

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On December 8, 1997, in Case No. 97-066, 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 September 29, 1998, Delta filed its GCA to be effective from November 1, 1998 to February 1, 1999.

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

1. Delta's notice proposes revised rates designed to pass on its expected increased wholesale gas costs to its customers. Delta's proposed expected gas cost ("EGC") is \$3.8789 per Mcf, excluding take-or-pay billings. This is an increase of 8.67 cents per Mcf over the previous EGC.

2. Delta's notice sets out a current quarter refund adjustment of 1.04 cents per Mcf to return \$42,433, including interest, to Delta's customers. The total refund

adjustment of 1.17 cents per Mcf reflects the current as well as previous quarter adjustments, and represents a 1.55 cent per Mcf increase over the previous RA.

3. Delta's notice sets out a current quarter actual adjustment ("AA") of 15.61 cents per Mcf to collect under-recovered gas cost from May, June, and July 1998. The proposed total AA of (8.06) cents per Mcf reflects the current under-collection as well as under- and over-collections from three previous quarters, and represents an increase of 12.97 cents per Mcf over the previous total AA.

4. Delta's notice sets out a balance adjustment ("BA") of (3.17) cents per Mcf, which compensates for net over-collections which occurred as a result of previous adjustments. This BA is 85.28 cents per Mcf lower than the previous BA.

5. These adjustments produce a gas cost recovery rate ("GCR") of \$3.7549 per Mcf, 62.09 cents per Mcf less than the previous GCR of \$4.3758 per Mcf.

6. The 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 November 1, 1998.

7. Delta requests 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-à-vis the subsidiaries and Delta. Thus, disclosure of the information is likely to cause Delta and these subsidiaries competitive injury and should be protected.

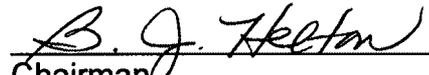
IT IS THEREFORE ORDERED that:

1. The rates in the Appendix to this Order are fair, just, and reasonable, and are effective for final meter readings on and after November 1, 1998.

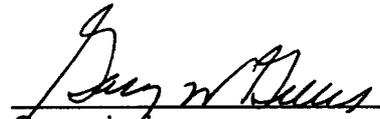
2. Within 30 days of the date of this Order, Delta shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 26th day of October, 1998.

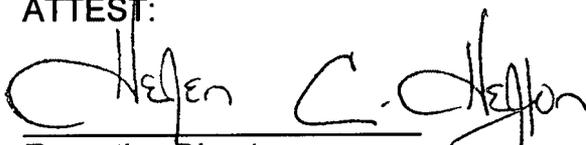
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 97-066-D DATED OCTOBER 26, 1998.

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> | plus | <u>Gas Cost Recovery Rate</u> | equals | <u>Total</u> |
|--------------------------------|-----------------------|------------------|------|---------------------------------------|--------|--------------------|
| General Service | | | | | | |
| Monthly Customer Charge | | | | | | |
| | Residential | | | | | \$ 8.00 |
| | Small Commercial | | | | | 18.36 |
| | All Others | | | | | 25.00 |
| | .1 -- 200 Mcf | \$2.7212 | | \$3.7549 | | \$ 6.4761 |
| | 200.1 -- 1,000 Mcf | 2.5000 | | 3.7549 | | 6.2549 |
| | 1,000.1 -- 5,000 Mcf | 2.1000 | | 3.7549 | | 5.8549 |
| | 5,000.1 -- 10,000 Mcf | 1.5000 | | 3.7549 | | 5.2549 |
| | Over 10,000 Mcf | 1.1000 | | 3.7549 | | 4.8549 |
| Interruptible | | | | | | |
| Monthly Customer Charge | | | | | | |
| | .1 -- 1,000 Mcf | \$1.7000 | | \$3.7549 | | \$200.00 5.4549 |
| | 1,000.1 -- 5,000 Mcf | 1.3000 | | 3.7549 | | 5.0549 |
| | 5,000.1 -- 10,000 Mcf | .9000 | | 3.7549 | | 4.6549 |
| | Over 10,000 Mcf | .5000 | | 3.7549 | | 4.2549 |