

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF DELTA NATURAL GAS) CASE NO.
COMPANY, INC. TO CONTINUE ITS) 2007-00154
ENERGY ASSISTANCE PLAN)

ORDER

On April 12, 2007, Delta Natural Gas Company, Inc. (“Delta”) filed a request to continue its Energy Assistance Plan (“EAP”) beyond April 30, 2007. Delta was authorized to implement the EAP on February 1, 2006 in Case No. 2005-00464.¹ The Commission authorized the EAP through April 30, 2007 and required Delta to file a report evaluating the EAP by May 15, 2007. The Commission, Delta and the Attorney General, by and through his Office of Rate Intervention (“AG”), would decide on the contents of the report by March 1, 2007. The Commission Staff and parties did not determine the contents of the report by March 1, 2007 but did discuss possible items to include in the report at an informal conference on Tuesday, April 24, 2007.

At the informal conference, the AG stated that he had no objection to the temporary continuation of the EAP beyond April 30, 2007 until the parties and the Commission were able to review the required report. The parties agreed to submit comments on the proposed contents of the report by May 7, 2007. The AG

¹ Case No. 2005-00464, The Tariff Filing of Delta Natural Gas Company, Inc. to Establish an Energy Assistance Program Rider Surcharge, final Order dated February 1, 2006.

formally filed a notice of no objection on April 27, 2007. On April 30, 2007, Delta was authorized to continue the EAP until the Commission ruled in this proceeding. After receiving comments regarding the contents of the report from both the AG and Delta, the Commission, on May 29, 2007, issued an Order setting forth the required contents of the report and directed Delta to submit the report no later than June 15, 2007.

Delta filed the required report on June 14, 2007 and responded to data requests from both the Commission Staff and the AG. Neither Delta nor the AG requested a hearing but both parties requested the opportunity to file comments before the case was submitted for Commission decision. Such comments were authorized. The AG filed comments on July 31, 2007 and Delta filed reply comments on August 6, 2007.

BACKGROUND

The parameters of the EAP approved by the Commission were included as Appendix A in the final Order in Case No. 2005-00464. In summary, Delta was authorized to fund its EAP through a \$0.20 increase in its residential customer charge. The EAP was to be in effect from February 1, 2006 through April 30, 2007 and Delta was to file a report evaluating its EAP no later than May 15, 2007. Delta would contract with the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties (“CAC”) to administer the EAP. Estimated administrative costs to provide assistance to about 255 customers would be about \$15,000 in year one and about \$13,000 on an annual basis after that.² Delta was required to ensure that the EAP was equally available to customers in all the counties it serves. Delta established

² Case No. 2005-00464, Delta’s Response to the Informal Conference Memo, filed December 21, 2005.

eligibility criteria, which the Commission accepted, to ensure consistent treatment of all potential participants. Delta committed to make a contribution to the program of \$30,000 annually. Payment assistance per customer would be as follows:

<u>Month</u>	<u>Amount</u>
November	\$50
December	70
January	90
February	100
March	100
Total	\$410

DISCUSSION

The parties are in general agreement that the EAP should be continued in its current form. The AG, however, recommended three revisions to EAP in his July 31, 2007 comments. First, the AG notes that Delta has not requested a “Sunset” date or expiration date for the proposed tariff. The AG recommends that the Commission approve the tariff for a 3-year period. While acknowledging that annual reviews of the program would be burdensome, the AG asserts that a 3-year review period is reasonable, is not unduly burdensome, and permits meaningful review.

Second, the AG argues that the monthly customer charge should be limited to \$0.10. He asserts that other Commission-approved energy programs are limited to a \$0.10 per meter monthly charge and that the Commission should apply a consistent approach to all energy utilities. To do otherwise, the AG argues, unfairly penalizes Delta’s customers.

Third, the AG recommends that Delta be required to submit annually a written report on the operation and management of the EAP. This report should be similar in content to that which Delta filed in this proceeding.

Delta opposes these revisions. It asserts that its EAP has been operated on a trial basis, carefully evaluated, and found to operate effectively. Periodic reviews and annual reports, it asserts, are costly, burdensome, and unnecessary. Delta further argues that a monthly charge of \$0.10 is insufficient to adequately operate the program and that any reduction in the current charge would render the program economically unfeasible. In the event of any reduction, Delta asserts that the EAP be discontinued.

Finally, Delta notes that in its general rate adjustment proceeding,³ it has requested recovery of its \$30,000 contribution to the EAP. It states that it will reconsider continuation of the program and its contribution based upon the outcome of that proceeding.

FINDINGS AND ORDERS

Based upon our review of the record, the Commission finds that formal annual reviews of Delta's EAP are unnecessary. The EAP is simple in concept and administration, and does not require formal reviews. The Commission does, however, believe that the operation and management of the EAP should be monitored. This monitoring can be most effectively achieved through the submission of an annual report containing certain information regarding the EAP. A detailed description of this information is set forth later in this Order.

