

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS)	
COMPANY, INC. FOR AN ADJUSTMENT OF)	CASE NO. 2004-00067
RATES)	

ORDER

On November 10, 2004, the Commission ordered an adjustment of the rates of Delta Natural Gas Company, Inc. ("Delta") and authorized the establishment of its proposed Gas Technology Institute for Research and Development ("GTI") tariff rider ("GTI Rider"). The GTI Rider permits the collection of 0.3 cents per Mcf of natural gas sold to fund approximately \$12,300 in contributions to GTI for research and development efforts. The Attorney General ("AG") moves for rehearing and clarification of that portion of the Order of November 10, 2004 that relates to the GTI Rider. Delta has responded to the AG's Motion.

In his Motion for Rehearing and/or Clarification, the AG principally takes issue with the Commission's references to prior Commission Orders in which we approved similar tariff riders for gas utilities.¹ These prior Orders² involved Commission review of

¹ Order of November 10, 2004 at 59 ("Allowing recovery via a rider is consistent with Commission decisions for two other gas utilities, Atmos Energy and Columbia Gas of Kentucky.").

² Case No. 2002-00145, Adjustment of the Rates of Columbia Gas of Kentucky, Inc., final Order dated December 13, 2002; Case No. 1999-00070, Application of Western Kentucky Gas Company for an Adjustment of Rates, final Order dated December 21, 1999.

settlement agreements in which the parties (which included the AG) agreed to a tariff rider similar to the GTI Rider but further agreed that the terms of the agreement could not be relied upon in other Commission proceedings. The AG asserts that any Commission reliance on these prior Orders is inappropriate and “casts a chilling effect on the settlement process.”³ He requests that we clarify whether our Order relied upon these earlier cases as precedent.

The AG further argues that any expense associated with the research of the GTI is more appropriately recovered through base rates rather than a separate tariff rider. “Collection of a single expense through a separate tariff outside of base rates,” the AG asserts, “makes the ratepayers solely responsible for that given expense and leaves none of the risk of responsibility for the expense in periods of lesser earnings on the utility.”⁴

In its response, Delta argues that any reliance upon the prior Orders is appropriate as the Commission is not relying upon the terms of any settlement agreement but on discussion and analysis contained in those Orders. Delta further argues that the use of a tariff rider is appropriate and reasonable because the payments for GTI research may be short-lived. Without the use of the GTI Rider, customers would continue to pay rates that included these expenses even after the expenses were no longer incurred.

Having considered the AG’s motion and Delta’s response, we grant rehearing to clarify our Order of November 10, 2004. Our approval of the GTI Rider is based solely

³ AG Motion at 1.

⁴ Id. at 2.

on the reasonableness of Delta's proposal, not on the use of a tariff rider by other gas utilities. We have long supported policies encouraging research and development in the gas utility industry and noted this support in our Order.⁵ The GTI Rider furthers such research. Moreover, we agree with Delta that the use of the GTI Rider is the easiest and most efficient means of assessing the cost of such research and terminating the collection of such costs when Delta's payments to the GTI end.

IT IS THEREFORE ORDERED that the AG's request for rehearing is granted to the extent that the basis for approving the GTI Rider has been clarified.

Done at Frankfort, Kentucky, this 21st day of December, 2004.

By the Commission

ATTEST:



Executive Director

⁵ Order of November 10, 2004 at 59 ("The Commission has provided a clear signal to jurisdiction gas utilities in the past that it supports research and development efforts in the gas industry.").