

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PURCHASED GAS ADJUSTMENT)
FILING OF DELTA NATURAL GAS COMPANY,) CASE NO. 97-066-A
INC.)

O R D E R

Delta Natural Gas Company ("Delta") has moved for rehearing and modification of the Commission's Order of January 30, 1998 in which the Commission denied Delta's proposed rates to reflect changes in the wholesale cost of gas and established different rates. In support of its motion, Delta argues that the Commission's action is based upon the inclusion within the proposed rates of certain lease charges from Deltran, Inc. ("Deltran") which the Commission has suspended.¹ It further argues that Deltran has moved for modification of the Commission's suspension order and that, if granted, Delta should be permitted to reflect any authorized lease charges in its rates.

Having considered the motion and being otherwise sufficiently advised, the Commission finds that:

1. On December 29, 1997, Delta filed with the Commission its Quarterly Report of Gas Cost Recovery Rate Calculation and its proposed PSC No. 8 First Revised Sheet No. 2.

¹ Case No. 98-055, Tariff Filing of Deltran, Inc. To Establish its Monthly Lease Charge (Jan. 28, 1998).

2. Delta's proposed PSC No. 8 First Revised Sheet No. 2 reflected Delta's proposed Gas Cost Recovery ("GCR") Rate. The proposed GCR included lease charges which Deltran had proposed to charge Delta for the use of its Canada Mountain Gas Storage Field and which the Commission had suspended.

3. By its Order of January 30, 1998, the Commission denied Delta's proposed GCR and established a new GCR which did not reflect Deltran's proposed charges.

4. The Commission has since permitted Deltran to place its proposed lease charges into effect subject to refund.²

5. Refusing to permit Delta to recover Deltran's lease charges in its GCR would materially impair Delta's credit and operations.

IT IS THEREFORE ORDERED that:

1. Delta's Motion for Rehearing and Modification is granted.

2. The rates set forth in Delta's PSC No. 8 First Revised Sheet No. 2., filed with the Commission on December 29, 1997, are effective, subject to refund, for final meter readings on and after the date of this Order.

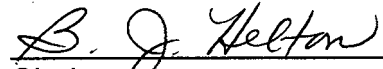
3. Delta shall maintain its records in a manner as will enable the Commission, in the event Delta's proposed rates are found unreasonable, to determine the amount of any refunds and the identity of those customers to whom a refund is due.

4. Within 30 days of the date of this Order, Delta shall file revised tariff sheets reflecting the rates that the Commission has permitted to become effective subject to refund.

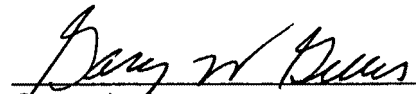
² Case No. 98-055, Tariff Filing of Deltran, Inc. To Establish its Monthly Lease Charge (Feb. 27, 1998).

Done at Frankfort, Kentucky, this 2nd day of March, 1998.

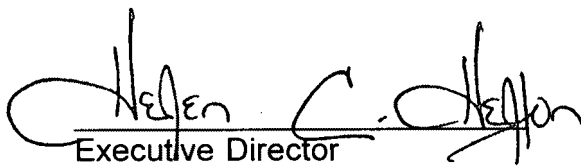
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director