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OCT 16 2014

PUBLIC SERVICE
COMMISSION

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October 16, 2014

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.
Case No. 2013-00365

Dear Mr. Derouen:

We enclose for filing an original and ten (10) copies of the Post-Hearing Brief of Delta Natural Gas Company, Inc. in the above-captioned case. Please file stamp and return the additional copy for our records. Thank you in advance for your assistance. Best regards.

Sincerely,

Robert M. Watt, III

rmw:rmw

Enclosures

cc: Counsel of Record (w/encl.)
Mr. John B. Brown (w/encl.)

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 16 2014

**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 BERA, KENTUCKY)**

CASE NO. 2013-00365

* * * * *

**POST-HEARING BRIEF OF
DELTA NATURAL GAS COMPANY, INC.**

Delta Natural Gas Company, Inc. (“Delta”) respectfully submits this Post-Hearing Brief in support of its application for an order declaring that it is authorized to construct, own and operate a compressed natural gas fueling station in Berea, Kentucky.

Introduction

On October 3, 2013, Delta filed its application in this case requesting an order declaring that it is authorized to construct, own and operate a compressed natural gas fueling station (“CNG Station”) in Berea, Kentucky, without further authorization from the Public Service Commission (“Commission”). It also requested approval of amended tariffs to enable delivery of gas to compressed natural gas fueling stations at more competitive rates. In the alternative, if the Commission determined that a certificate of public convenience and necessity (“CPCN”) was required prior to commencing construction of the CNG Station, Delta requested the issuance of a CPCN. Delta further requested authorization to treat sales of compressed natural gas to motor vehicles as unregulated activities and to treat the ownership and operation of the CNG Station as

regulated activities. Delta proposed that the CNG Station be a pilot project to determine if there is sufficient demand for natural gas as a motor vehicle fuel in Delta's service area for additional compressed natural gas fueling stations.

There are significant public policy reasons that Delta's construction, ownership and operation of the CNG Station as proposed should go forward without further Commission authorization: natural gas is a clean alternative motor vehicle fuel; it reduces reliance on foreign oil; natural gas vehicles are safe; natural gas vehicles require less maintenance and have longer engine life; natural gas is currently plentiful and its price is stable. The CNG Station can be used to fuel Delta's fleet vehicles, corporate and institutional fleet vehicles, and vehicles owned by individual members of the public. Compressed natural gas can be sold at a lower cost than gasoline or diesel fuel. Revenues produced by the CNG Station will reduce Delta's revenue requirement in future rate cases. Even if the CNG Station sells no gas, the rate impact to Delta's other customers will be *de minimis*. The CNG Station will have no competitive impact on other compressed natural gas stations as there are no public stations within 40 miles of the proposed CNG Station.

If the Commission determines that a CPCN is needed before construction commences, it should be issued. There is a need for the CNG Station as Delta will use it to fuel its fleet vehicles and the City of Berea, Berea College and the Berea School Board have all expressed an interest in using the CNG Station for their fleets as well. There are no compressed natural gas fueling stations in close proximity to the CNG Station. The cost of construction and operation is reasonable. Thus, convenience and necessity require construction of the CNG Station.

The proposed amendments to Delta's tariffs should be approved. The tariffs would be applicable to Delta's CNG Station, as well as to compressed natural gas fueling stations operated

by others within Delta's service area. The proposed changes to the tariffs enable Delta to deliver natural gas to motor vehicle fueling stations at more competitive prices and will help encourage the development of additional stations.

Procedural Background

On October 3, 2013, Delta filed its verified application pursuant to 807 KAR 5:001, Section 18, KRS 278.508 and, alternatively, KRS 278.020(1). On November 4, 2013, the Commission issued an order finding that further proceedings were necessary, directing Delta to file testimony and setting forth a procedural schedule. On November 19, 2013, the Attorney General, through his Rate Intervention Division, filed a motion to intervene, which was granted on November 22, 2013. On the same day, Delta filed the direct testimony of John Brown, Matthew Wesolosky and Jonathan Morphew.

The Commission Staff and the Attorney General issued their initial requests for information to Delta on December 13, 2013. Delta filed its responses on December 30, 2013. On January 10, 2014, the Commission Staff filed its supplemental requests for information. On January 13, 2014, the Attorney General filed his supplemental requests for information.¹ Delta filed its responses to the supplemental requests for information on January 23, 2014.

