

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On February 29, 2012, Delta Natural Gas Company, Inc. ("Delta") filed its second annual Pipe Replacement Program ("PRP") filing to establish revised PRP Rider rates effective April 23, 2012. Delta filed its proposed PRP rate adjustment as a tariff filing which was established as a case for processing, with the proposed rates suspended for five months up to and including September 22, 2012. Delta responded to three requests for information from Commission Staff. There are no intervenors in this proceeding and the case now stands submitted for decision.

Delta's February 29, 2012 filing sets out total costs eligible for recovery via its PRP mechanism of \$320,046 as of December 31, 2011. As part of its calculation, Delta included a \$5,033 Balancing Adjustment ("BA") to reconcile its prior year PRP adjustment with anticipated collections through April 2012. Although Delta proposed to use a BA in the calculation of its PRP adjustment, its current tariff does not include a provision for such an adjustment. During the course of this proceeding, Delta proposed to revise its PRP tariff to include BA language identical to that contained in the PRP tariff of Atmos Energy Corporation ("Atmos"): "The PRP Rider will be updated annually, in order to reflect the impact on the Company's revenue requirements of net plant

additions *as well as a balancing adjustment for the preceding program year.*" (Emphasis added).

Besides the proposed BA, Delta also proposed two additional changes to its PRP tariff. The first, which was suggested in a request for information from Commission Staff, would add a provision reflecting net reductions for Operations and Maintenance savings to Delta's existing four PRP revenue requirements items, consistent with the approved PRP tariff of Atmos and with the Accelerated Main Replacement Program ("AMRP") Rider of Columbia Gas of Kentucky, Inc. The second additional change is to add recovery through the PRP tariff for increased property taxes resulting from additions of PRP-related plant in service. Delta states that this is similar to the methodology used in the Atmos PRP tariff, which includes an adjustment for ad valorem taxes.

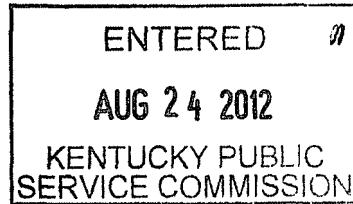
Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that the PRP rates initially proposed by Delta in its tariff filing of February 29, 2012, with the exception of the BA portion, as well as the PRP tariff changes subsequently proposed and agreed to by Delta, should be approved. The tariff changes are consistent with provisions already included in other jurisdictional gas distribution company PRP and AMRP tariffs and are fair to customers as well as to the utility. The PRP tariff revisions related to the BA, Operations and Maintenance savings, and additional PRP-related property tax expense should be effective on a prospective basis on and after the date of this Order. Not reflecting the prospective tariff changes in the PRP rate adjustment approved herein reduces the expenditures eligible for recovery from Delta's proposed level of \$320,046 to \$315,013, or \$5,033, the amount of the proposed BA.

IT IS HEREBY ORDERED that:

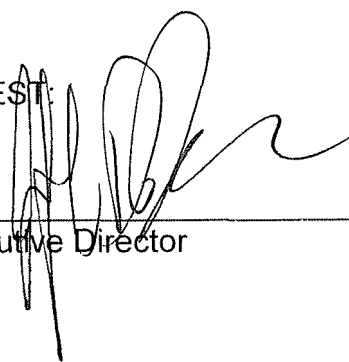
1. The PRP rates proposed by Delta are denied.
2. The PRP rates in the Appendix to this Order are approved for service rendered by Delta on and after the date of this Order.
3. The PRP tariff revisions approved herein are effective on and after the date of this Order.
4. Within 20 days of the date of this Order, Delta shall file its revised tariffs with this Commission, setting out the PRP Rider rates and tariff revisions authorized herein and reflecting that they were approved pursuant to this Order.

By the Commission

Commissioner Breathitt is abstaining from this proceeding.



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2012-00136 DATED **AUG 24 2012**

The following rates and charges are prescribed for the customers in the area served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Pipe Replacement Program Rates

Residential	\$.47
Small Non-residential	\$.91
Large Non-residential	\$ 7.05
Interruptible	\$ 35.20

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