

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JUL 29 2010

**PUBLIC SERVICE
COMMISSION**

IN THE MATTER OF:

**AN INVESTIGATION OF NATURAL GAS)
RETAIL COMPETITION PROGRAMS) CASE NO. 2010-00146**

**RESPONSE TO STAND ENERGY CORPORATION'S FIRST
REQUEST FOR INFORMATION TO
DELTA NATURAL GAS COMPANY, INC.**

JULY 29, 2010

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

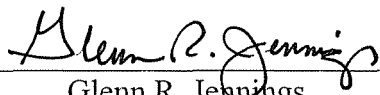
AN INVESTIGATION OF NATURAL GAS)
RETAIL COMPETITION PROGRAMS) **CASE NO. 2010-00146**

* * * * *

CERTIFICATION

The undersigned, Glenn R. Jennings, states that he is Chairman of the Board, President and Chief Executive Officer of Delta Natural Gas Company, Inc., a corporation, ("Delta") and certifies that he supervised the preparation of the responses of Delta to Stand Energy Corporation's First Information Request to Delta dated July 15, 2010 in the above styled case and that the responses are true and accurate to the best of the undersigned's knowledge, information and belief formed after a reasonable inquiry.

Dated this 28th day of July, 2010.



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DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00146

**RESPONSE TO STAND ENERGY CORPORATION'S
FIRST REQUEST FOR INFORMATION
JULY 15, 2010**

- 1-1 With regard to your transportation tariffs. Please answer the following:
- A. Does it cost you more to deliver third party or supplier natural gas to a customer compared to the cost to deliver gas to a sales customer of the same size? If so, explain why in detail.
 - B. Discuss whether you believe daily balancing or monthly balancing should be required of transportation customers and explain why, in detail.
 - C. Excluding periods of OFO's and OMO's, please identify the financial harm to your firm sales customers that has occurred over the past 12 months because of daily imbalances of transportation customers?
 - D. During the past 12 months, please identify each day when transportation customers' deliveries provided a financial credit or system benefit to firm sales customers.
 - E. If you believe that larger transportation consumers should be subject to daily balancing and smaller transportation consumer subject to monthly balancing, explain how you determine the amount of daily or monthly usage that requires daily or monthly balancing and explain.
 - F. If there are charges for imbalances or penalties for imbalances, describe and explain the reasoning for the penalties and describe the allocation of the generated imbalance penalty dollars.
 - G. Identify any operational events that have occurred that caused you to determine that daily or monthly balancing is necessary. Provide sufficient event details to justify a decision based thereon.
 - H. Discuss whether or not you believe that supplier "pooling" should be allowed by Kentucky natural gas utilities to allow suppliers to pool deliveries for balancing and penalty avoidance purposes. If not, explain in detail why not.
 - I. Discuss the necessity for each penalty set forth in your transportation tariffs and the reasons underlying each of the penalty amounts.
 - J. Identify and briefly explain the allocation of the generated penalty dollars.

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Response:

- A. Delta has on-system transportation tariffs that provide for transportation of gas for qualifying customers who desire to purchase their gas needs from sources other than Delta. The on-system base transportation rate is the same as the base rate for customers, whether they have gas transported or not. Costs are appropriately allocated to customer classes in Delta's rate design analysis.
- B. Delta has no specific daily or monthly balancing provisions, but has tended toward monthly. Delta has always tried to be flexible and sensitive to its customers' transportation needs. Delta's attached on-system tariff sets forth its approach, including terms and conditions of service. Delta has no specific penalty or cash out provisions.
- C. Delta is not aware of any such harm.
- D. Delta does not maintain such daily data.
- E. See the Response to Item 1-1(B) herein.
- F. Delta has no such charges or penalties.
- G. See the Response to Item 1-1(B) herein.
- H. See the Response to Item 1-1(F) herein.
- I. See the Response to Item 1-1(F) herein.
- J. See the Response to Item 1-1(F) herein.

