

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF THE PIPE REPLACEMENT) CASE NO.
PROGRAM RIDER OF DELTA NATURAL GAS) 2012-00136
COMPANY, INC.)

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO DELTA NATURAL GAS COMPANY, INC.

Delta Natural Gas Company, Inc. ("Delta"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 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.

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 1 of Commission Staff's Initial Request for Information ("Staff's First Request").

a. Explain whether Delta is proposing to add a tariff provision to provide for the use of a Balancing Adjustment to reconcile collections, similar to the Pipe Replacement Program ("PRP") Rider of Atmos Energy Corporation ("Atmos") which states, "The filing will reflect the anticipated impact on the Company's revenue requirements of net plant additions as offset by operations and maintenance expense reductions . . . as well as a balancing adjustment for the preceding fiscal year."

b. Provide the actual PRP billings for March through May 2012, to the extent they are available, along with the impact on the proposed PRP rates.

2. Refer to Delta's response to Item 2 of Staff's First Request as it relates to the "Accounts Payable & Other" cost column.

a. Provide a description of the type of costs reflected in the "Accounts Payable & Other" column.

b. Provide an explanation for the credit reflected for Transmission Mains.

3. Refer to Delta's response to Item 2 of Staff's First Request as it relates to the "Company Payroll" cost column.

a. Provide the job descriptions of the Delta employees for whom payroll costs are reflected in this column.

b. Explain how the payroll costs of these employees were treated for ratemaking purposes in Delta's most recent rate case.

4. Refer to Delta's response to Item 2 of Staff's First Request as it relates to the "Company Overhead" cost column.

a. Provide a description of the type of costs reflected in the "Company Overhead" column.

b. Provide the basis or methodology of how the "Company Overhead" amounts are calculated.

c. Explain how these overhead costs were treated for ratemaking purposes in Delta's most recent rate case.

5. Refer to Delta's response to Item 2 of Staff's First Request.

a. In 2011, Delta installed 376 feet of 8-inch Steel Transmission Main at a total cost of \$61,535 or \$163.66 per foot. In 2010, Delta installed 10 feet of 8-inch Steel Transmission Main at a total cost of \$10,966, or \$1,096.60 per foot. Explain the reason for the difference in the per-foot costs.

b. In 2011, Delta installed 24 feet of 6-inch Plastic Distribution Main at a total cost of \$6,101, or \$254.21 per foot. In 2011, Delta installed 406 feet of 4-inch Distribution Main at a total cost of \$11,481, or \$28.28 per foot, and 3,476 feet of 8-inch Distribution Main at a total cost of \$246,867, or \$71.02 per foot. Explain why the 6-inch

Distribution Main per-foot cost is so much greater than both the 4-inch Distribution Main and the 8-inch Distribution Main per-foot costs.

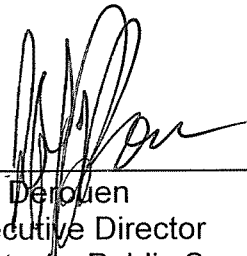
6. Refer to Delta's response to Item 3 of Staff's First Request, which states that Delta's tariff does not stipulate operating expense reductions being used in PRP applications.

a. Explain whether Delta is aware that the other two approved PRP tariffs currently in use by Atmos and Columbia Gas of Kentucky, Inc. contain provisions for operating expense reductions.

b. Explain whether Delta would consider the addition of a tariff provision to provide for operating expense reductions, as well as the provision for the balancing adjustment discussed in Item 1.a. above.

7. Refer to Delta's response to Item 4 of Staff's First Request. Explain why the footage (26,555 feet) of removal and replacement projects is approximately 35 percent less in 2011 than the footage (40,405 feet) of removal and replacement projects in 2010, yet the total costs in 2011 increased by approximately 7.7 percent (\$1,735,887 in 2011 versus \$1,612,302 in 2010) above the 2010 total cost.

8. Reconcile Delta's statement in the response to Item 6 of Staff's First Request when it stated, ". . . estimated to cost at least approximately \$13 million, or \$650,000 annually to replace the remaining 67 miles of bare steel main" with the response to Staff's First Request Item No. 2 where the schedule shows that in 2010 Delta incurred \$1.6 million in pipe replacement costs and in 2011 it incurred \$1.7 million in pipe replacement costs.



Jeff Derouen
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cc: Parties of Record

Case No. 2012-00136

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