

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY) CASE NO. 2001-047
AUTHORIZING THE REPLACEMENT OF A)
SEGMENT OF TRANSMISSION PIPELINE)

O R D E R

On March 1, 2001, Delta Natural Gas Company, Inc. ("Delta") submitted an application pursuant to 807 KAR 5:001, Section 9, requesting a Certificate of Public Convenience and Necessity to construct approximately 28.6 miles of 10-inch transmission natural gas pipeline.

The proposed pipeline will replace the existing 8-inch, 425 pounds per square inch gage ("psig") pipeline currently connecting the TranEx pipeline into the 12-inch pipeline that is connected to the Canada Mountain storage field. The proposed pipeline will operate at a maximum pressure of 720 psig, as do the connecting pipelines and, thus, will improve the operation of Delta's on-system storage facilities.

Delta estimates that the proposed pipeline will be constructed over the next 3-year period beginning May 1, 2001, with a total cost of \$6,900,000. Delta plans to construct 12.4 miles in the 2001 construction season at a cost of \$2,920,000. Delta received competitive bids in 1999 for a 10-inch steel pipeline constructed to the same specifications as the proposed pipeline and has negotiated with the contractor on that project to construct the 2001 portion of the proposed project at the 1999 price.

Delta states that funding for the construction and working capital will be provided through Delta's short-term line of credit. It states that at the completion of the total project its cost of operation will increase by \$172,500 from additional depreciation expense and approximately \$48,300 from additional property taxes.

Delta requested that Commission approval of the proposed project be granted as expeditiously as possible so that construction may begin as soon as possible.

After review of the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Construction of the proposed pipeline will not result in wasteful duplication of facilities.
2. Delta's petition for a Certificate of Public Convenience and Necessity to construct the proposed pipeline should be granted.
3. Delta should file with the Commission any bids obtained and/or any prices negotiated for construction of the 2002 and 2003 portions of the project.
4. Two weeks prior to each construction season, Delta should file with the Commission the actual construction schedule and a copy of the construction drawings.
5. Within 60 days from the completion of the project, Delta should file the as-built drawings for the project and the actual project costs.

IT IS THEREFORE ORDERED that:

1. Delta is granted a Certificate of Public Convenience and Necessity to construct the proposed transmission pipeline.
2. Delta shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction or financing approved should be undertaken only with the prior approval of the Commission.

4. Delta shall comply with the requirements contained in Findings 3 through 5 as if the same were individually so ordered.

Done at Frankfort, Kentucky, this 17th day of April, 2001.

By the Commission

ATTEST:


Executive Director