In the meantime, on January 8, 2014, Interstate Gas Supply, Inc. ("IGS") and Clean Energy Fuel Corp. ("Clean Energy") filed a motion to intervene. The Commission granted the Movants intervention on a joint basis as one party and issued an amended procedural schedule by order dated February 24, 2014.

IGS and Clean Energy filed the direct testimony of Dave Mrowzinski on March 10, 2014. On March 21, 2014, the Commission Staff, the Attorney General and Delta filed data requests to IGS and Clean Energy. Responses were filed on April 14, 2014. On April 10, 2014, Matthew

¹ The Attorney General amended his supplemental requests for information on the same day.

Malone, counsel for IGS and Clean Energy, moved the Commission for the entry of an order admitting Matthew White *pro hac vice* as additional counsel for IGS and Clean Energy. The motion was granted on April 17, 2014.

On May 9, 2014, the Commission entered an order directing the parties to file a request for hearing, if any, within ten days. The Attorney General and IGS and Clean Energy timely requested a hearing. On July 16, 2014, the Commission entered an order setting the hearing in this case for September 16, 2014, and directing Delta to publish notice of the hearing in compliance with 807 KAR 5:001, Section 9(2)(b) and to submit proof of publication. Delta filed its notice of filing request for publication of notice of hearing on September 2, 2014, and its proof of publication on September 9, 2014.

The hearing was held on September 16, 2014, and concluded that evening. Delta filed responses to three post-hearing data requests on September 24, 2014.

Description of the Project

The description of the project is provided primarily by Jonathan Morpew, whose direct testimony covered the planning and design of the CNG Station. The CNG Station is proposed to be located at 129 Glades Road in Berea, Kentucky.² It will be located on the same lot as Delta's Berea district office.³ The CNG Station will be within close proximity to I-75, U.S. 25 and Berea College.

There are essentially two components to the CNG Station: (i) drying, compression and storage facilities, which will be located behind the Delta district office, and (ii) dispensing facilities, which will be located adjacent to the Delta district office approximately 150 feet from

² Morpew Direct Testimony at 4.

³ Application Exhibit 3.

Glades Road.⁴ The drying, compression and storage facilities will be approximately 120 feet from an existing Delta gas main.⁵ The gas will be measured at two points: where it enters the drying, compression and storage facilities and again where it is dispensed into motor vehicles.⁶

The CNG Station will be available to fuel Delta fleet vehicles stationed in the vicinity of Berea, as well as public vehicles. It will be equipped with two dispensers, each with two hoses, and two credit card readers to provide CNG to four vehicles at any given time.⁷ The CNG Station will be open 24 hours a day, seven days a week.⁸ Customers will pay for the CNG with credit cards.⁹ The station is designed to provide natural gas to vehicles without the assistance of or need for a Delta employee to be present,¹⁰ although emergency telephone numbers will be posted on the dispensers and employees will be present in the Delta district office during business hours.¹¹ In addition, the dispensers have kill switches to stop the flow of gas in an emergency.¹²

The CNG Station will be constructed by CNG Source, a company located in Indianapolis, and the estimated cost of construction is \$1,333,550.¹³ Delta will finance the cost of construction through internally generated cash, short term borrowings or a combination of both.¹⁴ Delta determined the estimated annual cost of operating the station to be approximately \$20,000 through discussions with Vectren Energy, which has compressed natural gas stations of similar

⁴ Hearing, Morpew testimony at 3:36 p.m.

⁵ Application Exhibit 3.

⁶ Morpew Direct Testimony at 5.

⁷ Morpew Direct Testimony at 5.

⁸ Morpew Direct Testimony at 6.

⁹ Morpew Direct Testimony at 5.

¹⁰ Morpew Direct Testimony at 7.

¹¹ Hearing, Morpew testimony at 3:24 p.m. – 3:26 p.m.

¹² Id. at 3:26 p.m.

¹³ Delta Hearing Exhibit 3.

¹⁴ Wesolosky Direct Testimony at 3.

design using the same equipment on its system.¹⁵ Since Delta will not be dedicating an employee to the operation of the station, there will be no incremental increase in Delta's overall labor expenses as a result of operating the station.

