

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS COMPANY,)
INC. TO EXTEND ITS NATURAL GAS SUPPLY HEDGING) CASE NO.
PLAN TO MARCH 31, 2015) 2012-00025

O R D E R

Delta Natural Gas Company, Inc. ("Delta") tendered its Application in this matter with the Commission on January 23, 2012. In its Application, Delta requested that its current Natural Gas Supply Hedging Plan ("hedging plan"), which is in effect through March 31, 2012, be extended for three years from April 1, 2012 through March 31, 2015. Delta also requested that its existing plan be continued for the 2012 injection season until such time as a Final Order can be issued in this proceeding. An Informal Conference was held at the Commission's offices on March 12, 2012, at which time Delta informed Commission Staff that it may have an opportunity to enter into favorable price hedging arrangements for the 2012-2013 winter heating season if it receives approval to do so pursuant to the terms of its existing hedging plan. The Commission finds that Delta's existing hedging plan, with no change to any aspect of its approved terms, should be approved for use on an interim basis pending a Final Order in this proceeding.

IT IS THEREFORE ORDERED that:

1. Delta shall continue to use its current hedging plan on an interim basis, for the April through November 2012 injection season as well as for the 2012-2013

heating season, pending the Commission's Final Order addressing the request for a three-year extension.

2. a. The information requested in the Appendix to this Order is due no later than 20 days from the date of this Order. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and six copies to the Commission.

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 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. Any party 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.

d. 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.

e. 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.

By the Commission

ENTERED ^{PR}
MAR 16 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Stephanie Bell for Jeff Brown
Executive Director

Case No. 2012-00025

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00025 DATED **MAR 16 2012**

1. Describe Delta's existing hedging plan. The explanation should include, but not be limited to, Delta's decision to not use specific parameters in implementing its hedging plan, and the decision-making process employed to determine when to hedge, what percentage of supply to hedge, and at what price to hedge.
2. Explain what changes to its hedging plan, if any, Delta has contemplated or is currently contemplating, along with pros and cons of each possible change.
3. Explain why Delta believes gas cost hedging is favorable to its customers considering the current low gas prices and volatility.
4. Describe what fees, if any, Delta incurs in implementing its existing hedging plan.
5. Explain Delta's plan to hedge supply volumes for the upcoming injection and winter heating season.
6. Explain the role that natural gas storage plays in Delta's hedging plan.
7. Explain why Delta did not enter into any forward contracts for the 2011 storage injection season.
8. Provide the monthly prices Delta paid for flowing gas, by supplier, during its currently approved hedging plan which expires March 31, 2012.
9. Refer to paragraph 5 of Delta's Application. Provide the 2012 NYMEX prices for the summer injection season referenced in this paragraph.

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