

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. 9331-B
NATURAL GAS COMPANY, INC.)

O R D E R

On January 17, 1986, the Commission issued its Order in Case No. 9331-A, directing Delta Natural Gas Company, Inc., ("Delta") to provide in its future gas cost recovery filings certain information regarding the purchasing practices of Delta Resources. Delta did include some information on Delta Resources in Case No. 9331-B, but the Commission finds it necessary to request further information.

IT IS THEREFORE ORDERED that within 7 days Delta shall supply the following information:

(1) Schedule II shows 216,118 Mcf of Delta purchases from Delta Resources. When did Delta start purchasing gas for general system supply from Delta Resources? Has Delta Resources received any markup over its cost on these sales? Why is part of Delta's system supply purchased through a subsidiary?

(2) Is Delta Resources making sales directly to customers on Delta's system in addition to the 216,118 Mcf listed in Schedule II?

(3) Are the personnel that are responsible for purchasing gas for Delta also responsible for Delta Resources' purchases? If so, what internal control procedure is Delta using with regard to the conflict of interest involved in the same personnel purchasing gas for 2 companies? If not, how is Delta Resources staffed and what internal controls separate the operations of Delta from Delta Resources?

(4) What is the significance of Schedule IV, page 2? It appears to be purchases made by Delta Resources for resale to Delta, but the heading is unclear. Provide prices and volumes for any other purchases made by Delta Resources during the period November 1, 1985, to January 31, 1986.

(5) Provide prices and volumes of sales by Delta Resources and separately to all other customers of Delta Resources by month for the 3-month period ended January 31, 1986.

(6) Provide monthly supply volumes per books and cost per books for Delta broken down by source of supply for the quarter ended January 31, 1986.

(7) Refer to Delta's cost of gas for each month in the period ended January 31, 1986, as shown on Schedule IV, page 1. For each month identify any Delta Resources purchases of gas for sale to customers other than Delta. Of these sales, indicate any that were less costly than Delta's most expensive purchases. Provide a calculation showing for each month the extent to which Delta's cost of gas could have been lowered had such lower-cost

purchases by Delta Resources been purchased by Delta in place of its most expensive purchases. State any reasons why the Commission should not disallow passing such excess gas costs through the GCR mechanism.

Done at Frankfort, Kentucky, this 16th day of April, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Herman Jr.
For the Commission

ATTEST:

Secretary