

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF DELTA)	CASE NO. 99-176-B
NATURAL GAS COMPANY, INC.)	

ORDER

On December 27, 1999, in Case No. 99-176, 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 Delta's gas cost adjustment ("GCA") clause.

On March 30, 2000, Delta filed its GCA to be effective from May 1, 2000 to July 31, 2000.

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 \$4.2048 per Mcf. Delta's EGC excludes take-or-pay billings and includes \$.0031 per Mcf resulting from Delta's voluntary contribution to the Gas Research Institute ("GRI"). The GCA is not the appropriate avenue to collect the GRI contribution, which can no longer be considered a "gas cost" now that the voluntary portion is not charged to Delta by its pipeline supplier. The Commission suggests that, if Delta wants

to make voluntary GRI contributions, it propose some other collection method for the Commission's consideration. Removing the GRI contribution from the proposed EGC produces a revised EGC of \$4.2017. This EGC is 76.65 cents per Mcf more than the previous EGC of \$3.4352.

2. Delta's notice sets out a current quarter refund adjustment of .03 cent per Mcf to return a supplier refund of \$1,276 including interest. The total refund adjustment of .49 cent per Mcf includes a refund adjustment from the prior quarter and represents a .03 cent per Mcf decrease from the previous total refund adjustment.

3. Delta's notice sets out a current quarter actual adjustment ("AA") of 34.78 cents per Mcf to collect under-recovered gas cost from November and December 1999 and January 2000. Delta used an incorrect EGC of \$4.0894 per Mcf in calculating the cost difference for January 2000. The Commission's Order in Case No. 99-176, effective January 1, 2000, restated the Gas Cost Recovery ("GCR") component approved in Case No. 97-066-H in order to remove the lease payments for the Canada Mountain storage field from the GCR mechanism. The Order reduced the GCR from \$3.9194 per Mcf to \$3.2071 per Mcf, a decrease of 71.23 cents per Mcf. The EGC should also reflect a decrease of 71.23 cents per Mcf. Correcting for this error produces a current quarter AA of 46.47 cents per Mcf. The total AA of 46.30 cents per Mcf reflects the current under-collection, as well as under- and over-collections from three previous quarters, and represents an increase of 41.42 cents per Mcf from the previous total AA.

4. Delta's notice sets out a balance adjustment ("BA") of 13.38 cents per Mcf to collect \$47,784 of net under-collections which occurred as a result of previous adjustments. This BA is 10.90 cents per Mcf more than the previous BA.

5. These adjustments produce a gas cost recovery rate ("GCR") of \$4.7936 per Mcf, \$1.2894 per Mcf more than the previous GCR of \$3.5042.

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 May 1, 2000.

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 proposed by Delta are denied.
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, 2000.
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. Delta's request for confidentiality is granted.

Done at Frankfort, Kentucky, this 27th day of April, 2000.

By the Commission

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 99-176-B DATED APRIL 27, 2000

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	Gas Cost Recovery <u>Rate</u>	equals	<u>Total Rate</u>
Residential					
Monthly Service Charge	\$ 8.00				
All Mcf	\$3.6224		4.7936		\$ 8.4160
Small Non-Residential					
Monthly Service Charge	\$ 17.00				
First 200 Mcf	3.6224		4.7936		\$ 8.4160
Next 800 Mcf	2.4000		4.7936		7.1936
Over 1,000 Mcf	2.0495		4.7936		6.8431
Large Non-Residential					
Monthly Service Charge	\$ 50.00				
First 200 Mcf	\$ 3.6224		\$4.7936		\$ 8.4160
Next 800 Mcf	2.0063		4.7936		6.7999
Next 4,000 Mcf	1.3190		4.7936		6.1126
Next 5,000 Mcf	.9190		4.7936		5.7126
Over 10,000 Mcf	.7190		4.7936		5.5126

Interruptible

Monthly Service Charge	\$	250.00		
First 1,000 Mcf	\$	1.6000	\$4.7936	\$ 6.3936
Next 4,000 Mcf		1.2000	4.7936	5.9936
Next 5,000 Mcf		.8000	4.7936	5.5936
Over 10,000 Mcf		.6000	4.7936	5.3936