

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A SPECIAL CONTRACT BETWEEN)
DELTA NATURAL GAS COMPANY AND) CASE NO. 2002-00278
ALCAN ALUMINUM CORPORATION)

O R D E R

On July 1, 2002, Delta Natural Gas Company (Delta) filed a special contract under which it will provide gas transportation services to Alcan Aluminum Corporation (Alcan). By Order entered July 24, 2002, the Commission established this proceeding for the purpose of conducting further investigation to determine the reasonableness of the contract. There are no intervenors in this proceeding.

On August 9, 2002, Commission staff issued a data request asking Delta to explain the need for a special contract to serve Alcan and to demonstrate that the proposed rates would cover Delta s variable costs and make a contribution to its fixed costs. The request also asked that Delta identify the differences between the terms of the proposed contract and the terms of its existing contract with Alcan. On August 15, 2002, Delta submitted its responses to the questions contained in the data request.

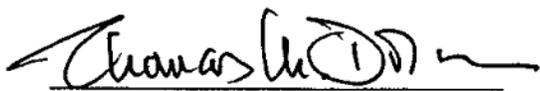
Based on our review of the contract and the data responses, and being otherwise sufficiently advised, the Commission finds that the proposed contract is reasonable under the particular facts presented and should be approved. Delta has identified that Alcan poses a potential bypass threat and has demonstrated that the rates contained in the contract will recover its variable costs and make a contribution to its fixed costs.

IT IS THEREFORE ORDERED that Delta's special contract with Alcan is approved effective with the date of this Order.

Done at Frankfort, Kentucky, this 13th day of September, 2002.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas H. [unclear]", written over a horizontal line.

Executive Director