The gas delivered to the station for use as a motor vehicle fuel will be purchased from a third party supplier of natural gas.¹⁶ It will be transported to the CNG Station by Delta.¹⁷

Reasons to Construct the CNG Station

John Brown delineated several reasons to support the use of natural gas as a motor vehicle fuel which form the bases for the decision to construct the CNG Station. First, of course, is the fact that natural gas as a motor vehicle fuel is considerably less expensive than gasoline or diesel fuel. Delta's customers should have the opportunity to purchase a lower cost motor vehicle fuel.¹⁸ Second, Delta's operations expenses will be reduced if it utilizes natural gas as a motor vehicle fuel in its fleet vehicles.¹⁹ Third, once the CNG Station brings in more revenue than expenses incurred, that margin earned will serve to reduce Delta's revenue requirement in future rate cases.²⁰

Mr. Brown also enumerated several public policy reasons for the construction and operation of the CNG Station:

Using natural gas as a vehicle fuel makes the United States more energy independent.

Less reliance on foreign oil helps reduce price volatility and the concerns regarding the situation in the Middle East.

Natural gas is more environmentally friendly. Exhaust emissions from natural gas vehicles are much lower than from gasoline and diesel vehicles.

¹⁵ Hearing, Wesolosky testimony at 2:51 p.m.

¹⁶ Brown Direct Testimony at 9.

¹⁷ Application, ¶ 3.

¹⁸ Brown Direct Testimony at 2.

¹⁹ Brown Direct Testimony at 4.

²⁰ Brown Direct Testimony at 4.

Natural gas vehicles are as safe as or safer than traditional gasoline or diesel vehicles.

Natural gas vehicles require less frequent maintenance than conventional cars and trucks because natural gas burns cleaner than gasoline.

Natural gas vehicles have longer engine life.

The fact that natural gas has an octane rating of 130 compared to 93 for the best gasoline gives the opportunity for superior engine performance.²¹

Not surprisingly, Dave Mrowzinski, the witness for IGS and Clean Energy, agrees with the foregoing reasons for the construction of compressed natural gas stations.²²

Delta is proposing the construction and operation of the CNG Station as a pilot project.²³ Currently, there are three operating compressed natural gas stations in Kentucky and one in the process of becoming operational.²⁴ Thus, there is currently no practical way to determine consumer acceptance of compressed natural gas a motor vehicle fuel in Delta's service area without opening and operating a station at which it can be purchased. Delta's President, Glenn R. Jennings, discussed utilizing natural gas as a motor vehicle fuel with several community members, including officials with the City of Berea, Berea Independent Schools, Berea College and Madison County Schools.²⁵ While these groups are all interested in the concept, they are all unwilling to commit to the purchase of natural gas vehicles until there is an accessible fueling station.²⁶ Delta is willing to support the station and to take advantage of the lower natural gas fuel cost. It is planning on replacing eleven gasoline vehicles with natural gas/gasoline dual fuel

²¹ Brown Direct Testimony at 5.

²² Mrowzinski Direct Testimony at 12.

²³ Wesolosky Rebuttal Testimony at 6.

²⁴ The cities of Carrollton and Somerset have public stations; Waste Management in Louisville has a private station with public access and Falls City Auto Sales is in the process of opening a station in Corbin.

²⁵ Delta Response to AG 1-3.

²⁶ Hearing, Public Comments at 10:10 a.m. and 10:13 a.m. The president of Berea College and the Berea City Manager both made public comment at the hearing in support of the CNG Station.

vehicles once this CNG Station is operational.²⁷ It also intends to eventually replace an additional eleven additional gasoline vehicles with natural gas/gasoline dual fuel vehicles.²⁸ In addition to giving Delta the opportunity to save fuel costs, the dual fuel vehicles will be more versatile in emergency situations when one or the other fuel might not be available.

Regulatory Treatment

Delta proposes that sales of compressed natural gas to fuel Delta's fleet vehicles and to the public should be unregulated pursuant to KRS 278.508(1). Delivery of natural gas to the CNG Station will be regulated and transported under Delta's transportation tariff, which is proposed to be amended.

