



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

September 22, 2011

PARTIES OF RECORD

Re: Case No. 2011-00147
Application of Delta Natural Gas Company, Inc. for Approval of a Revised Gas
Cost Recovery Tariff

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Virginia Gregg, Staff Attorney, at 502-564-3940, Extension 407.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director


VG/kar

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File

FROM: Virginia Gregg, 
Staff Attorney

DATE: September 22, 2011

RE: Case No. 2011-00147
Application of Delta Natural Gas Company, Inc. for Approval of a Revised Gas Cost Recovery Tariff Informal Conference of September 19, 2011.

On September 19, 2011, the Commission held an informal conference in this case in the Commission's offices in Frankfort, Kentucky. Present were those persons whose names appear on the attached sign-in sheet. Delta Natural Gas Company, Inc. ("Delta") requested the conference.

Staff and Delta discussed issues surrounding Delta's persistent gas cost under-recovery, as well as its proposed carrying charge adjustment. Specifically, it was concluded that Delta can change the way it calculates Mcf volumes in the Expected Gas Cost ("EGC") portion of its Gas Cost Recovery ("GCR") applications in accordance with the language contained in its Gas Cost Adjustment ("GCA") tariff, and that no tariff change or Commission approval is required to do so. It was also discussed that, in Staff's view, the EGC limiter proposed by Delta would significantly change the structure of the widely used quarterly GCA mechanism.

Staff suggested that a carrying cost adjustment would not be needed if the under-recovery problem was mitigated, and that it could be revisited if the problem persists even after changing the EGC calculation. Staff and Delta discussed monitoring Delta's gas cost under-recovery experience following the change in the EGC calculation to gauge the extent to which the magnitude of its under-recoveries is reduced. Delta concluded that after such monitoring of under-recoveries through the Actual Adjustment portion of its GCR calculation, it could then make a decision on whether to seek approval of a carrying cost adjustment.

Delta informed Staff that it believes the change in its EGC calculation is a satisfactory first step in addressing the under-recovery problem, and that it intends to withdraw its application with the understanding that no Commission approval is required for such a calculation change and that it will reserve the right to refile its carrying cost proposal at some future point in time.

The conference then adjourned.

Attachment

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CASE NO. 2011-00147

APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR APPROVAL
OF A REVISED GAS COST RECOVERY TARIFF

SIGN IN

September 19, 2011

PERSON

REPRESENTING

GARY GLOVER	PSC ENGINEERING
Leah Faulkner	FA - PSC
Jeff Shaw	FA - PSC
Matthew Wesolock	Delta Gas
Steve Seelye	Delta Gas / The Drive Gro. p
Alvin Dennis	Delta Gas
Robert Watt	Delta / Shell Keenon Ogden
John Brown	Delta Gas
Virginia Gregg	Legal - PSC
Daryl Newby	PSC FA