

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT)	CASE NO.
FILING OF DELTA NATURAL GAS COMPANY,)	2025-00409
INC.)	

O R D E R

On December 23, 2025, Delta Natural Gas Company, Inc. (Delta) filed its proposed quarterly Gas Cost Recovery (GCR) rate report to be effective January 26, 2026, which reflected a consolidated GCR rate. With the GCR rate report Delta filed proposed tariff sheets with the proposed GCR rate along with a proposed tariff change to remove the \$0.74 per Mcf surcharge initially approved in Case No. 2023-00076.¹ Delta's previous consolidated GCR rate was approved in Case No. 2025-00312.²

LEGAL STANDARD

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

¹ Case No. 2023-00076, *Electronic Application of Delta Natural Gas Company, Inc. to Establish a Gas Cost Recovery Surcharge* (Ky. PSC Apr. 28, 2023), Final Order at ordering paragraph 1.

² Case No. 2025-00312, *Electronic Purchased Gas Adjustment Filing of Delta Natural Gas Company, Inc.* (Ky. PSC Oct. 21, 2025), Order.

Further, the utility has the burden to prove the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates, or the rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.³

BACKGROUND

On February 22, 2021, the transfer of ownership of Peoples Gas KY, LLC (legacy Peoples) to Delta was consummated following the closing of Case No. 2020-00346.⁴ Delta initially maintained a separate GCR rate for the legacy Peoples' system and legacy Delta system. In Case No. 2021-00185, the Commission approved Delta's request to consolidate GCR rates to reduce confusion and streamline filings.⁵ In Case No. 2023-00076,⁶ Delta filed an application to establish GCR residual surcharges effective May 1, 2023. The Delta GCR residual surcharges were approved to recover gas procurement costs that were not recovered at the time the consolidated rate became effective and to account for the residual gas cost attributed to each of the legacy gas systems before they were consolidated. Delta reported an under-recovery of \$8,160,521 for the legacy Delta gas system and \$320,990 for the legacy People gas system. Monthly GCR residual surcharges of \$0.87 per Mcf for legacy Delta and \$0.74 per Mcf for legacy Peoples were

³ KRS 278.274(2); KRS 278.274(3)(c), and KRS 278.274(3)(d).

⁴ Case No. 2020-00346, *Electronic Application of Essential Utilities, Inc., PNG Companies LLC, Peoples Gas KY LLC, and Delta Natural Gas Company, Inc. for (1) a Declaratory Order and (2) Increase in Rates for Peoples Gas KY LLC* (Ky. PSC Feb. 22, 2021).

⁵ Case No. 2021-00185, *Electronic Application of Delta Natural Gas Company, Inc. for an Adjustment of Its Rates and a Certificate of Public Convenience and Necessity* (Ky. PSC Jan. 3, 2022), Order at 27.

⁶ Case No. 2023-00076, *Electronic Purchased Gas Adjustment Filing of Delta Natural Gas Company, Inc.* (Ky. PSC April 28, 2023), Order.

established for the recovery of these residual gas costs. Delta estimated based on historical sales data that the surcharges would be in effect for a three-year period for legacy Delta system and a two-year period for the legacy Peoples' system.⁷ Delta has been filing quarterly updates of the total amounts collected for each legacy gas systems in the cover letter that is filed along with Delta's consolidated GCR rate report filings.

DISCUSSION

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that Delta's unified GCR report includes revised rates designed to pass on to its customers its expected change in gas costs. Delta's unified GCR report sets out an Expected Gas Cost (EGC) of \$4.6214 per Mcf, which is an increase of \$0.1540 per Mcf from the previous EGC of \$4.4674 per Mcf. Delta's unified GCR rate report sets out a current quarter Actual Cost Adjustment (ACA) of \$0.1756 per Mcf. Delta's total ACA is \$1.0714 per Mcf, which is an increase of \$0.0493 per Mcf from the previous total ACA of \$1.0221 per Mcf. Delta's unified GCR rate report sets out a current quarter Balancing Adjustment (BA) of (\$0.0083) per Mcf. Delta's total BA is (\$0.0489) per Mcf, which is a decrease of \$0.0062 per Mcf from the previous total BA of (\$0.0427) per Mcf. Delta's unified GCR report sets out no Refund Adjustment.

