

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DELTA NATURAL GAS COMPANY,)
INC., APPLICATION FOR AD-)
JUSTMENT OF RATES UNDER) CASE NO. 7202-U
PURCHASED GAS ADJUSTMENT)
CLAUSE)

O R D E R

On June 29, 1981, this Commission issued its Order in Case No. 7202, approving certain adjustments in the rates of Delta Natural Gas Company, Inc., ("Delta") and providing under certain conditions for the further adjustments of rates when the wholesale cost of gas is increased, decreased or refunds are received.

On October 12, 1981, Delta and its subsidiaries notified the Commission that it had received from several of its suppliers a wholesale gas rate revision to become effective November 1, 1981.

On May 4, 1981, Delta received from one of its suppliers, Tennessee Gas Pipeline Company ("Tennessee"), notification of a rate increase effective June 1, 1981. The requested increase in Docket No. RP81-54 was suspended by the Federal Energy Regulatory Commission ("FERC") for a 5-month period on and after June 1, 1981, and is scheduled to be implemented November 1, 1981.

Delta has received from one of its suppliers, Columbia Gas Transmission Corporation ("Columbia") notification of the conversion of the rates in all of its sales zones to a dekatherm basis. The converting of the rates from an Mcf basis to a dekatherm basis is reflected on Twenty-fourth Revised Tariff Sheet No. 16A, received September 28, 1981, and Substitute Seventy-sixth Revised Tariff Sheet No. 16, received by Delta on October 5, 1981.

On October 1, 1981, Delta experienced an increase in the wholesale cost of gas purchased from the Weaver Oil and Gas Corporation ("Weaver") in Bell County, Kentucky, in accordance with the escalator clause in the contract dated August 16, 1978, a copy of which is on file with this Commission.

Delta's subsidiary, Laurel Valley Pipeline Company, ("Laurel Valley") purchases locally produced natural gas from the wells owned and operated by Weaver and Jimmy Hamilton Gas and Oil pursuant to the contract dated May 20, 1980, and resells and delivers a portion of the gas to Delta at Laurel Valley's wholesale cost.

On November 1, 1981, Delta shall experience an increase of \$0.02 per Mcf in the wholesale cost of gas purchased from the Evans Exploration Company ("Evans") in accordance with the escalator clause in the contract dated May 22, 1975, a copy of which is on file with this Commission.

Delta has received from its suppliers, Columbia and Tennessee, refunds due to the judgment issued June 15, 1981, in which the Supreme Court enjoined the State of Louisiana from further collection of the Louisiana First Use Tax on natural gas and directed Louisiana to refund all revenues collected pursuant to the First Use Tax together with all interest earned on those revenues upon the maturity date of each security in which the revenues and interest have been invested. To date Delta has a balance due its customers of \$171,947, and Delta proposes to refund this amount to its customers over a 4-month period beginning November 1, 1981.

The estimated annual increase in revenue as a result of Delta's filing of October 12, 1981, is \$461,756 or \$0.12 per Mcf. The estimated refund is \$171,948 or \$0.10 per Mcf, to be refunded over a 4-month period.

Delta, in compliance with its tariff and previous Orders of this Commission, submitted with its notice certain information including verification of the rates and charges of its suppliers.

After reviewing this evidence of record and being advised, the Commission is of the opinion and finds that:

(1) On November 9, 1978, the Natural Gas Policy Act of 1978 was signed into law which established significantly higher rates for producers of certain categories of natural gas. This federal legislation has resulted in higher costs to interstate pipeline companies serving the various gas

consuming states, including Kentucky. Once the FERC approves the right of these interstate transmission companies to pass this increased cost on to its distribution company customers, state commissions must, in turn, allow intrastate distributors to pass their increased cost on to their customers by adjusting the basic rates.

(2) The Commission has long stated (in writing to FERC) its opposition to the procedures and regulations used by the FERC in approving these supplier increases. We continue to be opposed and are continuing to seek alternative ways to overcome the regulatory inequities which have such a direct impact on the retail consumers.

(3) The FERC approval of a wholesale rate increase to a Kentucky gas retailer requires approval of the Commission of rates that will permit the Kentucky utility to adjust its customer charges to reflect the added purchase cost, or alternately the utility must absorb the added cost. We are of the opinion that failure to allow this increase to be passed through to its retail consumers on a timely basis would be unjust to Delta and would ultimately result in higher rates to their consumers in any event.

(4) When the FERC "accepts" Tennessee and Columbia's filings, Tennessee and Columbia will begin charging Delta the new rates. The revised rates from these suppliers cannot be implemented until and unless this occurs.

(5) The Commission should allow Delta to place into effect, subject to refund, the revision in rates sought by Tennessee and Columbia as soon as their filings are "accepted" by FERC.

(6) Effective October 1, 1981, Delta experienced an increase in the wholesale cost of gas purchased from Weaver in the amount of \$0.01 per Mcf.

