



Delta Natural Gas Company, Inc.

3617 Lexington Road
Winchester, Kentucky 40391-9797



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April 15, 2013

RECEIVED

APR 15 2013

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
P O Box 615
Frankfort, KY 40602-0615

**RE: Purchased Gas Adjustment Filing of Delta Natural Gas Company, Inc.
Case No. 2013-00114**

Dear Mr. Derouen:

Enclosed are the original and five (5) copies of the responses to the Commission Staff's Initial Request for Information dated April 9, 2013 in the above-styled case.

Please indicate receipt of this filing by date stamping the enclosed duplicate of this letter.

Sincerely,

Connie King

Connie King
Manager – Corporate & Employee Services

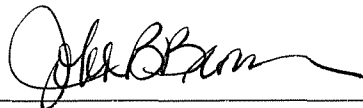
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT FILING OF)
DELTA NATURAL GAS COMPANY, INC.) CASE NO. 2013-00114

VERIFICATION

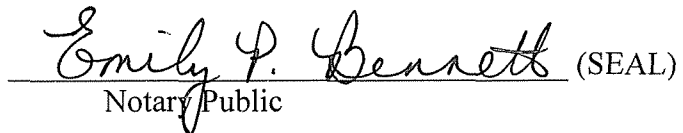
The undersigned, **John B. Brown**, being duly sworn, deposes and states that he is Chief Financial Officer, Treasurer and Secretary of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



John B. Brown

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of April, 2013.

 (SEAL)

Notary Public

My Commission Expires:

6/20/2016



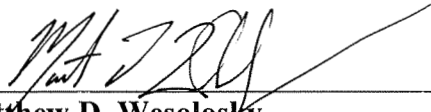
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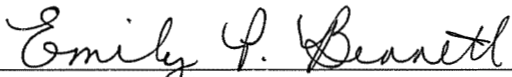
The undersigned, **Matthew D. Wesolosky**, being duly sworn, deposes and states that he is Vice President – Controller of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Matthew D. Wesolosky

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 11th day of April, 2013.

 (SEAL)

Notary Public

My Commission Expires:

6/20/2016



**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2013-00114**

**FIRST PSC DATA REQUEST
DATED APRIL 9, 2013**

1. Explain the 44.5 percent increase in Delta's Expected Gas Cost ("EGC"), from \$4.5917 per Mcf in its previous Gas Cost Recovery ("GCR") application, to \$6.6351 per Mcf in its current application. The explanation should include the effect of any increases in wholesale gas cost and pipeline supplier cost, as well as any impact of Delta's EGC calculation methodology on the magnitude of the increase.

Response:

Delta's EGC increased \$2.0434 in its current application, from its previous GCR application. There were no increases in pipeline charges. The pipeline charges are fixed demand related charges related to the capacity assigned to Delta on the respective pipeline. During the non-heating months, these fixed demand charges are recovered over fewer MCF than in the heating months, which increase the cost per MCF being included in the current GCR application as compared to the prior quarter's GCR application. It is normal at this time of year for Delta's GCR rate to increase because of the lower MCF impact. The wholesale commodity charges included in the GCR application are the forward prices at the respective delivery points at the time the GCR application is prepared. As shown on the attached exhibit, the proposed GCR rate, although increased as compared to the GCR rate in the prior quarter, is consistent with the GCR rate approved in April 2012 which is a period with similar pipeline and wholesale commodity charges to be recovered over similar volumes.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas Company, Inc.
Case 2013-00114
KYPSC Initial Data Request
Exhibit I

Per Schedule II of GCR Rate Filing, effective:						
Supplier	April 29, 2013		January 28, 2013		April 23, 2012	
	MCF Purchases	Quarterly Cost	MCF Purchases	Quarterly Cost	MCF Purchases	Quarterly Cost
TENNESSEE GAS PIPELINE						
PIPELINE (SCH II, PAGE 2 OF 2)		\$ 296,182 {2}		\$ 569,772 {2}		\$ 541,220 {2}
ATMOS ENERGY MARKETING	62,134	235,888 {1}	350,850	1,244,813 {1}	70,891	179,429 {1}
COLUMBIA GAS TRANSMISSION						
PIPELINE (SCH II, PAGE 2 OF 2)		81,461 {2}		197,832 {2}		80,494 {2}
ATMOS ENERGY MARKETING	25,884	97,439 {1}	148,522	519,711 {1}	25,723	65,863 {1}
COLUMBIA GULF TRANSMISSION						
M&B GAS SERVICES	94,285	491,992 {1}	69,557	344,386 {1}	96,345	365,055 {1}
KENTUCKY PRODUCERS						
VINLAND	2,615	11,640 {1}	14,130	59,128 {1}	2,731	10,801 {1}
STORAGE	-	-	378,579	1,437,583 {1}	-	-
TOTAL	184,918	\$ 1,214,601	961,638	\$ 4,373,225	195,690	\$ 1,242,862

