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David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Linda Breathitt  
Commissioner

January 16, 2013

## PARTIES OF RECORD

Re: Case No. 2012-00549

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 seven days of receipt of this letter. If you have any questions, please contact Allyson Honaker at 502/564-3940, extension 265, or by e-mail at Allyson.Honaker@ky.gov.

Sincerely,

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

Jeff DeJouen  
Executive Director

AH

Attachment

## INTRA-AGENCY MEMORANDUM

### KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Allyson Honaker, Staff Attorney

DATE: January 16, 2013

RE: Informal Conference, Case No. 2012-00549  
Purchased Gas Adjustment Filing of Delta Natural Gas Company, Inc.

An Informal Conference ("IC") was held in this case on January 15, 2013 at the Commission's offices. The individuals who participated in the informal conference are listed on the sign-in sheet which is attached hereto and incorporated herein as Exhibit A. Commission Staff ("Staff") and representatives of Delta Natural Gas Company, Inc. ("Delta") discussed issues surrounding Delta's change in the way it calculates the Expected Gas Cost ("EGC") portion of its Gas Cost Recovery ("GCR") applications, and Delta's subsequent monitoring of its gas cost recovery to gauge the extent to which the magnitude of its under-recoveries has been reduced. Delta informed Staff that, based on a month to month review of Delta's balance sheet, the unrecovered gas cost situation appears somewhat improved since the EGC calculation revision, with unrecovered gas cost as of November 2012 in the \$4 million range, when in the past it has been as high as \$8 million. Other factors contributing to relatively lower unrecovered gas cost balances are lower short-term debt cost rates and lower prices for natural gas.

The Final Order in Case No. 2011-00147 was discussed with respect to the statement that Delta would monitor the effectiveness of the EGC calculation revision in improving its gas cost recovery. It was agreed that Delta will provide an evaluation of the revision when the first EGC calculated using the revised calculation has run its course through 12 months of Actual Adjustment recovery through its GCR mechanism.

The order in Administrative Case No. 384 was also discussed with respect to the Commission's directive concerning proposals to include carrying charges in the Gas Cost Adjustment mechanisms of Local Distribution Companies. Staff indicated that any solution to persistent gas cost under/over-recoveries that includes a proposal to incorporate carrying charges in the Actual or Balance Adjustments of gas cost adjustment mechanisms should address the Commission's Order in that case.

The conference then adjourned.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CASE NO. 2012-00549

PURCHASED GAS ADJUSTMENT FILING OF DELTA NATURAL GAS  
COMPANY, INC

SIGN IN

January 15, 2013

PERSON

REPRESENTING

<i>Alyson Shonaker</i>	PSC Legal
<i>Forrest Ann Cole</i>	PSC Legal
<i>MAZ</i>	Delta Gas
<i>Optim B Ban</i>	Delta Gas
<i>Robert Wang</i>	Delta / SKO
<i>Leah Faulkner</i>	PSC / FA