

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF DELTA) CASE NO. 8528-J
NATURAL GAS COMPANY, INC.)

ORDER

December 14, 1982, the Commission issued its Order in Case No. 8528 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 or a refund is received. On September 23, 1983, the Commission issued its Order in Case No. 8866 providing for the further adjustment of these rates on a quarterly basis in accordance with the provisions of the Gas Cost Adjustment Clause set forth therein.

On March 30, 1984, Delta Natural Gas Company, Inc., ("Delta") filed its quarterly gas cost adjustment which is to become effective May 1, 1984, and is to remain in effect until August 1, 1984. On April 6, 1984, Delta filed an alternate adjustment to become effective May 1, 1984. The alternate adjustment reflects a change in the calculation of the actual adjustment. Both Delta and the Commission recognize the fact that the actual adjustment can vary

significantly due to the weather sensitivity of gas sales. Delta's proposed alternate adjustment is an attempt to diminish these variances.

As stated in its Order issued February 1, 1984, in Case No. 8528-I, the Commission has been investigating various methods that could be used to eliminate the variances in the actual adjustment. The anticipated cycle is 2 periods of under-recovery followed by 2 periods of over-recovery in the quarterly actual adjustment so the net effect on rates after 4 quarters should be minimal. Delta's quarterly filings have only been in effect long enough to include 2 quarters in the actual adjustment. Any change in the calculation of the actual adjustment would involve a determination by Delta as to billed and unbilled cost, sales and purchase volumes. Delta has attempted to make such a determination in its proposed alternate adjustment. However, it failed to provide sufficient documentation for the source of its figures. The Commission is of the opinion that, at this time, Delta should continue its current practices in calculating the actual adjustment. Any change would involve the use of estimated figures rather than the actual figures that are currently used. Although the use of actual figures does allow a variance in the actual adjustment each quarter ("seasonal swings"), the effect on retail rates should be minimized when adjustments for 4 quarters are in place.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

(1) Delta's notice of March 30, 1984, set out certain revisions in rates which Delta proposed to place into effect, said rates being designed to pass on the overall wholesale increase in gas costs from its suppliers in the amount of 14.0 cents per Mcf.

(2) Delta has received a total of \$5,581 in refunds from its supplier, Columbia Gas Transmission Corporation. Delta proposes to refund this amount by applying a refund factor of 0.11 cents per Mcf to its customers' bills. This factor includes interest at a rate equal to the average of the "3-Month Commercial Paper Rate" for the immediately preceding 12-month period less 1/2 of 1 percent to cover the costs of refunding.

(3) Delta's notice set out an actual adjustment in the amount of 28.8 cents per Mcf to compensate for previous under-recovery of gas cost by the company through the operation of its gas cost recovery procedure.

(4) Delta proposes a gas cost recovery rate in the amount of \$4.3251 per Mcf, an increase of \$0.4269 per Mcf. This increase represents the combined effect of the supplier decrease, refund and actual adjustments.

(5) Delta's adjustment in rates under the gas cost adjustment provisions approved by the Commission in its Order in Case No. 8528 dated December 14, 1982, and Case No. 8866 dated September 23, 1983, is fair, just and reasonable and in the public interest and should be effective with final meter readings on and after May 1, 1984.

(6) Delta's proposed alternate adjustment of April 6, 1984, produces a lower actual adjustment for the quarter but does not provide an exact determination of the adjustment. Therefore, Delta's proposed alternate adjustment should be denied.

IT IS THEREFORE ORDERED that the rates in the Appendix to this Order be and they hereby are authorized effective for final meter readings on and after May 1, 1984.

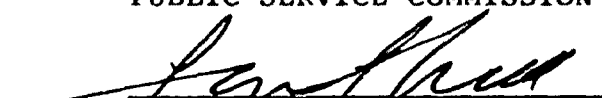
IT IS FURTHER ORDERED that the gas cost recovery rate shall be \$4.3251 per Mcf effective for final meter readings on and after May 1, 1984.

IT IS FURTHER ORDERED that Delta's proposed alternate adjustment of April 6, 1984, be and it hereby is denied.

IT IS FURTHER ORDERED that within 30 days of the date of this Order Delta shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 2nd day of May, 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Acting Secretary

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 8528-J DATED 5/2/84

The following rates and charges are prescribed for the customers served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES SCHEDULES

RATES

	<u>Base Rate</u>	plus	<u>Gas Cost Recovery Rate</u>	equals	<u>Total Rate</u>
General Service					
Monthly Customer Charge					\$2.90
1 - 5,000 Mcf	\$1.7311		\$4.3251		\$6.0562 per Mcf
5,001 - 10,000 Mcf	1.4811		4.3251		5.8062 per Mcf
Over 10,000 Mcf	1.2311		4.3251		5.5562 per Mcf
Interruptible (2)					
1 - 5,000 Mcf	\$1.4811		\$4.3251		\$5.8062 per Mcf
5,001 - 10,000 Mcf	1.2311		4.3251		5.5562 per Mcf
Over 10,000 Mcf	0.9811		4.3251		5.3062 per Mcf