Delta proposes that the CNG Station be owned and operated by Delta as part of its regulated activities. Thus, the facilities will be part of Delta's rate base and the expenses and revenues of the CNG Station will be treated as "above the line" regulated expenses and revenues. In this fashion, Delta's utility operations will bear the risk of failure but will receive the benefit of success. A return on the assets and the expenses and revenues of the CNG Station will be reflected in the rates Delta charges its customers.

In the short run, however, Delta's shareholders will shoulder the cost of construction and operation of the CNG Station because the return on the assets and expenses and revenues will not be reflected in Delta's rates until Delta files a rate case in which these items are included in the test year. If the CNG Station becomes "profitable" before Delta files a rate case, the resulting rates will be reduced by virtue of the performance of the CNG Station.

If the CNG Station does not become "profitable" by the time Delta files its next rate case, the shortfall will be subsidized by Delta's other rates. The maximum annual subsidy will be

²⁷ Morphew Direct Testimony at 7.

²⁸ Delta Response to Staff 1-3.

\$198,300 if Delta sells no compressed natural gas to external customers and has eleven natural gas vehicles in its fleet.²⁹ The impact on customer bills will be \$0.00509 per hundred cubic feet (“CCF”) or \$2.85 per residential customer per year.³⁰ For each gasoline gallon equivalent (“GGE”) of compressed natural gas that Delta sells at a price of \$2.00 per GGE, the revenue requirement for the CNG Station will be reduced by \$1.52.³¹

Given the practical and public policy reasons for constructing the CNG Station set forth above, the inclusion of the CNG Station in Delta’s utility operations is appropriate. Delta intends for the CNG Station to be “profitable.”³² If it is not “profitable,” the subsidy will be *de minimis*. Moreover, any subsidy will be reduced by the tax credit of \$250,000 that the Kentucky Cabinet for Economic Development recently awarded for this project.³³

The tax credit demonstrates that the Cabinet for Economic Development recognizes the positive impact the CNG Station will have on the entire Commonwealth, including all of Delta’s customers. This Commission has traditionally permitted certain rate classes to subsidize the rates in other classes and for specific issues. For example, residential rates are subsidized by other rate classes. In Delta’s instance, its Conservation and Efficiency Program provides a subsidy to those who conserve; its Energy Assistance Program provides a subsidy to those with lower incomes; its GTI rider subsidizes research and development.³⁴ See Delta’s responses to Staff Data Requests 1-5 and 2-6 for other specific reasons justifying Delta’s proposed regulatory treatment of the CNG Station.

²⁹ Delta Hearing Exhibit 2.

³⁰ Delta Response to AG Post-Hearing Data Request.

³¹ Delta Hearing Exhibit 2.

³² Delta Response to AG 1-60.

³³ Delta Response to Staff 1-5.

³⁴ Delta Response to Staff 2-6.

Delta understands that the affiliate transaction rules at KRS 278.2201 provide, “[a] utility shall not subsidize a nonregulated activity by an affiliate or by the utility itself.” In the event a subsidy of the activity of the CNG Station occurs, such activity will be incidental nonregulated activity which may be reported as regulated activity for cost allocation purposes under KRS 278.2203(4) because it will not exceed the lesser of 2% of Delta’s annual revenue or \$1,000,000 and it is reasonably related to Delta’s regulated activity. In any event, the Commission has granted waivers or deviations from compliance with the affiliate transaction rules pursuant to KRS 278.2219.³⁵ Given the beneficial attributes of the CNG Station and the *de minimis* subsidization that might occur, this Commission can find that compliance with KRS 278.2201 is unreasonable and grant a deviation pursuant to KRS 278.2219(3).

While Mr. Mrowzinski complained that Delta’s proposed regulatory treatment will cause competitive harm to IGS, the fact that IGS’s closest compressed natural gas fueling station to Berea is in Charleston, West Virginia, some 200 miles away³⁶ makes his complaint strain credulity. Further, Mr. Mrowzinski has no experience in the preparation of studies, memoranda, testimony or other material regarding anti-competitive conduct or business practices.³⁷ Clean Energy has no public compressed natural gas fueling stations in Kentucky.³⁸

Delta submitted as Brown Testimony Exhibit III an American Gas Foundation study dated September 2012 entitled “Natural Gas as a Transportation Fuel - Models for Developing Fueling Infrastructure.” The author of that study concluded that there are three models for

³⁵ Case No. 2003-00252, *In the Matter of: The Application of the Union Light, Heat and Power Company for a Certificate of Public Convenience To Acquire Certain Generation Resources and Related Property; For Approval of Certain Purchase Power Agreements; For Approval of Certain Accounting Treatment; and For Approval of Deviation From Requirements of KRS 278.2207 and 278.2213*, Order dated March 15, 2006; Case No. 2010-00428, *In the Matter of: Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Waiver and Deviation From KRS 278.2213*, Order dated March 1, 2011.

