

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--|--------|------------------------|
| APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF RATES |)) | CASE NO. 2010-00116 |
|--|--------|------------------------|

O R D E R

On October 21, 2010, the Commission issued an Order in this matter approving an increase in base rates designed to permit Delta Natural Gas Company, Inc. ("Delta") to generate additional annual revenues of \$3,291,328. This increase in revenues was based on the finding that Delta's net operating income deficiency for its adjusted historical test year ending December 31, 2009 was \$1,996,461.

The Commission has determined that an error in calculating Delta's adjusted test-year income tax expense¹ caused Delta's net operating income deficiency to be understated by \$134,530 in the October 21, 2010 Order. The corrected net operating income deficiency is \$2,130,991, which, grossed-up for income taxes, results in a required overall increase of \$3,513,112.² The correction in the amount of the required annual revenue results in an increase of \$221,784. The additional increase in revenues

¹ The error occurred by using the \$1,009,395 income tax adjustment related to Delta's proposed increase (Application, Item 27, Schedule 7) rather than the \$915,653 test year tax adjustment (Application, Schedule 2, Item 42), for a difference of \$93,742. Revising the tax adjustment by \$40,788, the tax effect of adjustments revised in Delta's August 24, 2010 update to its application, caused the net operating income deficiency to be understated by \$134,530 ($\$93,742 + \$40,788 = \$134,530$).

² The net operating income deficiency is divided by the income tax gross-up factor to determine the required increase ($\$2,130,991 / 0.6065821 = \$3,513,112$).

was allocated to the volumetric charges of all customer classes that originally received an increase in rates, and in proportion to the original increase allocated to each class.

IT IS THEREFORE ORDERED to be entered nunc pro tunc that:

1. The Commission's Order of October 21, 2010 shall be revised to provide for an increase in Delta's base rate revenues of \$3,513,112.

2. The rates in the Appendix to the October 21, 2010 Order shall, to the extent necessary, be replaced and superseded by the rates in the Appendix attached hereto and incorporated herein.

3. All other provisions of the October 21, 2010 Order in this proceeding shall remain in full force and effect.

4. Delta shall, within 20 days of the date of this Order, file its revised tariff sheets setting out the base rates approved herein and the Gas Cost Recovery rate effective at the time of the October 21, 2010 Order in this proceeding.

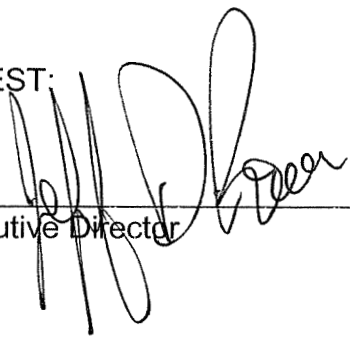
5. Delta shall, within 20 days of the date of this Order, file its revised tariff sheets setting out the base rates approved herein and the Gas Cost Recovery Rate effective October 25, 2010 pursuant to the Order in Case No. 2010-00377.³

³ Case No. 2010-00377, Purchased Gas Adjustment Filing of Delta Natural Gas Company, Inc. (Ky. PSC Oct. 15, 2010).

By the Commission

ENTERED *sl*
NOV 29 2010
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00116 DATED **NOV 29 2010**

The following rates and charges are prescribed for the customers in the area served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATE SCHEDULES

Available for general use by residential, commercial, and industrial customers.

RATES

| | <u>Base Rate</u> | + | <u>Gas Cost Recovery Rate*</u> | = | <u>Total Rate</u> |
|--|------------------|---|--|---|-------------------|
| Residential | | | | | |
| Customer Charge | \$ 20.70 | | | | |
| All Mcf | \$ 4.3185 | | \$ 7.4664 | | \$ 11.7849 |
| Small Non-Residential | | | | | |
| Customer Charge | \$ 31.20 | | | | |
| All Mcf | \$ 4.3185 | | \$ 7.4664 | | \$ 11.7849 |
| Large Non-Residential | | | | | |
| Customer Charge | \$ 131.00 | | | | |
| First 200 Mcf | \$ 4.3185 | | \$ 7.4664 | | \$ 11.7849 |
| Next 800 Mcf | 2.6696 | | 7.4664 | | 10.1360 |
| Next 4,000 Mcf | 1.8735 | | 7.4664 | | 9.3399 |
| Next 5,000 Mcf | 1.4735 | | 7.4664 | | 8.9399 |
| Over 10,000 Mcf | 1.2735 | | 7.4664 | | 8.7399 |
| Unmetered Gas Lights – Residential and Commercial | | | | | |
| All Mcf | \$ 4.3185 | | \$ 7.4664 | | \$ 11.7849 |

* This is the Gas Cost Recovery Rate that was in effect when the October 21, 2010 order was issued.

On-System Transportation – Small Non-Residential

| | | |
|-----------------|-----|-----------|
| Customer Charge | | \$ 31.20 |
| First 200 | Mcf | \$ 4.3185 |
| Next 800 | Mcf | 2.6696 |
| Next 4,000 | Mcf | 1.8735 |
| Next 5,000 | Mcf | 1.4735 |
| Over 10,000 | Mcf | 1.2735 |

On-System Transportation – Large Non-Residential

| | | |
|-----------------|-----|-----------|
| Customer Charge | | \$ 131.00 |
| First 200 | Mcf | \$ 4.3185 |
| Next 800 | Mcf | 2.6696 |
| Next 4,000 | Mcf | 1.8735 |
| Next 5,000 | Mcf | 1.4735 |
| Over 10,000 | Mcf | 1.2735 |

On-System Transportation – Residential

| | | |
|-----------------|--|-----------|
| Customer Charge | | \$ 20.70 |
| All Mcf | | \$ 4.3185 |

Off-System Transportation

| | | |
|---------|--|----------|
| All Dth | | \$.2826 |
|---------|--|----------|

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