Sponsoring Witness:

Glenn R. Jennings

	FOR	All Service Areas
<u>DELTA NATURAL GAS COMPANY, INC.</u>	P.S.C. NO.	11
Name of Issuing Corporation	Original	SHEET NO. 7
	CANCELLING P.S.C. NO.	10
	Original	SHEET NO. 6

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 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.

(T)
|

RATE

(T) 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:

- (T) | (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
- (T) (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)

DATE OF ISSUE October 23, 2007 DATE EFFECTIVE October 23, 2007 PURSuant to 7807 KAR 5:011
ISSUED BY Glenn R. Jennings *Glenn R. Jennings* TITLE Chairman of the Board
Name of Officer President and CEO
Issued by authority of an Order of the Public Service Commission of KY in
CASE NO. 2007-00089 DATE 10/20/2007 f KY in
Executive Director

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/20/2007

DELTA NATURAL GAS COMPANY, INC.
Name of Issuing Corporation

FOR All Service Areas
P.S.C. NO. 11
Original SHEET NO. 8
CANCELLING P.S.C. NO. 10
Original SHEET NO. 7

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 (T) 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.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/20/2007
October 23, 2007 807 KAR 5:011
Glenn R. Jennings
Chairman of the Board
President and CEO
f KY in
007
Executive Director

DATE OF ISSUE October 23, 2007 DATE EFFECTIVE
ISSUED BY Glenn R. Jennings *Glenn R. Jennings*
Name of Officer
Issued by authority of an Order of the Public Servi
CASE NO. 2007-00089

October 23, 2007
Glenn R. Jennings
Chairman of the Board
President and CEO
f KY in
007
Executive Director

	FOR	All Service Areas
	P.S.C. NO.	11
<u>DELTA NATURAL GAS COMPANY, INC.</u>	Original	SHEET NO. 9
Name of Issuing Corporation	CANCELLING P.S.C. NO.	10
	Original	SHEET NO. 8

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.

(T) 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.

(T) 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 (T) service reverts to the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule.

DATE OF ISSUE October 23, 2007 DATE EFFECTIVE October 20, 2007
 ISSUED BY Glenn R. Jennings *Glenn R. Jennings* TITLE Chairman of the Board
 Name of Officer President and CEO
 Issued by authority of an Order of the Public Service Commission of Kentucky
 CASE NO. 2007-00089 DATE 10/20/2007 BY [Signature] f KY in 007
 Executive Director

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/20/2007
PURSUANT TO KAR 5:011
Chapter 1 of the Board

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00146

**RESPONSE TO STAND ENERGY CORPORATION'S
FIRST REQUEST FOR INFORMATION
JULY 15, 2010**

- 1-2 With regard to your operations pursuant to currently approved PSC tariffs, please respond to the following:
- A. For the period covering the past 24 months, identify the dates and duration of all operational flow orders, operational matching orders or other flow orders imposed by you.
 - B. For all flow orders identified in (A) above, list the reason the flow order was imposed.

Response:

- A. None.
- B. See the Response to Item 1-2(A) herein.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00146

**RESPONSE TO STAND ENERGY CORPORATION'S
FIRST REQUEST FOR INFORMATION
JULY 15, 2010**

- 1-3 With regard to your operations pursuant to currently approved tariffs, please respond to the following:
- A. For the past 24 months, have you waived any requirement set forth in PSC-approved tariffs for any Supplier? If so, identify any such waiver and the Supplier that received the waiver.
 - B. For the past 24 months, have you waived any requirement set forth in PSC-approved tariffs for any Affiliate? If yes, identify any such waiver and the Affiliate that received the waiver.
 - C. For the past 24 months, have you waived any requirement set forth in PSC-approved tariffs for any consumer? If so, identify any such waiver and the consumer that received the waiver.

Response:

- A. There are no such identifiable waivers.
- B. There are no such identifiable waivers.
- C. There are no such identifiable waivers.

Sponsoring Witness:

Glenn R. Jennings

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00146**

**RESPONSE TO STAND ENERGY CORPORATION'S
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JULY 15, 2010**

- 1-4 With respect to the total gas load served by you, please respond to the following:
- A. Of the total load served by you, (i) Identify the quantity/extent of this load that is served by commodity that you obtain from any affiliate, (ii) Identify each affiliate from whom you obtain the commodity identified in (i) above; and (ii) for the period covering the past 24 months, identify the quantity/extent of the commodity that you obtained from the Affiliate(s) identified in (ii) above.

