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RECEIVED

OCT 03 2013

**PUBLIC SERVICE
COMMISSION**

ROBERT M. WATT, III
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October 3, 2013

HAND DELIVERED

Hon. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601

Re: Delta Natural Gas Company, Inc.

Dear Mr. Derouen:

We enclose for filing an original and ten copies of the Application of Delta Natural Gas Company, Inc. for an Order Declaring That It Is Authorized To Construct, Own and Operate a Compressed Natural Gas Station. Thank you in advance for your assistance.

Sincerely,

Robert M. Watt, III

rmw:rmw
Enclosures
cc: Mr. John B. Brown (w/encl.)

005522.005777/4151620.1

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OCT 03 2013

PUBLIC SERVICE
COMMISSION

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**THE APPLICATION OF DELTA)
NATURAL GAS COMPANY, INC.)
FOR AN ORDER DECLARING)
THAT IT IS AUTHORIZED TO)
CONSTRUCT, OWN AND OPERATE)
A COMPRESSED NATURAL GAS)
STATION IN BERE A, KENTUCKY)**

CASE NO. 2013-

* * * * *

Delta Natural Gas Company, Inc. ("Delta") respectfully submits this Application, pursuant to 807 KAR 5:001, Section 18, and KRS 278.508, for an order declaring that it is authorized to construct, own and operate a compressed natural gas station at its existing facilities on Glades Road in Berea, Kentucky, or, in the alternative that it be granted a certificate of public convenience and necessity authorizing it to construct such compressed natural gas station pursuant to KRS 278.020(1), and for the other relief set forth below. In support of this Application, Delta states as follows:

1. The full name and post office address of Delta is Delta Natural Gas Company, Inc., 3617 Lexington Road, Winchester, Kentucky 40391.
2. Delta is a Kentucky corporation, whose Amended and Restated Articles of Incorporation are on file with the Commission in Case No. 2010-00116, *In the Matter of: Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates* filed on April 23, 2010.
3. Delta proposes to construct, own and operate a compressed natural gas station (the "CNG Station") at its existing facilities on Glades Road in Berea, Kentucky. Specifically,

Delta proposes to construct compressors, tanks, dispensing pumps and card readers for credit cards, along with such other construction as may be necessary for the operation of the CNG Station. Delta estimates that the cost of construction will be approximately \$1,300,000. Delta will investigate tax incentives that might reduce future operating costs of the CNG Station.

4. To reduce Delta's operating costs, Delta proposes to use the CNG Station to fuel some of Delta's company-owned motor vehicles. Delta anticipates that the station will be available also for the sale of natural gas as a motor vehicle fuel to the public.

5. Delta proposes to make sales of natural gas as a motor vehicle fuel to the public from the CNG Station as an unregulated activity of Delta. Delta proposes to transport natural gas to the CNG Station pursuant to its Interruptible Service tariff and its Transportation of Gas for Others – On System Utilization tariff, which should be amended to provide for flexible rates pursuant to KRS 278.508(2) and to provide that no customer charge will be paid by the CNG Station, with a waiver of minimum volume requirements. As amended, the tariffs will provide Delta a fair opportunity to compete with other motor fuels. A copy of the proposed amended tariff sheets is attached hereto as Exhibit 1. Delta requests that the Commission approve the amended tariff sheets.

6. Delta proposes that all the revenues and expenses (including gas costs) associated with the operation of the CNG Station be recorded and reported as regulated revenues and expenses even though it proposes that the sales of natural gas as motor vehicle fuel to the public will be treated as unregulated activity. Thus, in future rate cases, Delta will propose to include the cost of construction in rate base, expenses in cost of service and revenues in the estimated revenue requirement. Delta will keep separate books and records of the activities of the CNG

Station adequate to allow the Commission to allocate costs and revenues and to perform other acts that will assist the Commission in enforcing KRS 278.508.