³⁶ Hearing, Mrowzinski testimony at 4:32 p.m.

³⁷ IGS Response to Delta 1-19.

³⁸ IGS Response to Delta 1-10.

developing fueling infrastructure: Rate-based Model, Non-Rate-based Model and Competitive Model. Delta's proposed regulatory treatment follows the Rate-based Model.³⁹ The Rate-based Model provides for reduced risk to the utility's shareholders in return for a limit on the return the utility may earn on the operation of the fueling station.⁴⁰ For commercial projects, on the other hand, investors take more risk but they are compensated by the receipt of a return on their investment, plus a risk free rate of return plus a risk premium.⁴¹ In the Rate-based Model any margin that the fueling station earns above its return and expenses benefits the utility's ratepayers in the form of reduced rates. Mr. Brown testified that there are three reasons the Rate-based Model is more appropriate for Delta: (i) the CNG Station will benefit Delta's customers through lower fuel costs for Delta's fleet vehicles; (ii) Delta's customers have the opportunity to benefit from the reduced revenue requirement when the CNG Station is "profitable" and (iii) there is no market for compressed natural gas as a fuel in Delta's service area, so there is no competitive market on which the other two models are based.⁴² Delta understands that the utilities with whom Delta discussed the feasibility of owning and operating the CNG Station, Questar, Vectren, Piedmont and Atlanta Gas Light, all utilize the Rate-based Model.⁴³

Certificate of Public Convenience and Necessity

In its Application, Delta stated that it should be authorized to construct, own and operate the CNG Station without further Commission authorization as follows:

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

³⁹ Brown Direct Testimony at 8.

⁴⁰ Brown Testimony Exhibit III at 14.

⁴¹ Brown Testimony Exhibit III at 14.

⁴² Brown Direct Testimony at 8.

⁴³ Delta Response to Staff 2-4.

adversely affect Delta's regulated costs in a material fashion or the availability of natural gas to its utility sales customers.⁴⁴

While the project is material in comparison to other recent Delta capital projects⁴⁵, it represents a very small percentage of Delta's rate base. Projected operations costs are a small percentage of Delta's total operations costs. It is simply not the kind of project one associates with certificates of public convenience and necessity. Thus, the Commission should issue an order declaring that Delta may construct, own and operate the CNG Station without further Commission authorization.

If the Commission disagrees and believes that a certificate of public convenience and necessity is necessary, then the record supports the issuance of a certificate. As to the "necessity" element, "need" is defined as follows:

. . . substantial inadequacy of existing service, involving a consumer market sufficiently large to make it economically feasible for the new system or facility to be constructed and operated.⁴⁶

Here, there is clearly a substantial inadequacy of existing compressed natural gas fueling stations. There are none operational in Delta's service area and only one in the process of becoming operational in Corbin. The consumer market could develop to the point that it is sufficiently large to make it economically feasible for the CNG Station to be constructed and operated. Delta plans on utilizing it for a portion of its fleet vehicles: eleven vehicles in the short term and eleven more in the longer term. Berea College and the City of Berea have both expressed an interest in fueling their fleet vehicles at the station. Berea Independent Schools and Madison County Schools have both indicated an interest in utilizing the station.⁴⁷ Its location is

⁴⁴ Application at ¶ 7.

⁴⁵ Delta Response to Staff 2-1.

⁴⁶ *Kentucky Utilities Company v. Public Service Commission*, 252 S.W.2d 885, 890 (Ky. 1952).

⁴⁷ Delta Response to AG 1-3.

convenient to I-75 and U.S. 25, both of which are heavily trafficked highways. The residents of Berea have consistently indicated a willingness to utilize alternative fuels.⁴⁸ While Delta did not attempt to conduct a market analysis because no market for compressed natural gas as a motor vehicle fuel exists in Delta's service area,⁴⁹ the foregoing facts support the conclusion that the market is likely to be there.

