

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS)	
COMPANY, INC. FOR AN ADJUSTMENT)	CASE NO.
OF RATES)	2004-00067

O R D E R

On October 7, 2004, pursuant to KRS 278.190(2), Delta Natural Gas Company, Inc. ("Delta") placed into effect its proposed rates that were designed to produce an increase in annual revenues of \$4,277,471. In our Order of November 10, 2004, we denied Delta's application and approved rates for Delta that will produce an annual increase in revenues of \$2,755,576. The Commission further directed Delta to file a report on the excess revenues collected from October 7, 2004 to November 10, 2004 and a plan to refund those revenues.

On December 7, 2004, Delta filed its report of excess revenues and proposed refund plan. Delta reported that it collected \$69,451.88 in excess revenues and proposed to refund these excess revenues, plus interest, as a one-time credit to current customers and by check to customers who have discontinued service since October 7, 2004.

In our November 10, 2004 Order, we directed Delta to compute interest on the excess revenues collected using the average of the Three-Month Commercial Paper Rate as reported in the Federal Reserve Bulletin and the Federal Reserve Statistical Release. Delta states that the Three-Month Commercial Paper Rate for the week

ending November 12, 2004 was 2.17 percent. Noting that it would be easier to calculate the interest due to customers using a 3.00 percent annual interest rate rather than the Three-Month Commercial Paper Rate, Delta proposes using a 3.00 percent annual interest rate rather than the Three-Month Commercial Paper Rate.

The Commission has reviewed Delta's calculation of the excess revenues collected between October 7, 2004 and November 10, 2004 and finds the calculation to be reasonable. The Commission also finds Delta's proposal to refund the excess revenues as a one-time credit to current customers and by check to customers who have discontinued service to be reasonable. Given the amount of the excess revenue collected, a one-time credit will not harm Delta's overall financial condition. The Commission further finds the use of a 3.00 percent interest rate is reasonable, will benefit Delta's customers, and aid Delta in the calculation of individual refund amounts.

IT IS THEREFORE ORDERED that:

1. Delta's refund plan is approved as proposed.
2. Delta shall make its refunds to customers beginning with bills dated December 22, 2004, as it proposed, and no later than 30 days from completion of the refund, Delta shall submit a report setting forth the amounts refunded.

Done at Frankfort, Kentucky, this 17th day of December, 2004.

By the Commission

ATTEST:



Executive Director