

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF DELTA) CASE NO. 90-342-T
NATURAL GAS COMPANY, INC.)

O R D E R

On May 23, 1991, in Case No. 90-342, the Commission approved certain adjusted rates for Delta Natural Gas Company, Inc. ("Delta") and provided for their further adjustment on a quarterly basis in accordance with its gas cost adjustment ("GCA") clause.

On March 29, 1996, Delta filed its GCA to be effective from May 1, 1996 to August 1, 1996.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Delta's notice proposed revised rates designed to pass on its expected increased wholesale gas costs to its customers. Delta's proposed expected gas cost ("EGC") is \$3.3769 per Mcf, excluding take-or-pay billings.

Delta's notice proposed to include costs associated with the Canada Mountain Storage Field in EGC. The rate that Deltran, Inc. ("Deltran") proposes to charge for storage service in the Canada Mountain Storage Field has been suspended and is being

reviewed by the Commission.¹ The annual cost of \$300,559 related to Deltran's provision of storage service should be removed from Delta's EGC calculation pending the Commission's decision regarding the proposed Deltran rate. An EGC of \$3.3061 should be approved on an interim basis pending the Commission's approval of a Deltran storage rate.

Delta's notice set out a take-or-pay recovery component of (.01) cent per Mcf for this quarter.

2. Delta's notice set out a current quarter refund adjustment of 1.73 cents per Mcf to return refunds of \$73,245, including interest, to its customers. The total refund adjustment of 13.46 cents per Mcf reflects the current, as well as previous, quarter adjustments.

3. Delta's notice set out a current quarter actual adjustment of 50.66 cents per Mcf to collect under-recovered gas cost from November and December 1995 and January 1996. The proposed total actual adjustment of 23.40 cents per Mcf reflects the current under-collection as well as under- and over-collections from three previous quarters.

¹ Case No. 95-531, Proposed Contract Between Deltran, Inc. and Delta Natural Gas Company, Inc. for Underground Natural Gas Storage Service, Order dated December 27, 1995.

4. Delta's notice set out a balance adjustment of 21.60 cents per Mcf. This balance adjustment compensates for net undercollections which occurred as a result of previous adjustments.

5. These adjustments produce a gas cost recovery rate ("GCR") of \$3.6214 per Mcf, 83.40 cents per Mcf more than its previous GCR.

6. The revised rate adjustment in the Appendix to this Order is fair, just, and reasonable, in the public interest, and should be approved for final meter readings on and after May 1, 1996.

7. Delta requested confidentiality for Schedule VI, which contains business information required by the Commission pertaining to Delta's subsidiaries. Delta Resources, Inc. and Delgasco engage in unregulated, competitive activities. Competitors of these subsidiaries could use business information of these subsidiaries to place themselves in an advantageous position vis-a-vis the subsidiaries and Delta. Thus, disclosure of the information is likely to cause Delta and these subsidiaries competitive injury and should be protected.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Delta are hereby denied pending the Commission's decision in Case No. 95-531.

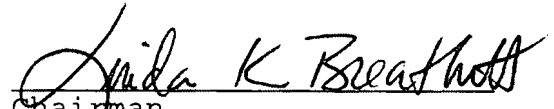
2. The rates in the Appendix to this Order are fair, just, and reasonable, and are effective for final meter readings on and after May 1, 1996.

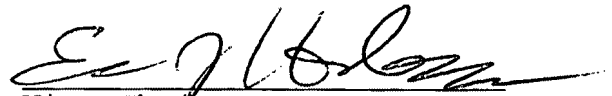
3. Within 30 days of the date of this Order, Delta shall file with this Commission its revised tariffs setting out the rates authorized herein.


4. Schedule VI, which Delta has petitioned to be withheld from public disclosure, shall be held and retained by this Commission as confidential and shall not be open for public inspection.

Done at Frankfort, Kentucky, this 1st day of May, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 90-342-T DATED MAY 1, 1996

The following rates and charges are prescribed for the customers in the area 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.

RATE SCHEDULES

AVAILABILITY

Available for general use by residential, commercial, and industrial customers.

RATES

| | <u>Base Rate</u> | Gas Cost Recovery <u>Rate</u> | <u>Total</u> |
|----------------------------------|------------------|-------------------------------------|----------------|
| | plus | equals | |
| General Service | | | |
| Monthly Customer Charge | | | |
| Residential | | | \$5.95 |
| Nonresidential | | | 18.36 |
| 1 - 1,000 Mcf | \$2.4650 | \$3.6214 | 6.0864 per Mcf |
| 1,001 - 5,000 Mcf | 2.0650 | 3.6214 | 5.6864 per Mcf |
| 5,001 - 10,000 Mcf | 1.6650 | 3.6214 | 5.2864 per Mcf |
| Over 10,000 Mcf | 1.2650 | 3.6214 | 4.8864 per Mcf |
| Interruptible (2) | | | |
| Monthly Customer Charge | | | \$185.00 |
| 1 - 1,000 Mcf | \$1.7000 | \$3.6214 | 5.3214 per Mcf |
| 1,001 - 5,000 Mcf | 1.3000 | 3.6214 | 4.9214 per Mcf |
| 5,001 - 10,000 Mcf | .9000 | 3.6214 | 4.5214 per Mcf |
| Over 10,000 Mcf | .5000 | 3.6214 | 4.1214 per Mcf |
| Transportation of Gas for Others | | | |
| On-System Utilization | | | |

To the applicable rates and charges in effect for on-system transportation customers shall be added a take-or-pay recovery component of (\$.0001) per Mcf.