

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)	
FILING OF DELTA NATURAL)	CASE NO. 2010-00127
GAS COMPANY, INC)	

O R D E R

On October 19, 2007, in Case No. 2007-00089,¹ the Commission approved rates for Delta Natural Gas Company, Inc. ("Delta") and provided for their further adjustment in accordance with Delta's Gas Cost Adjustment ("GCA") clause.

On March 23, 2010, Delta filed its proposed GCA to be effective April 26, 2010. On April 7, 2010, the Commission issued an Order suspending Delta's proposed rates in order to investigate their reasonableness. Delta responded to two rounds of data requests concerning its Actual Adjustment ("AA") mechanism, specifically the excess of purchases over sales as passed through the GCA mechanism.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Delta's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.
2. Delta's notice sets out an Expected Gas Cost ("EGC") of \$6.2032 per Mcf, which is an increase of \$.4866 per Mcf from the previous EGC of \$5.7166 per Mcf.

¹ Case No. 2007-00089, Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates (Ky. PSC Oct. 19, 2007).

3. Delta's notice sets out no current quarter Refund Adjustment ("RA"), which is no change from the previous total RA.

4. Delta's notice sets out a current quarter AA of \$1.5112 per Mcf to collect underrecoveries of gas cost for the period of November 2009 through January 2010. Delta responded to questions concerning the level of underrecoveries during these months, indicating that mismatches between calendar month invoices for purchases and billing month sales volumes are part of the reason for the excess of purchases over sales in its GCA filings. According to Delta, these two numbers would never match given the different time periods involved. Delta essentially provided the same explanation in Case No. 2005-00547² when the Commission requested information concerning spikes in Delta's per-unit book cost of gas provided in support of the calculation of its AA. Delta's responses also alluded to the fact that it is generally financing large unrecovered gas cost balances. As further explanation of the excess of purchases over sales in its AA, Delta offered several reconciling items that it suggested would cause a difference between deliveries to customers and purchase volumes.

The Commission is satisfied that Delta's AA mechanism operates, over time, to track gas costs so that customers ultimately pay the actual cost of the gas, no more and no less. The Commission is not satisfied that the mechanism operates in the most efficient way to make both the company and its customers whole in a timely manner. The Commission is not persuaded that the reconciling items identified by Delta adequately explain the mismatch in purchase and sales volumes. The Commission will

² Case No. 2005-00547, Notice of Purchased Gas Adjustment Filing of Delta Natural Gas Company, Inc. (Ky. PSC Jan. 27, 2006).

continue to monitor the operation of Delta's AA in order to ensure the reasonableness of the gas cost recovery it produces.

Delta's total AA is (\$.0988) per Mcf, which is a decrease of \$.5080 per Mcf from the previous total AA of \$.4092 per Mcf.

5. Delta's notice sets out a Balance Adjustment ("BA") of \$.1318 per Mcf, which represents an increase of \$.2218 per Mcf from the previous BA of (\$.0900) per Mcf.

6. Delta's GCA is \$6.2362 per Mcf, which is an increase of \$.2004 per Mcf from the previous GCA of \$6.0358 per Mcf.

7. The rates in the Appendix to this Order are fair, just, and reasonable and should be approved for final meter readings by Delta on and after the date of this Order.

IT IS THEREFORE ORDERED that:

1. The rates in the Appendix to this Order are approved for final meter readings on and after the date of this Order.

2. Within 20 days of the date of this Order, Delta shall file with this Commission its revised tariffs setting out the rates authorized herein, reflecting that they were approved pursuant to this Order.

By the Commission

ENTERED
JUN 24 2010 *M*
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00127 DATED JUN 24 2010

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 this Commission prior to the effective date of this Order.

RATE SCHEDULES

AVAILABILITY

Available for general use by residential, commercial, and industrial customers.

RATES

	<u>Base Rate</u>	plus	<u>Gas Cost Recovery Rate</u>	equals	<u>Total Rate</u>
Residential					
Monthly Service Charge	\$ 15.50				
All Ccf	\$.4158		\$.6236		\$ 1.0394
Small Non-Residential					
Monthly Service Charge	\$ 25.00				
All Ccf	\$.4158		\$.6236		\$ 1.0394
Large Non-Residential					
Monthly Service Charge	\$ 100.00				
1 – 2,000 Ccf	\$.4158		\$.6236		\$ 1.0394
2001 – 10,000 Ccf	.2509		.6236		.8745
10,001 – 50,000 Ccf	.1713		.6236		.7949
50,001 – 100,000 Ccf	.1313		.6236		.7549
Over 100,000 Ccf	.1113		.6236		.7349

Interruptible

Monthly Service Charge		\$ 250.00		
1 - 10,000	Ccf	\$.16000	\$.6236	\$.7836
10,001 – 50,000	Ccf	.12000	.6236	.7436
50,001 – 100,000	Ccf	.08000	.6236	.7036
Over 100,000	Ccf	.06000	.6236	.6836

Connie King
Mngr. Corporate & Employee Services
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391