



**STOLL  
KEENON  
OGDEN**  
PLLC

300 WEST VINE STREET  
SUITE 2100  
LEXINGTON, KY 40507-1801  
MAIN: (859) 231-3000  
FAX: (859) 253-1093

RECEIVED

JUL 03 2014

PUBLIC SERVICE  
COMMISSION

**ROBERT M. WATT, III**  
DIRECT DIAL: (859) 231-3043  
DIRECT FAX: (859) 246-3643  
Robert.Watt@skofirm.com

July 3, 2014

***HAND DELIVERED***

Hon. Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40601

Re: Delta Natural Gas Company, Inc.  
Case No. 2014-00208

Dear Mr. Derouen:

Please find enclosed for filing an original and five copies of the response of Delta Natural Gas Company, Inc. to the Commission Staff's First Request for Information in the above-captioned case. Thank you in advance for your assistance.

Sincerely,

Robert M. Watt, III

rmw:rmw  
Enclosures

005522.005777/4254165.1

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 03 2014

PUBLIC SERVICE  
COMMISSION

In the Matter of:

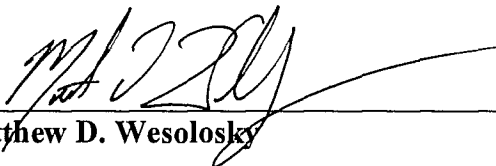
PURCHASED GAS ADJUSTMENT FILING )  
OF DELTA NATURAL GAS COMPANY, INC. )     CASE NO. 2014-00208

---

VERIFICATION

---

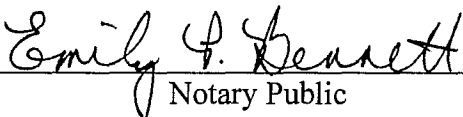
The undersigned, **Matthew D. Wesolosky**, being duly sworn, deposes and states that he is Vice President – Controller of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein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



Matthew D. Wesolosky

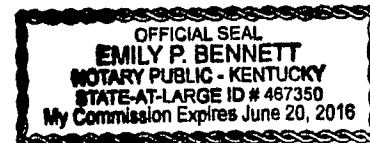
STATE OF KENTUCKY     )  
  )  
COUNTY OF CLARK     )

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 2nd day of July, 2014.

 (SEAL)  
Notary Public

My Commission Expires:

6/20/2016



**DELTA NATURAL GAS COMPANY, INC.**  
**CASE NO. 2014-00208**

**FIRST PSC DATA REQUEST**  
**DATED JUNE 27, 2014**

1. Refer to Delta's previous Gas Cost Recovery ("GCR") applications beginning with the March 26, 2013 application in Case No. 2013-00114. Summing the Supply Volumes per Books for the 18-month period ended April 2014 as set out in Schedule IV, the Actual Adjustment ("AA") section of each application, starting with Case No. 2013-00114 and ending with the instant case, produces purchase volumes of 8,447,356 Mcf. The sum of the Sales Volumes for the same time period equals 5,915,230 Mcf.
  - a. Confirm that the amounts above are correct. If they are incorrect, provide the correct purchase and sales volumes and explain the difference in calculation.
  - b. Explain why the total Sales Volumes for the 18-month period differs so greatly from the total Supply Volume per Books.
  - c. State the amount of lost and unaccounted for gas in Mcf for the 18-month time period.

Response:

- a. The above amounts are correct.
- b. Factors that cause differences between sales volumes and supply volumes include:

Unbilled revenue

Sales are recorded and reported in the GCR filing on the billed basis. Supply volumes are recorded and reported by calendar month. Unbilled revenue is an estimate of the gas used from the date a meter was last read through the end of the month.

Company use gas

Gas supply purchased and used by Delta in the provision of distribution and transportation services. This includes gas utilized in operating compressors, dehydration units, pre-heaters and removing heavy hydro-carbons from the system.