Response:

Delta does not purchase gas from affiliates.

Sponsoring Witness:

Glenn R. Jennings

**DELTA NATURAL GAS COMPANY, INC.
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**RESPONSE TO STAND ENERGY CORPORATION'S
FIRST REQUEST FOR INFORMATION
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- 1-5 With regard to your relationship with an unregulated Marketing Affiliate, if any, respond to the following if they are applicable:
- A. Identify each agreement and contract document between you and your Marketing Affiliate.
 - B. Identify any written agreements and contracts that superseded or were successors to the agreement(s) identified in (A) above.
 - C. For the years 2008 and 2009, (i) Identify the total revenues generated by your Marketing Affiliate under the agreement identified in (A) above, (ii) Identify how the revenues identified in (i) are allocated among the recipient(s) of that revenue, (iii) for the revenues identified in (i), categorize and identify the nature of the transaction that generated the revenues, such as, for example, revenues from utilized pipeline capacity transactions, revenues from commodity transactions, revenues from hedges and options, etc.

Response:

- A. None.
- B. See the Response to Item 1-5(A) herein.
- C. See response to Item 1-5(A) herein.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00146

**RESPONSE TO STAND ENERGY CORPORATION'S
FIRST REQUEST FOR INFORMATION
JULY 15, 2010**

- 1-6 With regard to your relationship with an "Asset Manager", if any, respond to the following if they are applicable:
- A. Identify each agreement and contract document between you and your Asset Manager.
 - B. Identify any written agreements and contracts that superseded or were successors to the agreement(s) identified in (A) above.
 - C. For the years 2008 and 2008, (i) identify both the total revenues paid to your Asset Manager and the total revenues received from your Asset Manager under the agreement identified in (A) above (ii) identify how the revenues identified in (i) are allocated among the recipient(s) of that revenue, (iii) for the revenues identified in (i), categorize and identify the nature of the transaction that generated the revenues, such as, for example, revenues from utilized pipeline capacity transactions, revenues from commodity transactions, revenues from hedges and options, etc.

Response:

- A. Delta has two agreements with an asset manager. The asset manager provides gas to meet Delta's customer needs as required.
- B. No agreements were superseded.
- C. Objection. The information sought is not relevant to the subject matter of this proceeding nor is it reasonably calculated to lead to the discovery of admissible evidence. Furthermore, the information requested is confidential and proprietary to both Delta and its asset manager and disclosure of such information to Stand would cause competitive harm to Delta, its subsidiaries and its asset manager as Stand has acknowledged in its testimony herein that it is a competitor of Delta and its subsidiaries. Stand could use the information sought regarding the revenue paid to the asset manager under the agreements and the nature of the transactions to gain a competitive advantage over Delta, its subsidiaries and its asset manager. Disclosure of the information to Stand will work a clearly defined and very serious injury to Delta, its subsidiaries and its asset manager. See *In the Matter of Green River Steel Corporation v. Kentucky Utilities Company*, Case No. 10300, Order dated January 6, 1989, at 2-3, 5-6 and the authorities cited therein.

Sponsoring Witness:

Glenn R. Jennings/Counsel

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00146**

**RESPONSE TO STAND ENERGY CORPORATION'S
FIRST REQUEST FOR INFORMATION
JULY 15, 2010**

- 1-7 Relative to your pipeline delivery requirements, please respond to the following:
- A. During the past 2 years, with regard to the pipeline delivery requirements, have you waived or otherwise altered specific compliance with the requirements for any supplier? If so, identify and fully describe any such waiver and/or alteration, and the supplier.
 - B. During the past 2 years, and with regard to the pipeline delivery requirements, have you waived or otherwise altered specific compliance with the requirements for any consumer or customer? If so, identify and fully describe any such waiver and/or alteration, and the consumer/customer.
 - C. During the past 2 years, and with regard to the pipeline delivery requirements, have you waived or otherwise altered specific compliance with the requirements for your Gas Marketing Affiliate, if any? If so, identify and fully describe any such waiver and/or alteration, and the Affiliate.