As for convenience, the CNG Station will be constructed on property that Delta currently owns and will not present any interference with the property rights of others. The cost of construction is reasonable, as Mr. Mrowzinski acknowledged.⁵⁰ The projected cost of operation is less than Mr. Mrowzinski experiences at IGS stations.⁵¹

For the foregoing reasons, if the Commission determines that a CPCN is necessary before commencing construction of the CNG Station, the certificate should be issued.

Amendments to Tariffs

Delta proposes to amend its Interruptible Service tariff to give Delta the discretion to waive the customer charge and the Pipe Replacement Program charge in order to enable natural gas fueling station customers to compete with other motor vehicle fuels.⁵² Delta also proposes to amend its Transportation of Gas for Others On System Utilization tariff. First, the amendment would give Delta the discretion to flex its base rate so that it is no more than the maximum Base Rate in Delta's Interruptible Service Rate Schedule, but is no less than the minimum Base Rate set forth in its Interruptible Service Rate Schedule. This will provide compressed natural gas fueling station customers a fair opportunity to compete with other motor vehicle fuels. Second, the tariff would be amended to give Delta the discretion to waive the minimum volume

⁴⁸ Hearing, Jennings testimony at 4:00 p.m.

⁴⁹ Brown Direct Testimony at 8.

⁵⁰ Mrowzinski Direct Testimony at 10; –Hearing, Mrowzinski testimony at 4:51:22 p.m.

⁵¹ Mrowzinski Direct Testimony at 7-9.

⁵² Application Exhibit 1.

requirement in order to enable natural gas fueling station customers to compete with other motor vehicle fuels.⁵³

Regardless of the Commission's determinations with respect to Delta's proposed CNG Station, the tariff amendments should be approved to enable Delta to deliver gas to compressed natural gas fueling stations on its system at more competitive rates. As currently stated, Delta's tariffs do not give such customers a fair opportunity to compete with other motor vehicle fuels. KRS 278.508(2) provides, "Upon request by the utility, the commission shall set flexible rates which provide a fair opportunity to compete with other motor vehicle fuels." Delta's proposed amendments are consistent with KRS 278.508(2). A compressed natural gas fueling station is in the process of becoming operational in Corbin.⁵⁴ These amendments will allow that station and any others that come on Delta's system to compete with other motor vehicle fuels.

Conclusion

Delta should be authorized to conduct its CNG Station pilot project as proposed. There are practical and public policy reasons for this project to proceed. It will demonstrate whether additional compressed natural gas fueling stations should be constructed and operated in Delta's service area and will give the Commission the opportunity to develop its role in the regulation of natural gas fueling stations.

The CNG Station should be owned by Delta and be part of its utility operations without the need for a CPCN because it is in the usual course of Delta's business. It will be used by Delta to fuel some of its vehicles. It has the potential of benefitting Delta's customers through reduced rates. The rate impact on Delta's customers is *de minimis* in the worst case scenario. It

⁵³ Application Exhibit 1.

⁵⁴ Delta Response to Staff 2-5.

will benefit all of Delta's customers by making available an alternative fuel source that has numerous positive attributes.

If the Commission determines that a CPCN should be issued before the commencement of construction, Delta has established that public convenience and necessity require the construction of the CNG Station. There are no compressed natural gas fueling stations within the vicinity of Berea. Delta and other potential customers have expressed an interest in utilizing compressed natural gas as an alternative fuel source and to utilizing the station when it is constructed.

The proposed amended tariffs should be approved because they will enable Delta to deliver natural gas to compressed natural gas fueling stations in its service territory at more competitive prices in accordance with KRS 278.508. This, in turn, will help in the development of compressed natural gas fueling infrastructure.

For all of the foregoing reasons, the Commission should authorize Delta to construct, own and operate the CNG Station without further Commission authorization, approve Delta's proposed regulatory treatment of the CNG Station and approve Delta's proposed amended tariffs.

Dated: October 16, 2014

Respectfully submitted,

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By  _____


Counsel for Delta Natural Gas Company,
Inc.

CERTIFICATE OF SERVICE

This is to certify that the foregoing pleading has been served by mailing a copy of same, postage prepaid, to the following persons on this 16th day of October 2014.

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