

Delta Natural Gas Company, Inc.
CASE NO. 2018-00029

FIRST AG DATA REQUEST
DATED May 25, 2018

1. Fully explain the reasoning behind Delta's initial introduction of DSM/EE programs.

Response:

Prior to Delta's CEP implementation, Delta's recovery of its costs were dependent on maintaining both consistent usage and a stable number of customers. At the same time, Delta desired to be a proponent of energy efficiency but found it difficult to do so because conservation and efficiency caused under-recovery of costs.

Delta developed a program, in compliance with the framework of KRS 278.285, to address this conflict. In Matthew D. Wesolosky's testimony in Case 2007-00089, he articulated:

Delta's current and proposed rates tie revenue to the volume used by the customer. This rate structure is a disincentive for Delta to promote customer conservation and efficiency, as decreases in customer volume negatively impact Delta's financial results. In addition, the rates which are currently in effect do not allow for the recovery of the incremental costs associated with promoting conservation and efficiency.

The CEP, as designed, aligns Delta's interest with that of the residential rate payer, by providing a mechanism to recover the lost base revenue associated with customer conservation and efficiency, as well as the expenses associated with promoting conservation and efficiency.

The CEP was ultimately approved in the Order for Case 2008-00062. In its Order, the Commission additionally pointed out: "These programs will help participants to lower energy usage and thereby lower the total bill, especially during the winter months."

Upon the initial offering of the CEP to customers, Delta saw a positive impact on customer retention and Delta's ability to attract new customers during a difficult number of years of shrinking customer base. To the extent the CEP helped reverse that trend, it helped the Company to avoid a general rate case, thus holding base rates consistent.

Sponsoring Witness:

John B. Brown

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2. Refer to Delta's Annual Conservation/Efficiency Program Rate filing of December 20, 2017. The total number of Program Participants seems to vary each year, sometimes substantially.
 - a. Explain whether the Company solicited customer feedback regarding program efficiency and exposure/availability.
 - b. Explain whether the Company made any changes to the programs, or program advertising based on any such customer feedback.
 - c. Explain Delta's current method for soliciting customer feedback and incorporating ideas regarding its DSM/EE programs.

Response:

- a. Delta distributes customer comment cards each time a Customer Service Representative visits a customer premise. These cards request feedback and suggestions. The Company did not solicit customer feedback specifically related to CEP; however, customers were welcome to share their feedback through returning comment cards or contacting their local office or the corporate office. All comment cards are read and distributed to the appropriate department for consideration or action.
- b. Delta has not made any changes to CEP or program advertising.
- c. See response to 'a' above.

Sponsoring Witness:

Jennifer Lowery Croft

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3. State whether Delta's overall customer base has been declining, growing, or remained stable over the past five years.

Response:

Delta's customer base has remained stable over the past five years. See the average number of residential customers for each year in the table below.

| Year | Number of Customers |
|-------------|----------------------------|
| 2017 | 29,579 |
| 2016 | 29,518 |
| 2015 | 29,484 |
| 2014 | 29,426 |
| 2013 | 29,631 |

Sponsoring Witness:

Jennifer Lowery Croft

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4. Fully explain whether there are any aspects of the Company's current DSM program which it considers not to be cost-effective
- a. If so, explain whether the Company can take steps to mitigate these costs, describe any such steps, and explain whether it has already taken any such action.
 - b. If so, explain whether the Company thinks DSM spending in its program is justified.

Response:

- a – b. Delta considers all aspects of the current DSM program to be cost effective. The following summarizes the results of the California Standard Tests performed in response the Commission Staff's First Data Request, Item 1:

| | Benefit Cost Ratio | | |
|---------------------------------|---------------------------------------|-------------------------------------|---------------------------|
| | <u>Furnace Rebate Program</u> | <u>Water Heater Program</u> | <u>CEP as a Whole</u> |
| Participant Test | 1.49 | 0.57 | 1.08 |
| Program Administrator Cost Test | 1.06 | 1.26 | 1.11 |
| Ratepayer Impact Measure | 3.62 | 3.43 | 3.58 |
| Total Resource Cost Test | 0.36 | 0.07 | 0.27 |

Delta believes the most important test in determining if the CEP rates are fair, just and reasonable is the Ratepayer Impact Measure. Both individually and collectively, Delta's Ratepayer Impact Measure yields benefit cost ratios greater than one which illustrates the long-term benefits outweigh the costs of the program.