³ Case No. 2007-00089, Application of Delta Natural Gas Company for An Adjustment of Rates, final Order dated October 19, 2007.

We find that the parties' arguments regarding the level of the monthly customer surcharge to support the EAP have been rendered moot by our acceptance of their Settlement Agreement in Case No. 2007-00089.⁴ This agreement includes proposed tariff sheets that expressly refer to a monthly customer charge of \$0.20 to support Delta's EAP. Our acceptance of that Settlement Agreement means that this charge will continue.

We note that the rates upon which the parties agreed apparently include funding of Delta's "contribution" of \$30,000. At the hearing on the parties' Settlement Agreement, a Delta representative described the \$30,000 contribution as an operating expense that Delta plans to continue in the future.⁵ When the Commission authorized Delta's EAP, we directed Delta to "fully explain the amount and purpose of the EAP charge separately on its bills even though the charge will be part of the overall customer charge." As Delta's "contribution" of \$30,000 will now be collected from all customer classes, Delta should revise the notice that presently appears on all customer bills to accurately reflect the present nature and level of customer funding for the EAP.

In light of the new method in which Delta will fund its \$30,000 payment to the EAP, we find that Delta's reference to this payment as a "contribution" or donation

⁴ Id.

⁵ Case No. 2007-00089, Transcript of Hearing of 10/3/2007 at 17 – 18. As a result of the inclusion of this amount into Delta's current rates, this amount, which Delta's shareholders had previously contributed, will be spread across all Delta's customer classes and recovered through general rates. In its 2006 Annual Report, Delta reported serving 32,148 residential customers as of December 31, 2006. If Delta recovers this \$30,000 from the residential customer charge, an additional \$.078 per month would be collected from the residential charge toward the cost of the EAP. In effect, a total charge of \$0.278 will be assessed to fund Delta's EAP.

would be misleading. We will consider any such future conduct as an unreasonable and improper utility practice.

While KRS 278.285 does not require a utility donation or contribution to any home energy assistance program, the Commission has consistently expressed its preference for utility contributions to these programs.⁶ Our approval of the Settlement Agreement in Case No. 2007-00089 should not be construed as a change or retreat from this preference.

We further find that our acceptance of the Settlement Agreement in Case No. 2007-00089 also renders moot the AG's proposal to limit the EAP program to 3 years and to require a formal review of its operation at the end of such period. As Delta will continue to collect through its general rates \$30,000 for the EAP until its rates are again adjusted, the EAP should continue in existence until Delta's next rate case proceeding. The Commission will reexamine the EAP at that time to determine if it should continue and whether, if the EAP is continued, any revisions are necessary.

IT IS THEREFORE ORDERED that:

1. Delta's request to continue its EAP beyond April 30, 2007 is granted.
2. Delta shall continue with its EAP until the Commission otherwise directs.

⁶ See, e.g., Case No. 2007-00337, Joint Application of Louisville Gas and Electric Company, Association of Community Ministries, Inc., People Organized and Working for Energy Reform, and Kentucky Association for Community Action, Inc. for the Establishment of A Home Energy Assistance Program, final Order dated September 14, 2007.

3. Unless expressly modified in this Order, all conditions set forth in the Commission's Order of February 1, 2006 regarding the operation and management of Delta's EAP shall remain in full effect.

4. On or before June 30, 2008, and each year thereafter, Delta shall file with the Commission a written report on the operation of its EAP for the period from May 1 of the preceding year to April 30 of the current year. This report shall include:

a. An Energy Assistance Program Reconciliation that lists for each month of the report period:

- (1) Delta's contribution to the EAP;
- (2) Number of Enrollees in the EAP;
- (3) The dollar amount applied per program enrollee;
- (4) Energy Assistance payments;
- (5) Administrative fees charged to CAC;
- (6) EAP revenues; and
- (7) Accumulated monthly total revenue.

b. A schedule for each county in which Delta provides service that lists:

- (1) The number of EAP positions available;
- (2) The number of EAP enrollees; and
- (3) Total Delta customers as of April 30.

c. A copy of CAC's itemized billing for administering the EAP.

5. Delta shall submit to the Commission with its next application for general rate adjustment a complete evaluation report of its EAP. This evaluation report shall

address all areas that Delta addressed in its most recent evaluation report and all subject areas that are identified in this Order.

6. Within 30 days of the date of this Order, Delta shall revise the notice that presently appears on all customer bills to accurately reflect the present nature and level of customer funding for the EAP.

7. Within 20 days of the date of this Order, Delta shall file revised tariff sheets that reflect the conditions approved in this Order and the present nature and level of customer funding for the EAP.

Done at Frankfort, Kentucky, this 1st day of November, 2007.

By the Commission

ATTEST:



Executive Director