



Delta Natural Gas Company, Inc.

3617 Lexington Road
Winchester, Kentucky 40391-9797

Phone: 606-744-6171
Fax: 606-744-3623

December 9, 2005

RECEIVED

DEC 13 2005

PUBLIC SERVICE
COMMISSION

Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602-0615

RE: Case No. 2005-00464

Dear Ms. O'Donnell:

Per the Commission's Order in the above-styled case, enclosed are the original and seven copies of the responses to the Commission Staff's Initial Data Request.

Please acknowledge receipt of this filing by stamping the extra copy of the cover letter and returning to Delta in the envelope provided.

Sincerely,

Connie King
Director – Rates & Treasury

copy: Lawrence Cook
Assistant Attorney General
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

John Parker
Community Action Council
P O Box 11610
Lexington, KY 40576

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

DEC 13 2005

In the Matter of:

PUBLIC SERVICE
COMMISSION

THE TARIFF FILING OF DELTA NATURAL GAS)	
COMPANY, INC. TO ESTABLISH AN ENERGY)	CASE NO. 2005-00464
ASSISTANCE PROGRAM RIDER SURCHARGE)	

COMMISSION STAFF'S NOTICE OF INFORMAL CONFERENCE
AND INITIAL DATE REQUEST TO
DELTA NATURAL GAS COMPANY, INC.

1. Delta has proposed an energy assistance program ("EAP") for its residential customers. Subsection (1)(f) of KRS 278.285 requires that the Commission give consideration to the extent to which customer representatives and the Office of Attorney General ("AG") are involved in developing proposed EAPs. It appears that Delta's filing does not address that requirement, which the Commission found to be a serious shortcoming in the design of an energy assistance program proposed by LG&E in Case No. 2001-00323. Describe the extent to which the AG or other customer representatives have been involved in developing Delta's proposed EAP.

RESPONSE: Subsection (1)(f) of KRS 278.285 addresses Demand Side Management (DSM). Delta does not have a DSM program. Delta did not consider or file under this regulation. Delta's proposal was based upon our understanding of the immediate need of our customers and a review of other

programs already approved by the Commission and in operation currently in Kentucky.

SPONSORING WITNESS:

Glenn R. Jennings

2. Delta's cover letter states that the proposed EAP surcharge is estimated to generate \$110,000 annually, based on a surcharge of \$0.05 per Mcf.

a. Provide the calculations, including the time period in which the Mcf sales volumes occurred, which show the derivation of the estimate of \$110,000.

RESPONSE: Delta estimated 2,200,000 Mcf as weather normalized sales expected for residential customers for fiscal year 2006.

b. Explain how Delta determined that \$0.05 per Mcf is the appropriate amount for its proposed surcharge as compared to either a smaller or larger amount.

RESPONSE: To Delta's understanding \$0.05 per Mcf is approximately the amount approved by the Commission for Columbia Gas of Kentucky (Columbia) in their last rate case settlement. Columbia is currently billing this amount and collecting the funds from this to use with their EAP.

SPONSORING WITNESS:

Glenn R. Jennings

3. Delta's cover letter states that the EAP is planned to operate similar to Columbia Gas of Kentucky's ("Columbia") plan. Columbia's plan includes a shareholder contribution equal to 35 percent of the total funding of the plan, whereas Delta's proposed contribution of \$25,000 would only be an 18.5 percent contribution. Explain how Delta determined that its contribution of \$25,000 is appropriate. Explain, also, why Delta should not be required to make a 35 percent contribution as does Columbia.

RESPONSE: Columbia is larger than Delta and Delta did not attempt to match their contribution exactly. Delta attempted to contribute much more than Delta currently matches with Wintercare. Delta annually matches customer Wintercare voluntary contributions dollar-for-dollar. We felt our contribution should be more if this program is implemented, and \$25,000 is significant to our company.

SPONSORING WITNESS:

Glenn R. Jennings

4. Delta's cover letter states that "details of the EAP will be determined with local community action agencies". Identify the specific community action agencies that will be involved in this determination and describe the extent to which any details have been developed since the November 8, 2005 filing of the proposed EAP tariff.

RESPONSE: The Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties will administer the EAP program. The Community Action Council will contract with other Community Action Agencies throughout our service area to provide enrollment in all of Delta's system. Each Community Action Agency will have the opportunity to enroll participants.

SPONSORING WITNESS:

Connie King

5. Refer to the response to Item 4 of this request. Explain how Delta can assure the Commission that the funds collected from ratepayers through the proposed EAP will be disbursed in an efficient and effective manner.

RESPONSE: Our customer information system can be adapted to provide for billing and collecting the EAP Rider Surcharge. We plan to apply appropriately determined amounts to qualified accounts through a manual cash batch as we do now with our other data entry, so it will be applied effectively and efficiently.

We will offset fees charged by Community Action Agencies against the fund amounts collected. We believe the use of existing agencies to determine qualified customers is the most efficient and effective way to administer the determination of need aspect of this program.

SPONSORING WITNESS:

Connie King

6. What incremental expenses, administrative or otherwise, does Delta expect to incur if it is permitted to implement the proposed EAP? Explain the response:

RESPONSE: We expect minimal incremental administrative expenses. We would pay the Community Action Agencies for determining qualifications for applicants and offset these costs against funds collected.

SPONSORING WITNESS:

Connie King

7. In Case No. 2001-00323, the Commission denied the \$0.46 monthly per meter surcharge proposed by LG&E on the basis that it was not reasonable. It is likely that a \$0.05 per Mcf surcharge will result in a monthly increase to come customers' bills in excess of \$0.46 in high usage months during the winter heating season. Explain why the Commission should find Delta's proposed surcharge to be reasonable.

RESPONSE: As Delta understands the questions regarding LG&E, their monthly per meter surcharge would produce \$0.46 each month of the year whereas Delta's surcharge of \$0.05 per Mcf could produce an amount in excess of the \$0.46 during the winter heating season only. Our proposed volumetric surcharge was meant to be patterned more closely after Columbia Gas of Kentucky's similar EAP program, which was approved by the Commission.

SPONSORING WITNESS:

Glenn R. Jennings

8. Delta's letter states that "this is proposed to be an experimental tariff that would be reevaluated after three years".

a. By "reevaluated after three years" does Delta mean that some form of evaluation has already been performed? Explain the response.

RESPONSE: Delta should have stated "will be evaluated after three years".

b. Explain how Delta chose three years as the period for its proposed experimental tariff.

RESPONSE: From Delta's experience with the Commission and belief that three years is reasonable for evaluation.

c. The last sentence of the letter refers to "the high cost of natural gas this winter season". Is Delta proposing to continue the proposed EAP for three years irrespective of whether the high cost of natural gas continues beyond this winter heating season? Explain the response:

RESPONSE: We proposed this program to provide help for needy customers, similar to what Columbia Gas of Kentucky is doing with their program which the Commission approved. It is expected that gas costs will stay at higher levels and not return to lower historic levels over the next several years. Thus, lower income customers should continue to have needs for help. We thus propose this for 3 years to provided assistance and then evaluate whether to continue the program after that.

SPONSORING WITNESS:

Glenn R. Jennings