

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)	
FILING OF DELTA NATURAL GAS)	CASE NO. 2010-00127
COMPANY, INC.)	

O R D E R

On March 23, 2010, Delta Natural Gas Company, Inc. ("Delta") filed an application for a change in its Gas Cost Recovery ("GCR") rate to customers. In its application, Delta indicated an effective date of April 26, 2010 for the proposed rates. The Commission finds that, pursuant to KRS 278.190, further proceedings are necessary in order to determine the reasonableness of the proposed rates and that such proceedings may not be completed prior to the proposed effective date.

IT IS THEREFORE ORDERED that:

1. The proposed rates are hereby suspended for five months from April 26, 2010 up to and including September 25, 2010. Nothing shall prevent the Commission from issuing an Order prior to the end of the suspension period.
2. a. Pursuant to 807 KAR 5:001, Delta is to file with the Commission the original and five copies of the information requested in the Appendix attached hereto, with a copy to all parties of record. The information requested herein is due within 10 days of the date of this Order. 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.

b. 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 the 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.

c. 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.

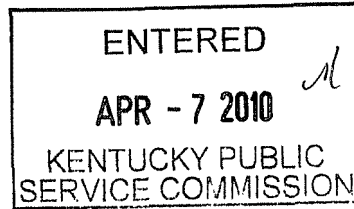
d. Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable,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

3. Service of any document or pleading shall be made in accordance with 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

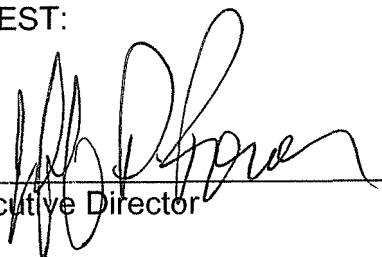
4. All documents that the Commission requires any party to file with the Commission shall also be served upon all parties of record at or before the time of filing.

5. Motions for extensions of time shall be made in writing and will be granted only upon a showing of good cause.

By the Commission



ATTEST:


Executive Director

APPENDIX

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2010-00127 DATED APR - 7 2010

1. In Delta's GCR application in Case No. 2005-00547,¹ the Commission requested information from Delta concerning spikes in its per-unit book cost of gas provided in support of the calculation of its Actual Adjustment. Delta's response indicated that the primary reason for the spike is that supply volumes are recorded on a calendar-month basis and sales volumes are recorded on a billed-month basis. Based on that explanation, the Commission accepted Delta's rates proposed to go into effect February 1, 2006. Delta's 2006 GCR filings indicate that the excess of recorded purchases over sales ("line loss") for 2006 was 5.6 percent. Subsequent to 2006, Delta's GCR filings show that line loss, as included in the cost to sales customers, was 22.3 percent for 2007; 25.8 percent for 2008; and 11 percent for 2009.

a. Explain whether the above percentages accurately portray the excess of purchases over sales for the years 2006 through 2009 as passed through Delta's GCR rates. If not, provide alternate calculations.

b. Explain whether recording purchases on a calendar-month basis and sales on a billed-month basis explains any part of line loss as it was passed along to sales customers through the GCR.

2. Explain whether Delta is aware that the Commission has previously found that limiting the cost recovery of line loss to five percent is reasonable.

¹ Case No. 2005-00547, Notice of Purchased Gas Adjustment Filing of Delta Natural Gas Company, Inc. (Ky. PSC Jan. 27, 2006).

3. Explain why Delta's line loss as passed through its GCR increased to such relatively high levels after 2006.

4. Delta's Gas Account–Natural Gas contained in its annual reports filed with the Commission show that, for each year from 2006 through 2009, Delta's system line loss based on unaccounted-for gas as a percentage of total deliveries plus unaccounted for gas has been less than five percent each year.

a. Explain the discrepancy between system line loss and line loss as passed through Delta's GCR filings to sales customers.

b. Delta's transportation tariffs require transportation customers' gas to be reduced by shrinkage. Delta's annual reports show that gas received equals gas delivered for "Gas of Others Received for Gathering" each year from 2006 through 2009. Explain whether Delta allocates shrinkage to transportation customers as required by its tariffs.

Connie King
Mngr. Corporate & Employee Services
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391