

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL GAS)
COMPANY, INC. FOR AN ORDER AUTHORIZING)
IT TO AMEND ITS TARIFF AND FOR AUTHORITY) CASE NO. 89-041
TO DEVIATE FROM COMMISSION RULES IN ORDER)
TO PERMIT COMPANY OWNERSHIP OF CUSTOMER)
SERVICE LINES)

O R D E R

On February 16, 1989, Delta Natural Gas Company, Inc. ("Delta") filed a tariff with the Commission that would, if approved, allow Delta to deviate from 807 KAR 5:022, Section 9(17)(a)2. The proposed deviation would allow Delta, rather than the customers, to assume responsibility for the ownership and maintenance of service lines. A formal case was established to allow the Commission to consider and determine the reasonableness of Delta's application.

In response to information requests from the Commission and discussion at an informal conference on July 13, 1989, Delta provided information regarding the service cost and impact of the proposed deviation (ownership of service lines) on rates. In its application Delta proposes to install a service line which extends from the property line to the meter of a potential residential or commercial customer. Delta also proposes to assume responsibility of operating and maintaining residential and commercial customer service lines that are currently in operation. When replacement

of such a line is necessary, Delta will replace the line and thereafter own, operate, and maintain the service line.

If Delta's application is approved, Delta estimates that in the first year an additional 559 service lines will be installed that would not have been installed without this program. Delta estimates its costs to be \$100 per customer to install the service line, plus an additional \$140 for metering facilities.

The Commission has reviewed Delta's projected costs and is of the opinion that Delta's ratepayers will benefit from Delta's ownership of service lines. Delta's projections show that over a 30-year planning period, Delta's revenue needs will be reduced in each year of the 30-year period. The Commission therefore concludes that the decision to own customer service lines is economically prudent and in the public interest.

The Commission is of the opinion that both current and new customers of Delta will benefit from Delta's ownership of service lines since no cost will be charged by Delta. In addition, safety considerations should be enhanced and potential delays in replacing service lines which customers may have experienced in the past should be eliminated.

With ownership of service lines, Delta estimates that more builders and developers will install gas appliances in their projects. Delta has also stated that the program will enable it to add new load and retain existing load.

Delta will charge its average cost per foot to a customer to install the length of service line in excess of 100 feet.

The Commission, having reviewed the evidence of record and being advised, is of the opinion and finds that:

1. A safety benefit will result from this program under which Delta installs, owns, operates, and maintains customer service lines.

2. Delta should be authorized to deviate from Commission Regulation 807 KAR 5:022, Section 9(17)(a)2, and to assume responsibility of:

a. Installing a customer service line (at no cost to the customer) that extends from the property line to the meter for a new residential or commercial customer, and thereafter owning, operating, and maintaining the service line.

b. Operating and maintaining existing customer service lines. When any existing service line needs to be replaced, Delta should replace the line at no cost to the customer and thereafter own, operate, and maintain the service line.

IT IS THEREFORE ORDERED that:

1. Delta be and it hereby is granted a deviation from 807 KAR 5:022, Section 9(17)(a)2, and is authorized to install a customer service line at no cost to the customer on and after the date of this Order. Thereafter, Delta shall own, operate, and maintain the customer service line. For service lines in excess of 100 feet, Delta shall charge the customer its average cost per foot for the additional length of service line.

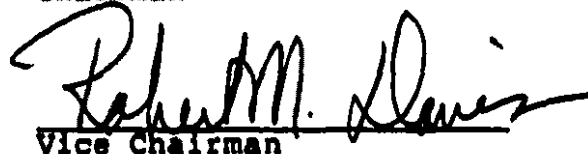
2. Delta shall operate and maintain existing service lines at no cost to its customers on and after the date of this Order. When a customer's service line is to be replaced, Delta shall

install a new service line at no cost to the customer. Thereafter, Delta shall own, operate, and maintain the customer service line.

Done at Frankfort, Kentucky, this 17th day of August, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director