



**Delta Natural Gas Company, Inc.**

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January 23, 2006

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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 Delta's comments in response to the Attorney General's comments of January 18, 2006.

We appreciate the efforts of the Commission staff and the Attorney General staff in working with us to expedite this matter.

Sincerely,

*Connie King*

Connie King  
Director – Rates & Treasury

copy: Office of Attorney General  
1024 Capital Center Drive  
Suite 200  
Frankfort, KY 40601-8204

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

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

DELTA'S COMMENTS IN RESPONSE TO THE  
ATTORNEY GENERAL'S COMMENTS OF JANUARY 18, 2006

Delta Natural Gas Company, Inc. filed with the Commission on November 8, 2005 seeking approval of a \$.05 per Mcf surcharge for its residential customers. The purpose of the surcharge was to assist Delta's low-income customers in paying their natural gas bills. The requested effective date of the proposed tariff was December 8, 2005.

The attorney general has not disagreed with the tariff but has instead suggested a monthly customer charge of \$.10 for this surcharge, as that was the approach in an LG&E/KU tariff.

Delta selected the per Mcf approach as that is the approach utilized by Columbia of Kentucky. Delta's proposal and unit charge were very similar to Columbia's as that approach had been accepted and agreed to by both the Commission and intervenors, including the Attorney General.

The Attorney General's proposal of \$.10 per month will not produce as much for the remaining portion of this winter as would the proposed volumetric charge. Also, the lower amount of \$.10 produces a lower amount annually and with approximately 33,000

residential customers would produce about \$40,000 annually after administrative costs; the first full year would leave only about \$25,000 for needy customers.

We understand that the Attorney General proposal of \$.10 per month is to be consistent with another utility. Our proposal is as well. We recognize the Attorney General's desire for the monthly charge instead of volumetric and we are willing to negotiate and accept that. The \$.10 would not benefit percentage-wise Delta's customers in need of help as compared to the other gas utilities. The other LDCs in Kentucky are much larger than Delta, and LG&E/KU is the largest. We assume that \$.10 generates enough to justify starting the program and paying the administrative costs for them; clearly it does not for Delta's customers and we doubt that it would have for Columbia.

Thus we believe that the best option for our customers is to start this program as soon as possible and as high as possible so it can provide needed assistance this winter. Our proposal of \$.30 as an addition to our monthly customer charge would do this and would be consistent with the impact of the Columbia program already approved by the Commission.

We reiterate our desire for prompt action. We remain committed to helping those in the worst need. We restate our commitment to increase our contribution considerably above that which we have been doing with our matching of Wintercare contributions by our customers. It is our plan when this program is approved to contribute \$30,000 annually in lieu of our much smaller matching of Wintercare as we have been doing the past few years. Combined with the proposed monthly amount from this program, this can make a difference for needy customers on our system. Given our much smaller size, if the

program funding is reduced lower than we proposed, there should be a proportionate reduction in our company contribution.

A \$.30 per month customer charge to be added to our monthly customer charge already in place of \$9.80 would bring this monthly customer charge to \$10.10. As this is expected to generate about the same amount of funds for distribution as our volumetric proposal, our earlier summaries and plan as filed with the Commission on December 20, 2005 are still representative of how we see the plan working on an annual basis. For this first year, this monthly charge approach would generate funds more slowly at this time of year than would a volumetric rate. Thus it would be helpful to implement this with our January billings if possible.

We suggest that this program be started now and evaluated after at least two winter seasons. We would be agreeable to an evaluation of this program after the 2006-2007 winter, perhaps in May, 2007.