

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA	)	CASE NO.
NATURAL GAS COMPANY, INC. FOR ITS PIPE	)	2025-00333
REPLACEMENT FILING	)	

ORDER

On October 15, 2025, Delta Natural Gas Company, Inc. (Delta) filed an update to its Pipe Replacement Program (PRP) costs for the year beginning January 1, 2026, and a tariff to revise the PRP rates to be effective January 1, 2026. There are no intervenors in this case. The matter now stands submitted for a decision.

LEGAL STANDARD

KRS 278.030(1) states that “[e]very utility may demand, collect and receive fair, just and reasonable rates” for utility service. Pursuant to KRS 278.509, the Commission may allow a utility to recover costs for investment in natural gas pipeline replacement programs that are not recovered in existing rates through a rider if the costs are fair, just and reasonable. The burden of proof to show that an increased rate or charge is just and reasonable shall be upon the utility.<sup>1</sup>

BACKGROUND

The Commission first approved Delta’s PRP in Case No. 2010-00116.<sup>2</sup> As initially approved, the PRP provided for the accelerated recovery of the cost of replacing Delta’s

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<sup>1</sup> KRS 278.190(3).

<sup>2</sup> Case No. 2010-00116, *Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates* (Ky. PSC Oct. 21, 2010), Order.

bare steel pipe and included replacement of service lines, curb valves, meter loops, and mandated pipe relocations. As part of Case No. 2018-00086,<sup>3</sup> the Commission approved an expansion of Delta's PRP to include the replacement of pre-1983 vintage plastic pipe, also known as Aldyl-A, with all work under the PRP to be completed by 2033.

In a prior base rate case, Case No. 2021-00185, the Commission approved the roll in of PRP expenditures through December 31, 2022, into base rates and reset the PRP monthly charge to zero.<sup>4</sup> Furthermore, the Commission approved Delta's proposed revisions to its PRP tariff that allowed Delta to utilize a forecasted PRP with a true-up period.<sup>5</sup> Delta made a PRP filing in Case No. 2022-00341 to establish PRP rates based on the revenue requirement impact of PRP projects from January 1, 2023, through December 31, 2023.<sup>6</sup> Delta made a PRP filing in Case No. 2023-00343 to establish PRP rates based on the revenue requirement impact of PRP projects from January 1, 2024, through December 31, 2024.<sup>7</sup> Delta's most recent approved annual PRP filing was made in Case No. 2024-00332 to establish PRP rates based on the revenue requirement impact of PRP projects from January 1, 2025, through December 31, 2025.<sup>8</sup>

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<sup>3</sup> Case No. 2018-00086, *Electronic Adjustment of the Pipe Replacement Program Rider of Delta Natural Gas Company, Inc.* (Ky. PSC Aug. 21, 2018), Order.

<sup>4</sup> Case No. 2021-00185, *Electronic Application of Delta Natural Gas Company, Inc. for an Adjustment of Its Rates and a Certificate of Public Convenience and Necessity* (Ky. PSC Jan. 3, 2022), Order at 21.

<sup>5</sup> Case No. 2021-00185, January 3, 2022 Order at 20.

<sup>6</sup> Case No. 2022-00341, *Electronic Application of Delta Natural Gas Company, Inc. for Its Pipe Replacement Filing* (Ky. PSC Aug. 11, 2023), Order.

<sup>7</sup> Case No. 2023-00343, *Electronic Application of Delta Natural Gas Company, Inc. for Its Pipe Replacement Filing* (Ky. PSC Dec. 22, 2023), Order; see also Testimony of Jonathan Morphey (Morphey Testimony) (filed Oct. 15, 2025) at 4.

<sup>8</sup> Case No. 2024-00332, *Electronic Application of Delta Natural Gas Company, Inc. for Pipe Replacement Filing* (Ky. PSC May 13, 2025), Order; see also Morphey Testimony at 4.

Delta's PRP Rider Tariff anticipates that Delta will make a PRP filing by October 15 of each year reflecting the revenue requirement impacts of PRP projects through the following calendar year that are not included in base rates with a balancing adjustment to be filed in March of each year.<sup>9</sup> In Delta's most recent base rate case, Case No. 2024-00346, Delta did not request a roll in of PRP expenditures into base rates.<sup>10</sup> Instead, Delta sought to continue recovery of PRP investments through the ongoing PRP Rider.

In the annual PRP filing in this case, Delta indicated that it seeks to recover the revenue requirement impact of PRP projects placed in service with rates to be effective January 1, 2026. Delta proposed a PRP revenue requirement of \$2,819,475 for the PRP period from January 1, 2026, through December 31, 2026, which it indicated was calculated based on a 13-month average rate base.<sup>11</sup> Delta correctly calculated its PRP rates, using both a 13-month average rate base and the correct weighted average cost of capital formula as employed by the Commission in previous cases.<sup>12</sup> Based on that revenue requirement, Delta proposed PRP rates of \$0.85229, \$0.66004, \$0.32109, and \$0.08318 per Mcf for Residential, Small Non-Residential, Large Non-Residential, and Interruptible customers, respectively.<sup>13</sup>

In testimony submitted in support of its PRP filing, Delta's Director of Operations, Jonathon Morphew, stated that Delta plans to complete an additional 17,108 feet of PRP

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<sup>9</sup> Delta's Ky. PSC No. 13, Original Sheet No. 43.

<sup>10</sup> Case No. 2024-00346, *Electronic Application of Delta Natural Gas Company, Inc. for An Adjustment of Gas Rates* (filed Apr. 14, 2025), Direct Testimony of Larry Feltner at 21.

<sup>11</sup> 2026\_PRP\_Filing.xlsx, Sch I Summary Tab (filed Oct. 15, 2025).

<sup>12</sup> Morphew Testimony at 3–4.

<sup>13</sup> 2026\_PRP\_Filing.xlsx, Sch I Summary Tab.

project footage by year end, which totals to 93,456 feet of pipe during 2025.<sup>14</sup> Delta's forecast for 2026 includes the replacement of approximately 66,107 feet of Aldyl-A pipe.<sup>15</sup> Delta reports that, as of June 30, 2025, there was approximately 419,847 feet, or 79.5 miles, of replacement eligible pipe left to be replaced in the system.<sup>16</sup> Delta is currently averaging replacement mileage in excess of the annual rate of 10 miles per year needed to complete all PRP projects by 2033.<sup>17</sup>

The Commission finds that the replacement projects included in Delta's PRP are appropriate and consistent with Delta's approved PRP. Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the PRP rates proposed by Delta to be effective January 1, 2026, are fair, just and reasonable, and should be approved.

IT IS THEREFORE ORDERED that:

1. The PRP rates proposed by Delta are approved.
2. The PRP rates in the Appendix to this Order are approved for service rendered on and after January 1, 2026.
3. Delta shall file its next annual PRP filing with the Commission no later than October 15, 2026.

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<sup>14</sup> Morphew Testimony at 4.

<sup>15</sup> Morphew Testimony at 5.

<sup>16</sup> Morphew Testimony at 5.

<sup>17</sup> Morphew Testimony at 5.

4. Within 20 days of the date of this Order, Delta shall file with the 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.

5. This case is closed and removed from the Commission's Docket.

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PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00333 DATED DEC 17 2025

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 the authority of the Commission prior to the effective date of this Order.

#### Pipeline Replacement Program Rates per Mcf:

Residential	\$ 0.85229
Small Non-residential	\$ 0.66004
Large Non-residential	\$ 0.32109
Interruptible	\$ 0.08318

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