

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS)	CASE NO.
COMPANY, INC. FOR AN ADJUSTMENT OF)	2010-00116
RATES)	

THIRD DATA REQUEST OF COMMISSION STAFF
TO DELTA NATURAL GAS COMPANY, INC.

Pursuant to 807 KAR 5:001, Delta Natural Gas Company, Inc. ("Delta") is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before July 2, 2010. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Delta shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Delta fails or refuses to furnish all or part of the requested information, Delta shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Delta's response to Item 4.b.(1) of Commission Staff's Second Data Request ("Staff's Second Request").

a. In Schedule 1, numerous employees are identified as salaried and are paid overtime hours. Explain why employees classified as salaried are paid for overtime hours.

b. In Schedule 1, the column identified as "Actual Hours Worked, 01/01/01-12/31/09, Regular, shows 2,088 is used for a regular work year rather than 2,080, the standard number of hours for a work year. Explain why 2,088 hours were used in the schedule and provide the number of annual hours Delta used for its annualized salary and wages calculation.

2. Refer to Delta's response to Item 4.b.(2) of Staff's Second Request. Explain what is meant by the comment "seasonality of its operations" and how this relates to Delta's annualized salary calculations.

3. Refer to Delta's response to Item 6 of Staff's Second Request.

a. Provide the annual amounts for major medical claims incurred for each year from 2005 through 2008.

b. Provide a detailed description of the reasons for the level of major medical claims incurred, \$408,000, during the test year.

4. Refer to Delta's response to Item 7.a. of Staff's Second Request.

a. Explain why the Annual Pipeline Replacement Program ("PRP") adjustment is allocated to customer classes based on their proportion of customer charge revenue at proposed rates instead of the proportion of base rate revenue contribution at proposed rates.

b. Provide a calculation of the PRP increase allocated to each customer class if allocations are based on "Adjusted Billings at Base Rates" under the "Calculated Net Revenue @ Proposed Rates" column from Seelye Exhibit 4 as opposed to "Customer Charge" billings under the "Calculated Net Revenue @ Proposed Rates" column.

5. Refer to Delta's response to Item 8 of Staff's Second Request.

a. In using historical booked uncollectible gas cost to estimate expected uncollectible gas cost for the corresponding quarter, explain whether Delta is proposing to adjust the expected gas cost based on differences in the expected cost of gas as opposed to the cost of gas in the historical three-month period.

b. Did Delta consider other methodologies for estimating uncollectible gas cost? If so, identify the methodologies considered and provide the reason Delta chose the method proposed.

6. Refer to Delta's response to Item 12 of Staff's Second Request. It appears from the response that the negative 44.8 percent earnings-per-share growth rate that causes Delta to compare unfavorably with the panel of natural gas distribution companies on Exhibit MJB-7 is due in large part to unregulated activities.

a. Explain whether the comparison companies in the natural gas distribution panel have similar unregulated activities.

b. Explain whether Delta is proposing that the effect of its unregulated activities on its relative riskiness should be reflected in its allowed return on equity.

7. Refer to Item 16 of Staff's Second Request. Provide the requested copies of Board minutes, including financial presentations, for 2008 and 2009, irrespective of the failure to pass any resolutions concerning equity levels.

8. For comparison purposes, provide updates of calculations for Exhibits MJB 1 through 20 resulting from updated data (for example, any updates attributable to The Value Line Investment Survey – Small and Mid-Cap Edition, June 11, 2010).

9. Refer to Delta's response to Item 27 of Staff's Second Request. For the years 2005 through 2009 provide:

- a. Collection revenues;
- b. Reconnect revenues;
- c. Number of reconnects, broken down by reconnects following non-pay disconnects and reconnects following disconnect at customers' request;
- d. Meter test revenue;
- e. Bad check revenue; and
- f. Other operating revenue.

10. Refer to Delta's response to Item 29 of Staff's Second Request. Describe what Delta is willing to consider in terms of simplifying its rate structure.

11. Refer to Delta's response to Item 30 of Staff's Second Request. Give examples of alternative rate structures that Delta is willing to consider along with what it considers appropriate revisions to the balance of rates for each alternative.