	<u>EGC Component</u>	<u>per MCF</u>	<u>EGC Component</u>	<u>per MCF</u>	<u>EGC Component</u>	<u>per MCF</u>
Wholesale Commodity Charges, denoted by {1} above	\$ 836,959	\$ 4.5261	\$ 3,605,621	\$ 3.7495	\$ 621,148	\$ 3.1741
Pipeline Charges, denoted by {2} above	377,642	\$ 2.0422	767,604	\$ 0.7982	621,714	\$ 3.1770
Uncollectible Gas Costs, per Schedule I	12,341	\$ 0.0667	42,294	\$ 0.0440	14,476	\$ 0.0740
	<u>\$ 1,226,942</u>	<u>\$ 6.6350</u>	<u>\$ 4,415,519</u>	<u>\$ 4.5917</u>	<u>\$ 1,257,338</u>	<u>\$ 6.4252</u>
Pipeline Charges can be further disaggregated:						
Fixed demand pipeline charges	\$ 340,753	\$ 1.8427	\$ 584,958	\$ 0.6083	\$ 584,958	\$ 2.9892
Volumetric pipeline charges	36,889	\$ 0.1995	182,646	\$ 0.1899	36,756	\$ 0.1878
	<u>\$ 377,642</u>	<u>\$ 2.0422</u>	<u>\$ 767,604</u>	<u>\$ 0.7982</u>	<u>\$ 621,714</u>	<u>\$ 3.1770</u>

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2013-00114

FIRST PSC DATA REQUEST
DATED APRIL 9, 2013

2. Provide an explanation for Delta's \$1.1424 current quarter Actual Adjustment ("AA"). The explanation should include any unexpected increases in wholesale gas cost during the months of November and December 2012 and January 2013 as compared to the \$4.3119 EGC in effect during those months, as well as any impact of Delta's AA calculation methodology on the magnitude of the adjustment.

Response:

There were no significant unexpected increases in wholesale gas cost for the period November, 2012 through January, 2013. The Actual Adjustment resulted from differences in weather for the time period used to measure purchases versus the time period used to measure recovery of the GCR through billings. The actual volumes purchased include purchases incurred from November 1, 2012 to January 31, 2013. The billed volumes for November through January reflect service rendered from September 28 through December 29. The billing period used to measure recovery for the Actual Adjustment was approximately 70% warmer than the three months ended January 31, 2013.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2013-00114

FIRST PSC DATA REQUEST
DATED APRIL 9, 2013

3. State whether Delta's proposal to collect its Balance Adjustment over four quarters instead of one is a revision that it has considered proposing on a permanent basis.

Response:

Delta would be willing to consider proposing on a permanent basis to collect its Balance Adjustment over four quarters.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2013-00114

FIRST PSC DATA REQUEST
DATED APRIL 9, 2013

4. Explain why the 53 percent increase in the total GCR rate, from \$5.3931 per Mcf to \$8.2522 per Mcf is reasonable, given the continued relatively low price of natural gas.

Response:

The continued lower price of natural gas is reflected in the wholesale commodity charges included in the GCR rate. However, in addition to these commodity costs, the GCR rate is also impacted by fixed pipeline charges and adjustments for under-recovery in prior periods which are being recovered over a quarter with relatively low volumetric sales, as further discussed in Items 1. and 2. of this data request.

The GCR mechanism was designed to recover dollar-for-dollar the cost of natural gas consumed by a utilities' customers. The current GCR application reflects the estimated cost of gas to be purchased on behalf of Delta's customers for the quarter ending July, 2013 and also provides for recovery of gas previously purchased on behalf of Delta's customers, which has not been recovered. The proposed GCR rate, although increased as compared to the GCR rate in the prior quarter, is consistent with the GCR rate approved in April 2012 which is a period with similar pipeline and wholesale commodity charges to be recovered over similar volumes, as shown in Exhibit I of Item 1. This is a normal occurrence for this particular quarter of the year.

Sponsoring Witness:

John B. Brown