7. It is Delta's position that it is authorized to construct, own and operate the CNG Station as proposed herein without further authorization of the Commission. Delta will provide natural gas as motor fuel to the public through the CNG Station in the usual course of business. The operation of the CNG Station will not adversely affect Delta's regulated costs in a material fashion or the availability of natural gas to its utility sales customers. In the event the Commission determines that Delta must obtain a certificate of public convenience and necessity pursuant to KRS 278.020(1) prior to commencing construction of the CNG Station, then Delta requests, in the alternative, that the Commission issue a certificate of public convenience and necessity authorizing the construction of the CNG Station.

8. Please refer to paragraphs 3 and 4 above for a statement of the facts relied upon to show that the construction of the proposed CNG Station is required by public convenience and necessity.

9. Delta is not required to obtain franchises from any public authorities and, thus, none are submitted herewith as required by 807 KAR 5:001, Section 15(2)(b). Delta may be required to obtain environmental and construction-related permits associated with the construction of the proposed CNG Station. Copies of such permits, if any, will be filed with the Commission, as obtained, to the extent required by law or requested by the Commission.

10. As set forth in paragraph 3 above, the proposed CNG Station will be located on Delta's existing facilities on Glades Road in Berea, Kentucky. A map showing the location of the proposed CNG Station is attached hereto as Exhibit 2. There are no like facilities owned by

others located within the map area. It is not likely that the CNG Station will compete with any public utilities, corporations or persons, other than stations dispensing gasoline.

11. A schematic drawing of the CNG Station is attached hereto as Exhibit 3.

12. Delta expects to initially finance the cost of construction of the proposed CNG Station with internally-generated cash and short-term debt. Ultimately, the costs will be consolidated into the capital structure and funded consistent with Delta's overall mix of debt and equity.

13. Delta estimates that the annual cost of operation of the CNG Station will be approximately \$20,000. The cost of construction and the cost of operation of the CNG Station is not expected to have a material impact on Delta's customers as the impact on rates of estimated construction and operating costs, assuming the worst case of no sales volumes, is estimated to be .005 per ccf. In fact, if the CNG Station is successful, it will provide revenues that could reduce the level of future rate increases.

WHEREFORE, Delta Natural Gas Company, Inc. respectfully requests the Commission to issue a declaratory order declaring that (i) Delta may construct, own and operate the CNG Station without further authorization of the Commission; (ii) Delta's amended Interruptible Service tariff and its Transportation of Gas for Others – On System Utilization tariff attached hereto as Exhibit 1 shall be approved and to grant Delta any and all other relief to which it may appear entitled. In the event the Commission determines that Delta must obtain a certificate of public convenience and necessity pursuant to KRS 278.020(1) prior to commencing construction of the CNG Station, then Delta requests, in the alternative, that the Commission issue a

certificate of public convenience and necessity authorizing the construction of the CNG Station.

Respectfully submitted,

Robert M. Watt, III
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859-231-3000
robert.watt@skofirm.com
monica.braun@skofirm.com

By *Robert Watt*

Counsel for Delta Natural Gas Company,
Inc.

VERIFICATION

STATE OF KENTUCKY)
COUNTY OF Clark)

SS:

The undersigned, John B. Brown, being duly sworn, deposes and says he is Chief Financial Officer, Treasurer and Secretary of Delta Natural Gas Company, Inc., that he has personal knowledge of the matters set forth in the foregoing Application and the factual statements contained therein are true and correct to the best of his information, knowledge and belief.

John B. Brown
John B. Brown

Subscribed and sworn to before me, a Notary Public in and before said County and State this 2nd day of October 2013.

Emily P. Bennett (SEAL)
Notary Public

My Commission Expires:
6/20/2016



005522.005777/4139634.4

CLASSIFICATION OF SERVICE – RATE SCHEDULES
 INTERRUPTIBLE SERVICE

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by interruptible customers.

CHARACTER OF SERVICE

Interruptible - within the reasonable limits of the Company's capability to provide such service.