12. Refer to Delta's response to Item 42 of Staff's Second Request, Seelye Exhibit C, and Tab 27, Schedule 4, of Delta's application. Provide a revised Exhibit C and Schedule 4 which reflect the adjusted level of depreciation expense based on the corrections to the various depreciation rates shown in the data response.

13. Refer to Delta's response to Item 43 of Staff's Second Request. Identify the historical period reviewed in performing the visual review of retirements for each plant account and explain why that specific historical period was chosen.

14. Refer to Delta's responses to Item 45 of Staff's Second Request and Item 3 of Staff's Initial Data Request dated March 31, 2010. In the same format as used in the response to Item 3 of the initial request, provide Delta's capital structure for each month since the end of the calendar year 2009 test year.

15. Refer to Delta's response to Item 46 of Staff's Second Request.

a. Provide all correspondence, e-mails, notes from telephone calls, and any other communication between Delta and its insurance carrier, regarding the storage gas loss that occurred from October 2006 through October 2007.

b. Given that the gas loss in question occurred in 2006 and 2007, explain why the original charge was not booked until December 2008.

c. Given that the expense for the gas storage loss was initially booked in December 2008, explain how the “[t]iming of the base rate case,” filed 16 months after the expense was initially booked, factored into the proposed method of recovery.

d. While there may be merit to the claim that the gas storage loss is a “[l]egitimate above-the-line expense,” explain why the expense for a loss that occurred prior to the test year should be recognized for ratemaking purposes. Also, given the infrequency of such losses, explain why such a cost should be recovered and “locked-in” to Delta’s base rates.

16. Refer to Delta’s responses to Items 49 and 52 of Staff’s Second Request.

a. Of the \$138,935 increase in Outside Services Accounting attributed to additional work performed by Deloitte and Touche, LLP (“Deloitte”), provide the amount specifically related to its review of the accounting and disclosure treatment of the storage gas loss.

b. Provide the amount charged by Deloitte for its services related to the change in income tax method of accounting repairs under IRC Section 162 and explain whether Delta undertakes this type of change on a regular recurring basis.

c. Identify the third party currently providing the consulting services that were provided by former employees Heath and Russell during the test year.

17. Refer to Delta’s responses to Items 49 and 53 of Staff’s Second Request. The response in Item 49 regarding medical coverage refers to insurance premiums charged to employees increasing 15 percent. The response to Item 53 refers to the change effective May 9, 2008, under which new hires are not eligible for the defined

benefit pension plan. Identify and describe any other actions undertaken by Delta since May 2008 to minimize its costs for employee pensions and benefits.

18. Refer to Delta's response to Item 53.b. of Staff's Second Request. Delta states that \$1,200 was contributed to account 1.926.03, Employee 401(k) Plan, for one participant. Provide an explanation for the amount of \$297,261 recorded in the same account on the Trial Balance at Item 10 of Delta's Response to Commission Staff's First Data Request.

19. Refer to Delta's response to Item 6 of Attorney General's Data Request ("AG's Data Request"). Provide an explanation for the amount of \$890,662 identified as "Misc Non Operating Income" for 2009.

20. Refer to Delta's response to Item 10 of AG's Data Request, page 5 of 5, JE #132, Reclass Bad Debt Reserve to Delgasco in the amount of \$938,000. Provide an explanation of why the amount of \$938,000 differs from the amount of \$469,000 described as "Transfer of reserve for Subsidiaries to Subsidiary books" in Item 27, Schedule 3.3, of Delta's Application, Volume 1.

21. Refer to Delta's response to Item 22 of AG's Data Request. Delta's response in Item 5 as its answer to the AG's questions in Item 22 is incomplete. Provide the requested information to the AG's Item 22, specifically stating whether, when and in what manner the property sold had been included in rate base and show the details of how the gain or loss was calculated.

22. Refer to Delta's response to Item 42 of AG's Data Request. Provide a description of the facts for protesting the 2009 property tax assessment and the amount

in dispute. Include in the response an estimate of the likelihood of success in the proceeding.

23. Refer to Delta's response to Item 100 of AG's Data Request. State whether the four percent portion of Delta's American Gas Association dues attributable to lobbying activities has been removed for rate making purposes.



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cc: Parties of Record

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