

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS	)	
COMPANY, INC. FOR AN ORDER DECLARING	)	CASE NO.
THAT IT IS AUTHORIZED TO CONSTRUCT,	)	2013-00365
OWN AND OPERATE A COMPRESSED	)	
NATURAL GAS STATION IN BEREA,	)	
KENTUCKY	)	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION  
TO DELTA NATURAL GAS COMPANY, INC.

Delta Natural Gas Company, Inc. ("Delta"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 12 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before December 27, 2013. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Delta shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Delta fails or

refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Direct Testimony of John B. Brown (“Brown Testimony”), page 8, specifically, the first sentence of the answer beginning on line 3. Refer also to page 1 of Brown Exhibit III, specifically to the bullet titled “Non-Rate-based Model.” The testimony states that the Non-Rate-based Model and the Commercial Model are both better suited for companies in competitive markets looking for high rates of return. The descriptions of the models on page 1 of the exhibit, a report on natural gas as a transportation fuel, indicate that the Commercial Model is applicable to competitive markets, but does not indicate the same for the Non-Rate-based Model.

a. Explain why Mr. Brown refers to both the Non-Rate-based Model and Commercial Model as “better suited for companies in competitive markets looking for high rates of return.”

b. The description of the Non-Rate-based Model states, “Typically, LDC investments under this model are relatively modest.” Given that the estimated cost of \$1.3 million for the Compressed Natural Gas (“CNG”) fueling station it is proposing is equal to 1 percent of the combined equity and long-term debt capitalization shown at

year-end on the balance sheet in its 2012 annual report filed with the Commission, explain whether Delta considers this investment “modest.”

2. Refer to the Direct Testimony of Matthew D. Wesolosky (“Wesolosky Testimony”), page 3, at lines 2-3, which indicate that Delta contacted other utilities that operate CNG stations in developing the \$1.3 million cost estimate for its proposed CNG station. Provide the names of the utilities contacted and the dates of those contacts.

3. Refer to the testimony of Jonathan W. Mophew (“Mophew Testimony”), page 7, line 9, which states that Delta anticipates upgrading up to 11 vehicles as soon as practical, once the CNG station is in operation. Also refer to the Wesolosky Testimony, page 4, line 15, which states that Delta anticipates replacing 11 fleet vehicles in the near term with the potential for an additional 22 vehicles. Does Delta plan to upgrade 11 vehicles with a potential purchase of 11 new vehicles for a total of 22 vehicles, or are the 22 vehicles noted in the Wesolosky Testimony an additional 22 vehicles, for a possible 44 total?

4. Refer to the Wesolosky Testimony, pages 4-5, specifically the discussion of the reduced costs Delta will experience from using the proposed CNG station to fuel its own vehicles. The first full paragraph on page 5 refers to the savings in fuel costs Delta will realize for 11 CNG-powered vehicles it intends to purchase in the short-term. Provide the expected cost to acquire each individual vehicle and the depreciable lives that will be applied to each vehicle for accounting purposes, and the estimated cost to acquire each individual vehicle, if it were not a CNG-powered vehicle.

5. Refer to Brown Testimony, page 8, and Exhibit IV, Rate Schedules:

a. Interruptible Service, Special Conditions, proposed language:

In order to provide a fair opportunity to compete with other motor fuels, the customer charge and Pipe Replacement Program charge may be waived by Delta at its sole discretion for compressed natural gas fueling station customers;

b. Transportation of Gas for Others on System Utilization:

For compressed natural gas fueling station customers in order to provide a fair opportunity to compete with other motor fuels, Delta may negotiate at Delta's sole discretion with such customers a fixed base rate that is no more than the maximum Base Rate set forth in Delta's Interruptible Service Rate Schedule, but is no less than the minimum Base Rate set forth in Delta's Interruptible Service Rate Schedule.

c. Transportation of Gas for Others on System Utilization:

In order to provide a fair opportunity to compete with other major fuels, this minimum volume requirement may be waived by Delta at its sole discretion for compressed natural gas fueling station customers.

Other than the discussion on page 8, lines 11-17, of the Brown Testimony, provide any support for why Delta's utility customers not directly using or benefitting from the facilities should subsidize any level of Delta's CNG fueling infrastructure that is not covered within the rates charged the owners of CNG-powered vehicles.

6. State whether Delta's sales or transportation tariffs as currently structured would permit the resale of natural gas as a motor vehicle fuel. If not, state whether such a tariff revision, similar to that proposed by Atmos Energy Kentucky in Case No. 2013-00148,<sup>1</sup> would sufficiently enable the provision of CNG services through commercial enterprises not related to or affiliated with Delta.

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<sup>1</sup> Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications, Volume 1, Testimony of Mark A. Martin, page 31 (Ky. PSC filed June 24, 2013).

7. How many CNG-powered vehicles does Delta estimate are currently operating within the service area of its proposed CNG fueling station? Are there other known CNG fueling stations proposed in the area by either regulated or private investors?

8. Refer to the Direct Testimony of Jonathan W. Morphey, page 8, lines 15-17. Provide the amounts for electric service, dispenser repairs, compressor oil and filter changes, and natural gas filter replacements used to arrive at the \$20,000 annual operation cost for the CNG fueling station.

9. List and describe all safety concerns Delta has considered in conjunction with operation of a CNG fueling station.

10. Explain when Delta anticipates the CNG fueling station will bring in more revenue than the level of expenses incurred, and become profitable.

11. Identify the costs incurred to convert a vehicle to use CNG and explain if the cost is the same for different types of vehicles.

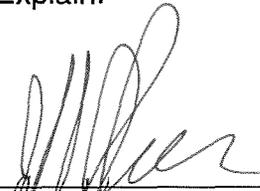
12. What is the length of time required to upgrade a vehicle so that the vehicle can use CNG? How long will the CNG fueling station be sitting idle before any of Delta's vehicles are converted to use CNG?

13. Refer to the Brown Testimony, pages 3-4, specifically referring to the State of Utah's efforts to become a leader in CNG. Is Delta aware that the Utah PSC has recently filed a Report that includes the following: "The PSC recommends Utah's

utility rates remain free of costs that are not related to or required by the provision of public utility service.”<sup>2</sup>

14. Has Delta investigated CNG fueling stations and CNG vehicles in any other states? If yes, describe, generally, the current status of each in all such states.

15. State whether Delta previously owned and operated a CNG fueling station to fuel its own vehicles. If so, state whether Delta ever explored making those facilities available to CNG-powered vehicles owned by others. Explain.



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Jeff Derouen  
Executive Director  
Public Service Commission  
P. O. Box 615  
Frankfort, KY 40602

DATED **DEC 13 2013** \_\_\_\_\_

cc: Parties of Record

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<sup>2</sup> Report of the Public Service Commission of Utah to the Governor, State of Utah; Legislative Management Committee, Utah Legislature; Public Utilities and Technology Interim Committee, Utah Legislature as required under Utah Code Ann. Sec. 54-1-13 (filed Sept. 20, 2013, page 13).

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