RATES

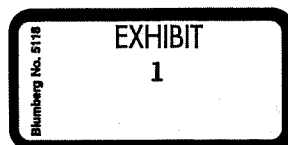
	Base Rate	+	Gas Cost Recovery Rate (GCR) **	=	Total Rate	
Customer Charge	\$ 250.00000				\$ 250.00000	
1 - 10,000 Ccf	\$ 0.16000		\$ 0.82736		\$ 0.98736 /Ccf	(l)
10,001 - 50,000 Ccf	\$ 0.12000		\$ 0.82736		\$ 0.94736 /Ccf	(l)
50,001 - 100,000 Ccf	\$ 0.08000		\$ 0.82736		\$ 0.90736 /Ccf	(l)
Over 100,000 Ccf	\$ 0.06000		\$ 0.82736		\$ 0.88736 /Ccf	(l)

Special Conditions - All customers having a connected load in excess of 2,500,000 Btu input per hour may be required to enter into an Interruptible Sales Agreement. Determinations of those customers so required shall be based on peak day use as well as annual volume and shall be at the sole discretion of the Company. In order to provide a fair opportunity to compete with other motor fuels, the customer charge and Pipe Replacement Program charge may be waived by Delta at its sole discretion for compressed natural gas fueling station customers.

Any customer required to enter into an Interruptible Agreement shall be permitted to purchase or transport gas under the Interruptible Rate Schedule as set forth on Sheet No. 5. Gas requirements, minimum charges and other specific information shall be set forth in the Agreement.

Interruptible rates are also subject to a Pipe Replacement Program charge of \$89.72, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Ccf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.



**CLASSIFICATION OF SERVICE – RATE SCHEDULES
INTERRUPTIBLE SERVICE**

TERMS AND CONDITIONS

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta's system, and/or requests to revert to the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule.

CLASSIFICATION OF SERVICE – RATE SCHEDULES
TRANSPORTATION OF GAS FOR OTHERS ON SYSTEM UTILIZATION

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available to small non-residential, large non-residential, ~~and interruptible~~ and compressed natural gas fueling station customers who have purchased natural gas elsewhere, obtained all requisite authority to transport such gas to Delta's facilities and request Delta to utilize its facilities to transport such customer-owned gas to place of utilization. Any such transportation service shall be subject to the terms and conditions set forth herein and to the reserved right of Delta to decline to initiate such service whenever, in Delta's sole judgment, the performance of the service would be contrary to good operating practice or would have a detrimental impact on other customers of Delta. Such detrimental impact may include under deliveries of transportation gas to Delta's system or switching by the transportation customer to Delta's Small Non-Residential, Large Non-Residential or Interruptible Service rate schedules.

RATE

A transportation charge comprised of the following components will be applied to each Ccf, or in the case of measurement based on heating value, each dekatherm (Dth) of gas transported hereunder:

- (1) Delta's Base Rate for gas sold as set forth in Delta's Small Non-Residential, Large Non-Residential and Interruptible Rate Schedules; plus
- (2) Where the pipeline suppliers transportation, compression or other similar charges are billed to Delta, the cost per Ccf or Dth, as applicable, of such charges; plus
- (3) ____-A take-or-pay recovery component of \$(0.0000)

(4) For compressed natural gas fueling station customers, in order to provide a fair opportunity to compete with other motor fuels, Delta may negotiate at Delta's sole discretion with such customers a fixed base rate that is no more than the maximum Base Rate set forth in Delta's Interruptible Service Rate Schedule, but is no less than the minimum Base Rate set forth in Delta's Interruptible Service Rate Schedule.

DATE OF ISSUE: December 1, 2010
DATE EFFECTIVE: October 22, 2010
ISSUED BY: Glenn R. Jennings, Chairman of the Board, President and CEO

Issued by Authority of an Order of the Public Service Commission of KY in
Case No. 2010-00116 dated November 29, 2010

**CLASSIFICATION OF SERVICE – RATE SCHEDULES
TRANSPORTATION OF GAS FOR OTHERS ON SYSTEM UTILIZATION**

GAS SOLD TO CUSTOMER

Monthly gas deliveries to customer in excess of scheduled transportation volumes will be billed by Delta and paid by customer in accordance with Delta's Standby Service Rate Schedule.