Based upon the calculations of the unified GCR rate discussed above, the Commission finds that Delta's unified GCR rate is \$5.6439 per Mcf, which is an increase of \$0.1971 per Mcf from the previous GCR of \$5.4468 per Mcf. The Commission finds that the inputs, resulting components and calculation of Delta's proposed GCR rate of

⁷ Case No. 2023-00076, *Electronic Purchased Gas Adjustment Filing of Delta Natural Gas Company, Inc.* (Ky. PSC April 28, 2023), Order at 5.

\$5.6439 per Mcf to be reasonable. The Commission further finds that the rate set forth in the Appendix to this Order is fair, just and reasonable, and should be approved for service rendered by Delta on and after January 26, 2026.

Delta's GCR rate report Cover Letter⁸ stated that in September 2025, Delta fully collected the under-recovered balance of \$320,990 from the legacy Peoples customers through the \$0.74 per Mcf surcharge originally approved in Case No. 2023-00076.⁹ Pursuant to the Commission's findings in Case No. 2023-00076,¹⁰ and Delta's Tariff¹¹ the \$0.74 per Mcf residual surcharge amount is no longer being charged to the legacy Peoples customers as the residual amount of \$320,990 has been fully recovered. Delta is continuing to recover the \$0.87 per Mcf surcharge from its legacy Delta customers, as that balance has not yet been fully recovered. Delta's remaining residual balance to be recovered from its legacy Delta system is reported as \$2,427,785.65.¹² Delta's application includes a proposed change to Sheet No. 6.2 to remove the \$0.74 per Mcf surcharge and include language that the \$0.87 per Mcf surcharge will not be applied to legacy Peoples customers. Following review of the record, the Commission finds Delta's proposed tariff changes to Sheet No. 6.2 to be reasonable and thus should be approved.

The Commission finds that for the purpose of transparency and to maintain a record of information for future use, Delta shall submit all invoices it receives along with

⁸ Cover Letter filed on Dec 23, 2025.

⁹ Case No. 2023-00076, *Electronic Purchased Gas Adjustment Filing of Delta Natural Gas Company, Inc.* (Ky. PSC April 28, 2023), Order at 6.

¹⁰ Case No. 2023-00076, *Electronic Purchased Gas Adjustment Filing of Delta Natural Gas Company, Inc.* (Ky. PSC April 28, 2023), Order at 6.

¹¹ Delta's Tariff, PSC KY No. 14, Third Sheet No. 6.2

¹² GCR_Residual_Tracker_Report.xlsx

its monthly usage reports for each month of the reporting period when it files its future GCR rate reports. Should Delta purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount must be documented in its cover letter to the Commission.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Delta and set forth in the Appendix to this Order are approved for service rendered on and after January 26, 2026.
2. Delta's proposed tariff changes to Sheet No. 6.2 to remove the \$0.74 per Mcf residual surcharge to legacy Peoples customers are approved.
3. Delta shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports.
4. Should Delta purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount shall be documented in its cover letter to the Commission.
5. Within 20 days of the date of service of this Order, Delta shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates and tariff changes approved herein and reflecting that they were approved pursuant to this Order.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director

ENTERED
JAN 23 2026 **AB**
KENTUCKY PUBLIC
SERVICE COMMISSION

Case No. 2025-00409

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00409 DATED JAN 23 2026

The following rates and charges are prescribed for the customers in the area served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

Gas Cost Recovery Rate

The Gas Cost Recovery rate shall be \$5.6439 per Mcf for service rendered on and after January 26, 2026.

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