

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF DELTRAN, INC.)
TO ESTABLISH ITS MONTHLY)
LEASE CHARGE) CASE NO. 98-055

O R D E R

IT IS ORDERED that Deltran, Inc. ("Deltran") shall file the original and four copies of the following information with the Commission within 20 days of the date of this Order. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Careful attention should be given to copied material to ensure that it is legible. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided.

1. Compare the investment in the Canada Mountain Storage Field shown in Schedule II as of October 1, 1997 of \$14,423,765 to the amount expected to be invested in Case No. 95-098.¹ If the current investment amount is higher, explain why.

2. Update the total expected capital cost of the storage field and related lines. If the current expected cost exceeds 110 percent of original estimates, demonstrate that the project is still cost beneficial. Include all supporting workpapers and calculations used in performing this cost-benefit analysis. Include a timeline that shows when Delta Natural

¹ Case No. 95-098, The Application of Delta Natural Gas Company, Inc. For an Order Authorizing the Purchase and Financing of the Canada Mountain Storage Field, (September 7, 1995).

Gas Company Inc. ("Delta") will reflect reduced costs in its Gas Cost Adjustment ("GCA") filings from using this storage field.

3. a. Did withdrawal of storage volumes begin on November 1, 1997, as contemplated in Deltran's Canada Mountain Storage Field PSC Annual Report filed August 28, 1997?

b. If no, explain why not.

c. If yes, provide the total monthly volumes of withdrawals from November 1997 through January 1998 (when available).

4. a. State the actual annual gas cost savings that Delta has already achieved through its use of the Canada Mountain Storage Field and the associated Delta lease.

b. State the expected annual cost savings which Delta expects to achieve from its use of the Canada Mountain Storage Field and the associated Delta lease.

5. When will Delta need the gas stored in the Canada Mountain Storage Field to replace volumes currently purchased from Wiser Oil?

6. a. Explain the \$6,230,655 in Recoverable Natural Gas referred to on Schedule II of Deltran's calculation of lease charge.

b. What is Recoverable Natural Gas?

c. How does Recoverable Natural Gas differ from Nonrecoverable Natural Gas as set out in Schedule II?

d. Why has Deltran's investment in Recoverable Natural Gas increased to its current level?

e. Why should Deltran be permitted to earn a return on Recoverable Natural Gas?

7. a. Explain why the capital structure and capital costs are different from those approved in Delta's most recent rate case.

b. Recalculate the figures in part (2) of Schedule II showing the capital structure and cost components approved in Case No. 97-066.²

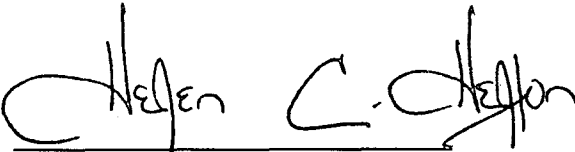
Done at Frankfort, Kentucky this 19th day of February, 1998.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:



Executive Director

² Case No. 97-066, Adjustment Of Rates Of Delta Natural Gas Company, Inc., (December 8, 1997).