

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF DELTA) CASE NO. 9331-C
NATURAL GAS COMPANY, INC.)

O R D E R

In the Commission's Order of July 28, 1986, in Case No. 9331-C, Delta Natural Gas Company ("Delta") was ordered to show cause as to why the Commission should not lower Delta's allowed rate to one of its suppliers, Wiser Oil Company ("Wiser"). A hearing was set for September 16, 1986. The Commission received written testimony from Glenn R. Jennings of Delta, Joe Caldwell of Wiser and Tom Sawyer of Daylight Plastics and Daylight Engineering, Inc., on Wiser's behalf.

On September 16, 1986, the Commission issued its Order cancelling the hearing on the grounds that all of the concerns regarding Delta's purchases from Wiser had been answered in the pre-filed testimony.

The Commission's Order of July 28, 1986, cited the rate of \$2.50 that Wiser is charging Delta's subsidiary, Delta Resources, as possible substantiation for lowering Delta's allowed rate to Wiser, which is now \$3.83 for the first 1,600,000 Mcf purchased. According to the testimonies of both Delta and Wiser, the rate of \$2.50 to Delta Resources was established to sell gas to Certain-Teed Manufacturing Corporation ("Certain-Teed") an

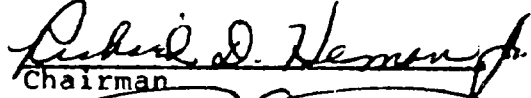
industrial customer of Delta's. Certain-Teed's gas purchases are produced by Wiser from acreage dedicated to Delta. Rather than lose this industrial customer to by-pass, Wiser and Delta negotiated an agreement in which Delta Resources would buy gas for re-sale to Certain-Teed at a rate of \$2.50 per Mcf for a one-year period; the agreement also reduced Delta's minimum annual purchase requirements from Wiser from 1,800,000 Mcf to 1,600,000 Mcf plus the amount of gas sold to Certain-Teed.

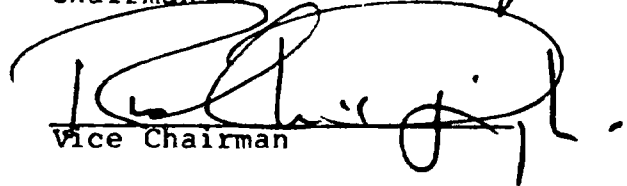
Delta has testified that "The Delta Resources' price from Wiser of \$2.50 was primarily a one-year spot market price to competitively supply Certain-Teed's needs;" this being the case, the Certain-Teed rate cannot be considered as an alternate long-term market price. The Commission notes, however, that Wiser's rate to Delta of \$3.83 is substantially above spot market and most local producers' prices, and encourages Wiser to price its services to Delta more competitively in future contract negotiations. Wiser's willingness to effect a compromise with Delta in order to preserve industrial sales subject to by-pass indicates an appropriate awareness of the changing market conditions in the natural gas industry. The Commission expects Wiser to exhibit a similar awareness of Delta's position in an increasingly competitive market and of the Commission's ultimate responsibility to ensure that fair, just and reasonable rates are charged and paid.

IT IS THEREFORE ORDERED that this investigation be and is hereby closed.

Done at Frankfort, Kentucky, this 26th day of September, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director