

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF THE RATES OF DELTA ) CASE NO. 99-176  
NATURAL GAS COMPANY, INC. )

ORDER

On December 27, 1999, the Commission issued an Order in this proceeding in which, inter alia, we authorized rates that will produce additional operating revenues of \$419,702 annually. Alleging certain errors that require the reduction of this rate adjustment, the Attorney General (“AG”) has moved for rehearing of that Order. Having reviewed the AG’s motion and the response of Delta Natural Gas Company, Inc. (“Delta”), we grant the motion in part and deny in part.

In his motion, the AG contends that the Commission erred in our decision in three respects. First, he contends that the Commission committed a mathematical error when calculating Delta’s revenue requirement. He asserts that when the gross-up factor of 1.66532608 is multiplied by the Revenue Deficiency of \$1,766,106, the correct product is \$2,941,142 rather than the \$2,957,796 Revenue Requirement increase reported in the Order.<sup>1</sup>

Based upon our review of the Order of December 27, 1999, we find that a typographical error occurred. The Order should have noted a “Revenue Deficiency” of \$1,776,106 instead of a “Revenue Deficiency” of \$1,766,106 as stated. When the

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<sup>1</sup> See Order of December 27, 1999 at 34.

correct “Revenue Deficiency” is used, a revenue requirement increase of \$2,957,796 results.<sup>2</sup> While this typographical error does not affect the amount of the revenue requirement found reasonable, the Commission finds that the Order of December 27, 1999 should be amended to correct this error.

The AG next contends that the Commission erred in failing to exclude property insurance expense when adjusting expenses to reflect year-end customers. He contends that this expense does not vary with incremental customer sales and should not, therefore, be adjusted to reflect customer growth. The AG advanced this argument at hearing and in his written brief. We carefully considered his argument in rendering our decision and rejected it.<sup>3</sup> As the AG merely reargues this point in his motion and has not presented any new evidence or argument on this point, we find no basis for rehearing and deny his motion on this issue.

Finally, the AG argues that we erred in our treatment of Delta’s rate case and management audit expenses. He asserts that Delta’s management audit expense will be fully amortized in November 2000. Unless Delta’s rates are adjusted in a general rate proceeding prior to December 1, 2000, he further asserts, Delta will over recover its management audit amortization expense at an annual rate of \$62,400 beginning in

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<sup>2</sup> Net Investment Rate Base	\$ 91,997,648
Rate of Return	<u>x 8.5556%</u>
Required Operating Income	\$ 7,870,951
Adjusted Operating Income	<u>- 6,094,845</u>
Revenue Deficiency	\$ 1,776,106
Gross-up Factor	<u>x1.66532608</u>
Required Increase, Inclusive of Income Taxes, PSC Assessment and Uncollectibles	<u><u>\$ 2,957,796</u></u>

<sup>3</sup> Order of December 27, 1999 at 13 – 14.

December 2000. Consistency with the Commission's treatment of the rate case expenses arising from Case No. 97-066,<sup>4</sup> therefore requires that the Commission re-amortize the unamortized management audit balance of \$57,420<sup>5</sup> over a three-year period. The AG's proposal would result in a pro forma expense reduction of \$43,500.<sup>6</sup>

This argument merely rehashes the arguments that the AG presented at hearing<sup>7</sup> and that we considered in reaching our decision.<sup>8</sup> As the AG has presented no new evidence or argument to disturb our original findings, we find no basis upon which to grant the AG's motion.

IT IS THEREFORE ORDERED that:

1. The AG's Motion for Rehearing is granted in part and denied in part.

2. Page 34, line 13 of the Commission's Order of December 27, 1999 is amended to read as follows:

"Revenue Deficiency	\$1,776,106"
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3. The Commission's Order of December 27, 1999 is affirmed in all other respects.

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<sup>4</sup> Case No. 97-066, An Adjustment of General Rates of Delta Natural Gas Company, Inc. (Dec. 8, 1997).

<sup>5</sup> As of January 12, 1999, unamortized management audit expense was \$57,420.

<sup>6</sup> AG's Motion for Rehearing at 2 - 3.

<sup>7</sup> Transcript, Vol. II, at 141 and 142.

<sup>8</sup> Order of December 27, 1999 at 18 – 21.

Done at Frankfort, Kentucky, this 7<sup>th</sup> day of February, 2000.

By the Commission

ATTEST:

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Executive Director