Response:

- A. Delta knows of no such waiver/alteration.
- B. Delta knows of no such waiver/alteration.
- C. Delta knows of no such waiver/alteration.

Sponsoring Witness:

Glenn R. Jennings

**DELTA NATURAL GAS COMPANY, INC.
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**RESPONSE TO STAND ENERGY CORPORATION'S
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1-8 Please respond to the following:

- A. Identify any item or document that you intend to or desire to use, refer to, rely on, sponsor, and/or introduce as evidence in the hearing in this matter(s).

Response:

At this time, Delta intends to use its testimony and the items or documents as mentioned in the testimony or in responses to data requests herein as evidence in the hearing in this matter.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
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**RESPONSE TO STAND ENERGY CORPORATION'S
FIRST REQUEST FOR INFORMATION
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1-9

- A. How many of your customers are using transportation services from Delta?
- B. Of the number above, how many customers are using one of Delta's non-regulated affiliates as their natural gas supplier?
- C. Are there any Delta employees that work in both the regulated and non-regulated segments of your company? If yes, please explain.
- D. Of your total 2009 natural gas sales, what percentage was from regulated sales? What percentage was from non-regulated sales?
- E. In Delta's 2009 Annual Report it is stated that 51% of your regulated gas supplies are purchased from M & B Gas Services (M & B), and 69% of your non-regulated gas supplies are purchased from M & B. Are these gas supplies purchased by the same personnel at Delta?
- F.1 Are both regulated and non-regulated gas supply purchases purchased under the same contract with M & B?
- F.2 What percentage of your regulated gas supplies are produced in Kentucky?
- G. What percentage of your non-regulated gas supplies are produced in Kentucky?
- H. In Delta Natural Gas Company's Kentucky PSC Case No. 2010-00116 you identified 2009 Special Contracts usage as 1,955,008 Mcf. What percentage of that volume is supplied by your non-regulated marketing affiliate?
- I. Do you allow your non-regulated marketing affiliate to use reserved pipeline capacity (owned by you and paid for by your ratepayers) to deliver gas to the Transportation customers of your unregulated marketing affiliate on your local distribution system? Is the price paid by Delta Natural Gas Marketing discounted? If so, by how much?

Response:

- A. At this point, Delta has 53 On-System transportation customers.
- B. Objection. See the objection in the response to Item 1-6(C) herein. Moreover, the release of the requested information to Stand concerning the number of customers using a Delta affiliate is likely to cause Delta and its affiliates competitive harm in respect of Stand.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00146

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- C. Yes. Costs are appropriately allocated.
- D. Objection. See the objection in the response to Item 1-6(C) herein. Moreover, the release of the requested information to Stand concerning the percentage of regulated and non-regulated sales is likely to cause Delta and its affiliates competitive harm in respect of Stand.
- E. Gas supplies are purchased by the same employees. Costs are appropriately allocated.
- F-1 Objection. See the objection in the response to Item 1-6(C) herein. Moreover, the release of the requested information to Stand concerning the details of Delta's relationship with M&B is likely to cause Delta and its affiliates competitive harm in respect of Stand.
- F.2 Less than 2%.
- G. Objection. See the objection in the response to Item 1-6(C) herein. Moreover, the release of the requested information to Stand concerning the source of Delta's affiliates' unregulated gas supplies is likely to cause Delta and its affiliates competitive harm in respect of Stand.
- H. Objection. See the objection in the response to Item 1-6(C) herein. Moreover, the release of the requested information to Stand concerning the source of gas supplied to Delta's special contract customers is likely to cause Delta and its affiliates competitive harm in respect of Stand.
- I. Objection. See the objection in the response to Item 1-6(C) herein. Moreover, the release of the requested information to Stand concerning its pipeline practices and its relationships with its affiliates is likely to cause Delta and its affiliates competitive harm in respect of Stand.

Sponsoring Witness:

Glenn R. Jennings/Counsel