regional Industrial Park, is approved.
3. Delta's request to establish a regulatory asset is approved. Delta shall defer property taxes related to the EDX capital investment, including property taxes on the costs of land. Delta may include applicable carrying costs in the regulatory asset. The carrying costs during the deferral period shall be calculated by applying the long-term debt rate as approved in Delta's most recent base rate case to the regulatory asset balance. This regulatory asset may be included for recovery in Delta's application for a general adjustment in rates following a customer receiving service as a result of this project.
4. This case is closed and removed from the Commission's docket.

Entered on this 23rd day of June, 2026.

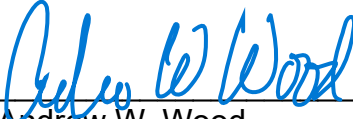
PUBLIC SERVICE COMMISSION



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Chair



Mary Pat Regan
Vice Chair



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Linda C. Bridwell, PE
Executive Director

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