(7) Delta's subsidiary, Laurel Valley, purchases locally produced natural gas from the wells owned and operated by Weaver and Jimmy Hamilton Gas and Oil, and resells and delivers a portion of the gas to Delta at Laurel Valley's wholesale cost.

(8) Effective November 1, 1981, Delta shall experience an increase of \$0.02 per Mcf in the wholesale cost of gas purchased from Evans.

(9) Delta has received from its suppliers, Columbia and Tennessee refunds in the amount of \$171,947. Delta should refund this amount to its customers over a period of 4 months in accordance with the refund provisions of Delta's purchased gas adjustment clause beginning on November 1, 1981. Delta's adjustment is designed to pass on to its customers a reduction in the amount of \$0.10 per Mcf and said adjustment should be eliminated when the full amount to be refunded, plus interest, has been returned to Delta's customers.

(10) Delta should refund the amounts reported in its application plus interest at a rate equal to the average

of the "3 Month Commercial Paper Rate" for the immediately preceding 12-month period less one-half of 1 percent to cover the costs of refunding. These monthly rates are reported in both the Federal Reserve Bulletin and the Federal Reserve Statistical Release.

(11) Delta proposed to apply to its customers, effective November 1, 1981, the revised rates as set forth herein.

IT IS THEREFORE ORDERED that the purchased gas adjustment contained in Appendix A of this Order be and hereby is approved, effective on and after the increase in the cost of wholesale gas requested by Columbia and Tennessee is accepted by FERC.

IT IS FURTHER ORDERED that the rates contained in Appendix A shall be placed into effect, subject to refund, pending final determination by FERC of the rates contained in Tennessee's April 30, 1981, filing in Docket No. RP81-54 and Columbia's October 1, 1981, filing in Docket No. RP80-146.

IT IS FURTHER ORDERED that Delta apply a refund factor in the amount of \$0.10 per Mcf as a reduction in the approved purchased gas adjustment beginning with Delta's November 1, 1981, billing cycle, and remain in effect until such time as necessary so that the refund will, as nearly as possible, reflect the exact amount. The refund factor will terminate at such period of time that the refundable amount equals the refund herein reported, plus interest.

IT IS FURTHER ORDERED that Delta shall maintain its records in a manner that will enable it or the Commission or any of its customers to determine the amount to be refunded and to whom due in the event a refund is ordered by the Commission.

IT IS FURTHER ORDERED that within 30 days after the date of this Order, Delta shall file with this Commission its revised tariff sheets setting out the rates approved herein.

IT IS FURTHER ORDERED that the information furnished this Commission by Delta on October 12, 1981, constitutes full compliance with the Commission's requirements and Order in Case No. 7202, and any other information ordinarily required to be filed under the Commission's regulations is hereby waived.

Done at Frankfort, Kentucky, this 4th day of November, 1981.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

6

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 7202-U DATED
NOVEMBER 4, 1981

The following rates and charges are prescribed for the customers in the areas served by Delta Natural Gas Company, Inc., and its subsidiary, Laurel Valley Pipeline 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 date of this Order.

RATE SCHEDULE G-GENERAL SERVICE

APPLICABILITY:

Applicable within all service areas served by Delta, namely: Owingsville, Sharpsburg, Bath County, Camargo, Montgomery County, Frenchburg, Menifee County, Kingston-Terrill, Madison County, Stanton, Clay City, Powell County, Garrard County, Berea, Salt Lick, Midland, Nicholasville, Wilmore, Jessamine County, Jeffersonville, Clearfield, Farmers, Rowan County, Middlesboro, Pineville, Bell County, Barbourville, Knox County, Williamsburg, Whitley County, London, Laurel County, and environs of each.

AVAILABILITY:

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

CHARACTER OF SERVICE:

Firm-with the reasonable limits of the company's capability to provide such service.

RATES:

Monthly Customer Charge: \$2.50 per delivery point per month
Rate requested effective November 1, 1981: \$4.41 per Mcf/month
Refund Factor effective November 1, 1981: \$0.10
Rate to be applied November 1, 1981: \$4.31 per Mcf/month

PURCHASED GAS ADJUSTMENT:

Delta Natural Gas Company, Inc.

Applicable to all rate schedules

The base rate for purchased gas for the future application of this Purchased Gas Adjustment Clause is:

<u>Supplier</u>	<u>Rate/Mcf or Dth</u>
Columbia Gas Transmission Corp.	
Rate Schedule CDS	
Demand (Dth)	\$2.40
Commodity (Dth)	3.3282
Rate Schedule SGS (Dth)	3.4729
Columbia LNG Corporation	5.3728*

*Includes Transportation Charge of \$0.2678

Tennessee Gas Pipeline Company	
Gas rate (Dth)	\$2.3526
Commodity	0.4520
Graham-Michaelis Corporation	\$1.75
Flat Lick	0.35
Evans	0.94
Wiehoff	1.39
Hall-Martin	0.40
Goff	0.40
Weaver	1.82
Robert Martin	1.75
Laurel Valley	3.00
Wiser Oil Company	2.17
John Owens	\$1.8288