

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

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| DELTA NATURAL GAS COMPANY, INC.) | CASE NO. 7202-A |
| APPLICATION FOR ADJUSTMENT OF) | 7202-B |
| RATES UNDER PURCHASED GAS) | 7202-C |
| ADJUSTMENT CLAUSE) | 7202-E |

O R D E R

On June 29, 1979, the Commission issued its Final Order in Case No. 7202, approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On August 29, 1978, Delta Natural Gas Company, Inc., (Delta) and its wholly owned subsidiaries, Cumberland Valley Pipeline Company and Gas Service Company, Inc., filed Case No. 7202, requesting permission to apply uniform rates in the retail distribution areas of these companies. The rates requested in Case No. 7202, were suspended for a five-month period to end February 18, 1979. On June 29, 1979, the Commission issued its Final Order in Case No. 7202, wherein uniform rates were granted and were allowed to become effective with service rendered on and after February 18, 1979.

On March 20, 1979, Delta and its subsidiaries filed with this Commission Case Nos. 6343-HH Amended, 6447-P Amended and 6093-DD Amended, all of which were Purchased Gas Adjustments cases made necessary by a rate change sought by one of their suppliers, Columbia Gas Transmission Corporation, (Columbia) as reflected by Columbia's Substitute Forty-Ninth Revised Tariff Sheet No. 16. By Energy Regulatory Commission Orders these cases were dismissed and on March 29, 1979, they were consolidated with Case No. 7202-A the reason being that the retail rates for all the distribution area would be determined under the uniform rate concept.

Due to Columbia's filing of Second Substitute Forty-Ninth Revised Sheet No. 16, Delta and their Subsidiaries filed on July 25, 1979, Case No. 7202-A Second Amended.

By Federal Energy Regulatory Commission Order issued May 18, 1979, Columbia's Second Substitute Forty-Ninth Revised Sheet No. 16, was accepted for filing and made effective March 1, 1979.

On August 31, 1979, the Commission issued an Order in Case No. 7202-A wherein it denied \$120,000 of the increase requested by the Applicant. In its Second Amended Application dated July 25, 1979, Cumberland Valley Pipeline Company had stated that its rates should be increased by \$120,000 per year so they would be able to recover amounts paid to Laurel Valley Pipeline Company, Inc., (Laurel) for the use of Laurel's gas storage and pipeline facilities.

In Case No. 7202, Delta and its subsidiaries sought an adjustment in rates on a consolidated basis which included the assets of Laurel. In this case the Commission ruled that Laurel was not an operating public utility and eliminated their assets in the amount of \$605,830 from the rate base along with all associated expenses. This was the basis used for the elimination of the Laurel expenses in Case No. 7202-A, 7202-B, 7202-C and 7202-E.

On September 18, 1979, in Case No. 7202-A, Delta and its subsidiaries filed a Motion For Rehearing. The Applicant was seeking a rehearing on the issues of whether or not the cost of pipeline rental and gas storage fees should be included in the Purchased Gas Adjustment and whether or not the effective date of the adjustment of rates should be the supplier increase or the date of the Order.

On October 10, 1979, subsequent Motions For Rehearings were filed in Case Nos. 7202-B, 7202-C and 7202-E. The Commission after considering the Motions and the evidence of record decided that a rehearing was in order.

On October 16, 1979, at 10:00 a.m., Eastern Daylight Time a rehearing was held in the Commission's office in Frankfort, Kentucky. No protestants were present at the hearing. For hearing purposes a motion was made by the Applicant to consolidate the cases in question and the motion was granted.

After reviewing the evidence of record and being fully advised the Commission is of the opinion and finds:

(1) That the Applicant has incurred an increase in the pipeline rental and gas storage fees paid to Laurel.

(2) That the Purchased Gas Adjustment Clause is not the proper means for recovering these types of charges and that the Applicant in further rate proceeding should make the necessary accounting adjustments to remove said charges from the Purchased Gas Adjustment Clause.

(3) That the Applicant at the present time has no other means for recovery of these charges and in this case the rental and storage fees should be allowed.

(4) That in order to avoid an under collection of revenue and impairing the Applicant's financial situation, the effective date of the rates granted in these cases should be the date the increased cost of wholesale gas became effective subject to refund.

IT IS THEREFORE ORDERED that the pipeline rental and gas storage fees paid Laurel Valley Pipeline Company, Inc., are fair, just and reasonable and in the public interest and are hereby approved subject to refund with gas supplied on and after the date the increase costs became effective.

IT IS FURTHER ORDERED that the effective dates of the rates granted in these cases should be the date the increased cost of wholesale gas became effective subject to refund.

IT IS FURTHER ORDERED that within thirty (30) days after the date of this Order, the Applicant shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 16th day of January, 1980.

ENERGY REGULATORY COMMISSION



For the Commission

ATTEST:

Secretary