

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF THE PIPE REPLACEMENT)	
PROGRAM RIDER OF DELTA NATURAL GAS)	CASE NO.
COMPANY, INC.)	2017-00111

ORDER

On February 28, 2017, Delta Natural Gas Company, Inc. ("Delta") submitted an application requesting to revise rates for its Pipeline Replacement Program ("PRP") effective with meters read on and after May 1, 2017, pursuant to the Commission's Order in Case No. 2010-00116.¹ Delta responded to one information request from Commission Staff ("Staff"). There are no intervenors in this proceeding, and the case now stands submitted for decision.

Delta proposes a current-year PRP adjustment of \$1,762,370. During 2016, Delta experienced an over-recovery of its PRP revenues of \$1,645, which it proposes to include as a credit through its PRP Balancing Adjustment for 2017. Delta's Total PRP adjustment, including the Balancing Adjustment, is \$1,760,725.

In the instant case, as well as Delta's previous PRP case, Case No. 2016-00110,² Delta was asked to provide information concerning the number of years Delta expects to use the PRP mechanism to recover the cost of replacing bare and coated steel pipe along with associated services. In Case No. 2016-00110, Delta responded

¹ Case No. 2010-00116, *Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates* (Ky. PSC Oct. 21, 2010).

² Case No. 2016-00110, *An Adjustment of the Pipe Replacement Program Rider of Delta Natural Gas Company, Inc.* (Ky. PSC May 19, 2016).

that, “[a]ssuming the remaining unprotected mains are replaced at a similar rate, based on current mapping records, it will take approximately 5 years to complete the replacements.”³ Delta elaborated that, although the replacement of bare steel pipe will take a minimum of five years, its PRP is “a continuing program to improve public safety and reliability of service”⁴ for its customers. In the instant case, Delta stated that “[a]t the current pace, Delta expects to reduce its mapped bare steel at a rate of 2–3 miles per year, which indicates bare steel replacement will take fourteen to twenty years to complete.”⁵

As noted in the final Order in Case No. 2016-00110, although the Commission recognizes Delta’s work towards replacing mains eligible for replacement under its PRP and shares the goal of safety and reliability of service, it is not the Commission’s intent for these pipeline replacement programs to be open-ended. Given the increase in time estimates between Case No. 2016-00110 and the instant case, and in order to track the progress of Delta’s PRP replacements, the Commission will continue to require Delta to file the information sought in Appendix B to this Order with its future annual PRP applications.

Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that the information contained in Delta’s filing, along with its responses to Staff’s request for information, is in sufficient detail to support the reasonableness of Delta’s proposed PRP adjustment.

³ Case No. 2016-00110, Delta’s response to Commission Staff’s First Information Request, Item 2.c. The “similar rate” refers to the rate at which mains have been replaced to date under the PRP.

⁴ *Id.*

⁵ Application, Schedule V.

IT IS HEREBY ORDERED that:

1. The PRP rates in Appendix A to this Order are approved for billing by Delta for meters read on and after May 1, 2017.
2. Delta shall file the information requested in Appendix B to this Order when it files its future annual PRP applications.
3. Within 20 days of the date of this Order, Delta shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

By the Commission



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00111 DATED **APR 27 2017**

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.

Pipeline Replacement Program Rates per month:

Residential	\$ 2.70
Small Non-Residential	\$ 5.12
Large Non-Residential	\$ 38.63
Interruptible	\$ 283.72

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00111 DATED **APR 27 2017**

1. Provide a list of the remaining items to be replaced and an estimate of the associated costs eligible to be recovered through the Pipe Replacement Program ("PRP") as originally enumerated by Delta in Case No. 2010-00116 and as further requested by the Commission's final Order in Case No. 2016-00110, Appendix B. The information should include:

a. The amount of pipe remaining to be replaced through the PRP. Pipe should be categorized by material (i.e., bare steel, coated steel, etc.), age, size, and location.

b. The number of services remaining to be replaced through the PRP.

c. The number of years Delta expects to use the PRP mechanism to recover the cost of bare and coated steel pipes along with associated services.

d. The estimated remaining cost per year of the PRP, broken down by pipe, services, and any other eligible PRP activities.

2. Provide a list showing by year the amount of pipe replaced through the PRP since the program started. Pipe should be categorized by material (i.e., bare steel, coated steel, etc.), age, size, and location.

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