TERMS AND CONDITIONS

Service hereunder shall be performed under a written contract between customer and Delta setting forth specific arrangements as to term of the contract, volumes to be transported, points of delivery, methods of metering, timing of receipts and deliveries of gas by Delta, timing constraints relative to under deliveries and/or switching to Delta's Small Non-Residential, Large Non-Residential or Interruptible Service rate schedules, the availability of discounts in special situations and any other matters relating to individual customer circumstances.

At least ten (10) days prior to the beginning of each month, customer shall provide Delta with a schedule setting forth daily volumes of gas to be delivered into Delta's facilities for customer's account. Customer shall give Delta at least twenty-four (24) hours prior notice of any subsequent changes to scheduled deliveries. Delivery of gas transported hereunder will be effected as nearly as practicable on the same day as the receipt thereof. Delta will not be obligated to utilize underground storage capacity in performance of the service provided herein.

All gas volumes delivered hereunder shall shrink by 2% to cover line loss and measurement differences when no compression is being used in the transportation. When compression is required in the transportation, all gas volumes delivered hereunder shall shrink an additional amount equivalent to fuel usage.

It shall be the customer's responsibility to make all necessary arrangements, including regulatory approvals, required to deliver gas transported under this tariff.

Delta reserves the right to refuse to accept gas that does not meet Delta's quality specifications.

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CLASSIFICATION OF SERVICE – RATE SCHEDULES
TRANSPORTATION OF GAS FOR OTHERS ON SYSTEM UTILIZATION

Volumes of gas transported hereunder will be determined in accordance with Delta's measurement base.

Customer owned gas transported hereunder for an interruptible customer will be subject to interruption in accordance with normal interruption procedures applicable to such rate schedule. Such customers must agree in writing to cause deliveries of customer-owned gas into Delta's facilities to cease upon notification by Delta of the necessity to interrupt or curtail the use of gas.

Delta shall have the right at any time to curtail or interrupt the transportation or delivery of gas to interruptible customers hereunder when, in Delta's sole judgment, such curtailment or interruption is necessary to enable Delta to maintain deliveries to customers of higher priority or to respond to any emergency. During such periods, Delta shall have the right to purchase any transportation gas delivered into Delta's system for the account of the customer at the actual cost the customer paid for such gas.

Delta may execute special transportation contracts with anyone after said contract has been filed with and accepted by the Public Service Commission.

This transportation is available to any customer with a daily nominated volume (the level of daily volume in Ccf as requested by the customer to be transported and delivered by the Company) which averages a minimum of 250 Ccf of gas per day for the billing period on an individual service at the same premise who has purchased their own supply of natural gas and require transportation by the Company to the point of utilization subject to suitable service being available from existing facilities. In order to provide a fair opportunity to compete with other motor fuels, this minimum volume requirement may be waived by Delta at its sole discretion for compressed natural gas fueling station customers.

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta's system, and/or requests to revert to the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule.

