COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CHARLES B. GREGORY)
COMPLAINANT)
V.) CASE NO. 2000-00468
COLUMBIA NATURAL RESOURCES AND DELTA NATURAL GAS COMPANY, INC.)
DEFENDANTS)

ORDER

On November 28, 2001, the Commission issued an Order in this case which dismissed Columbia Natural Resources (CNR) as a party and required Delta Natural Gas Company, Inc. (Delta) to file revised tariff sheets that adequately address the rights and conditions of service for its farm tap customers. The Commission also ordered Delta to establish a separate rate by which it would pass on to farm tap customers the higher cost of gas purchased from CNR.

Delta and Commission Staff subsequently participated in two informal conferences at which Delta stated that it had no objections to filing tariff sheets addressing the rights and conditions of service for its farm tap customers. To that end, Delta has filed with the Commission revisions that set forth the rights and service expectations of its customers located on CNR s gathering lines. Delta has also revised

its service application for those customers to ensure that they are aware of the conditions under which they receive gas service.

However, Delta claims that the requirement to establish a separate rate for farm tap customers presents complications that outweigh any benefit that accrues from such requirement. To that end, Delta has requested that the Commission waive the requirement to impose a separate rate for farm tap customers.

Delta has lifted the moratorium on adding new customers to CNRs gathering lines and is contacting those people who sought service but were denied it due to the moratorium. Delta will contact Mr. Gregory, the Complainant in this case, and offer to provide service.

The primary purpose for requiring Delta to establish a separate rate to pass the cost of gas directly on to the customers on CNRs gathering lines is to make Delta financially indifferent to extending service to these customers. In initially implementing the moratorium on new customers on CNRs gathering lines, Delta justified its action by claiming that it was losing money on these customers due to the high price of gas on CNRs lines. The Commission reasoned that if Delta were required to pass the cost of that gas on to the customers on CNRs lines, Delta would experience no loss and would have no reason to deny service to those who apply for service on CNRs gathering lines.

In consideration that Delta is no longer opposed to adding new customers to CNRs gathering lines, and that the higher price of CNRs gas has an insignificant impact on the remainder of Deltas customers, the Commission finds that Delta need not create a separate rate for these customers.

IT IS THEREFORE ORDERED that:

1. The Order entered November 28, 2001 in this case is hereby modified to

reflect that Delta is no longer required to establish a separate rate for its farm tap

customers.

2. In the event that it implements another moratorium on new farm tap

customers, Delta shall notify the Commission of such plans 30 days prior to

implementation.

3. Delta's tariff filings received by the Commission addressing the rights of

Delta's farm tap customers fully satisfy the requirements of the November 28, 2001

Order.

4. This case is closed and is removed from the Commission s docket.

Done at Frankfort, Kentucky, this 25th day of February, 2002.

By the Commission

ATTEST:

Executive Director