**DELTA NATURAL GAS COMPANY, INC.**  
**CASE NO. 2014-00208**

**FIRST PSC DATA REQUEST**  
**DATED JUNE 27, 2014**

Imbalances

Imbalances are differences between the estimated supply volumes purchased versus the quantities which actually flow into or out of Delta's system. To the extent Delta has generated an imbalance for its own gas supply where Delta is in a long or short position, amounts invoiced from the supplier differ from expected amounts received from the pipeline. Additionally, transportation customers generate imbalances on Delta's system. To the extent a transportation customer is in a long or short position, they have provided more or less gas into Delta's system from their supplier than they consumed which creates an imbalance.

Heating content of gas supply

Gas supply is purchased on a dekatherm basis; however, sales volumes on Delta's system are measured on a volumetric basis. Delta's gas supply is purchased from interstate pipelines which often have a British Thermal Unit ("BTU") content ranging from 1000 to 1050. However, off-system transportation of locally produced gas which contains a high BTU content (greater than 1200 BTU) represents a significant portion of Delta's total system throughput.

The delivery of natural gas to specific points on the system occurs through displacement. Delta's distribution customers burn the high BTU gas before it can be physically transported to the interstate pipeline. Therefore, gas with lower BTU content (greater Mcf per dekatherm at a lower BTU) must be purchased, on a dekatherm basis, to satisfy the transportation obligation. Conversely, had the customer not consumed the higher BTU (lower volume per dekatherm at a higher BTU) gas, they would have consumed the greater volume of gas. In either scenario, the retail customer consumes the same quantity of dekatherms, but at different volumes. Additionally, since supply volumes are denominated in dekatherms, the cost of gas for the retail customer is the same in either scenario. Therefore, because of the varying BTU content of Delta's gas supply, "Supply Volume per Books" is not a measured value, but rather an estimate.

c. Lost and unaccounted for gas for Delta's distribution and transportation system for the 18-months ending April, 2014 is 1,113,032 Mcf (3.4% of system receipts).

Sponsoring Witness:

Matthew D. Wesolosky

**DELTA NATURAL GAS COMPANY, INC.  
CASE NO. 2014-00208**

**FIRST PSC DATA REQUEST  
DATED JUNE 27, 2014**

2. Refer to page 3 of 131 of Delta's 2013 annual report filed with the Commission. In the annual report, total gas purchases are shown as 5,332,256 Mcf. On Delta's GCR applications for the year 2013, the sum of Supply Volumes per Books equals 4,957,249 Mcf.
  - a. Confirm that the amounts above are correct. If they are incorrect, provide the correct amounts and explain why they differ from the figures listed above.
  - b. Explain what factors contributed to the 375,007 Mcf difference (5,332,256-4,957,249).

Response:

- a. On page 3 of the annual report the purchased volumes should be 5,080,938 Mcf. The signs were reversed on the amounts representing storage activity. Storage injections should have been shown as (1,014,719) and withdrawals should have been shown as 889,060.
- b. The difference between the revised purchases per the annual report of 5,080,938 and the amounts reported on Delta's GCR applications of 4,957,249 is 123,689 Mcf, which represents supply imbalances on our system, as well as natural gas expensed rather than recovered through the GCR Mechanism. The natural gas expensed related to gas which escaped from a ruptured well head at our storage facility.

Sponsoring Witness:

Matthew D. Wesolosky

**DELTA NATURAL GAS COMPANY, INC.**  
**CASE NO. 2014-00208**

**FIRST PSC DATA REQUEST**  
**DATED JUNE 27, 2014**

3. Refer to page 5 of 131 of Delta's 2013 annual report, which sets out Sales Volumes for 2013 of 3,147,356 Mcf. Delta's AA calculations in its GCR applications indicate that 2013 Sales Volumes were 3,033,616 Mcf.
  - a. Confirm that the amounts above are correct. If they are incorrect, provide the correct amounts and explain why they differ from the figures listed above.
  - b. Explain what factors contributed to the 113,740 Mcf difference (3,147,356-3,033,616).

Response:

- a. The above amounts are correct.
- b. The sales volumes in the GCR applications are reported on the billed basis, while the sales reported in the annual report are on the unbilled basis. The 113,740 Mcf difference represents the net change in unbilled MCF during calendar 2013, as reported on page 123 of Delta's Annual Report.

Sponsoring Witness:

Matthew D. Wesolosky