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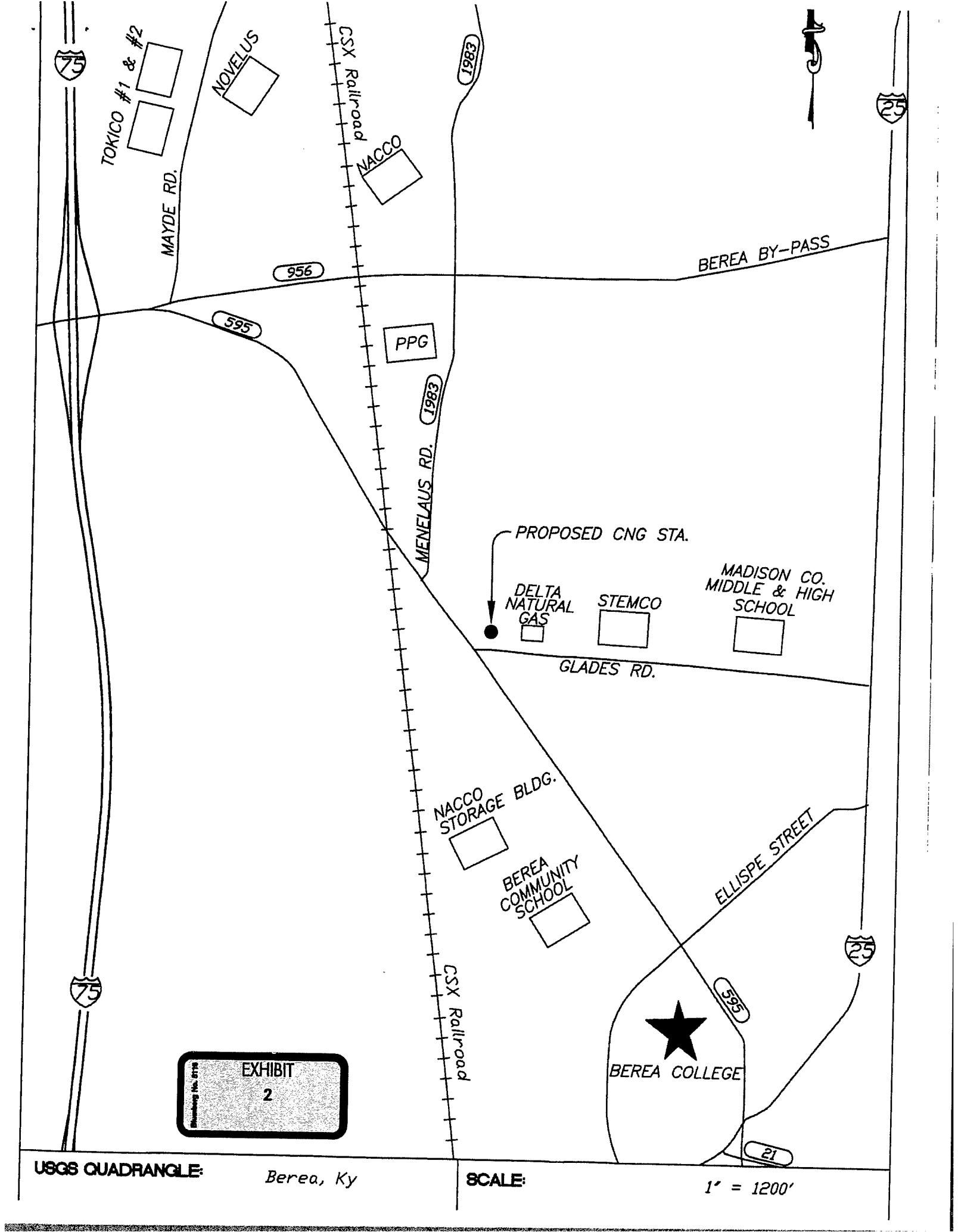
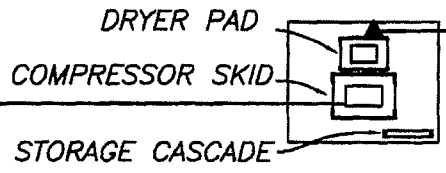


EXHIBIT
2
Blumberg No. 8718

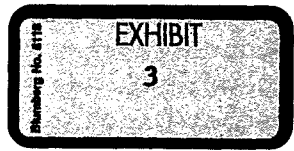
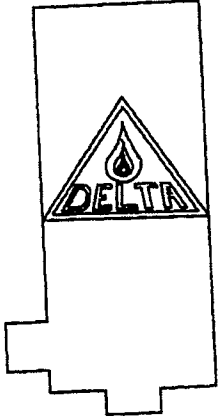
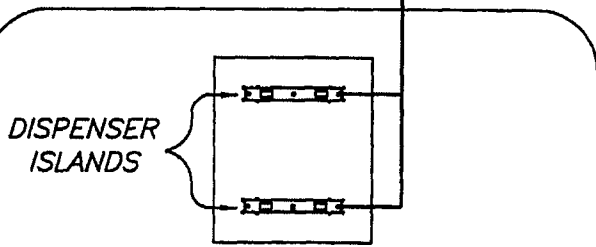
USGS QUADRANGLE: Berea, Ky

SCALE: 1" = 1200'

GAS SUPPLY →



← GAS SUPPLY



Glades Rd.

BEREA - PROP. CNG STATION
SITE PLAN 1"=60'