Delta considers promotion of energy efficiency and conservation to be an important part of its corporate strategic plan, and a key component of achieving this strategic objective is our CEP. With the Ratepayer Impact Measure yielding a benefit cost ratio greater than one, the program does not disadvantage any class of customers, and Delta believes the CEP program should be allowed to continue as designed. However, if the Commission orders that the CEP

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rate be reduced or eliminated prospectively, the Company requests the option, at its discretion, to continue a similar rebate program on its own.

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Jennifer Lowery Croft

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5. Fully describe Delta's current DSM programs which are targeted to low-income customers
 - a. Explain whether the Company intends to increase or decrease the program offerings in this area in the near future.
 - b. Explain the reasoning behind any such changes.

Response:

- a. Delta offers an Energy Assistance Program (EAP), in which residential customers contribute \$0.20 per month and Delta contributes \$30,000 annually and such proceeds, totaling approximately \$102,000, fund a bill credit to enrolled low-income customers. The EAP is available to eligible residential customers in the Company's service territory subject to enrollment through local community action agencies and depending upon available funding. Delta also has a WinterCare program where customers may voluntarily contribute amounts which go towards assisting low-income customers.

While the CEP does not target any particular segment of Delta's customer base, the CEP does give low-income customers a tool that they might not otherwise have to reduce their monthly bills. Higher efficiency appliances will reduce consumption, and thus lower gas bills. Higher income customers can afford to buy these more expensive higher efficiency appliances, and thus receive the future benefit of lower gas bills. The rebates received by CEP may make the difference as to whether a low-income customer can afford to buy the more efficient appliance to reduce their subsequent bills.

Delta does not intend to increase or decrease the offerings of programs which are targeted to low-income customers in the near future.

- b. N/A

Sponsoring Witness:

Jennifer Lowery Croft

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6. For the average residential customer, state the amount and percentage of total bill the DSM/EE cost represents.
- a. Provide this data for each year from 2010 to 2017.
 - b. Provide the current known amounts for 2018.

Response:

a – b. See the table below for the amount and percentage of total bill the DSM/EE cost represents for the average residential customer.

| Year | % of Total Bill | Per Bill Impact |
|--------------|------------------------|------------------------|
| 2010 | 0.5% | \$ 0.34 |
| 2011 | 0.7% | \$ 0.47 |
| 2012 | 0.7% | \$ 0.43 |
| 2013 | 0.9% | \$ 0.65 |
| 2014 | 0.9% | \$ 0.75 |
| 2015 | 0.8% | \$ 0.56 |
| 2016 | 1.0% | \$ 0.57 |
| 2017 | 1.1% | \$ 0.68 |
| *2018 | 1.6% | \$ 0.56 |

*** Through April 30, 2018**

Sponsoring Witness:

Matthew D. Wesolosky

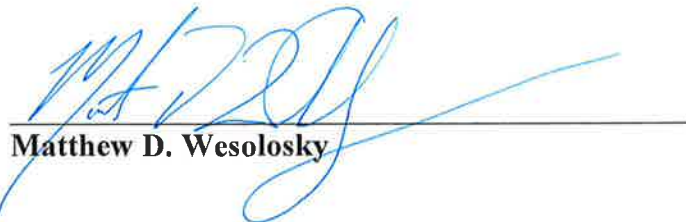
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**ELECTRONIC INVESTIGATION OF THE)
REASONABLENESS OF THE CONSERVATION/) CASE NO. 2018-00029
ENERGY EFFICIENCY PROGRAM OF)
DELTA NATURAL GAS COMPANY, INC.)**

VERIFICATION

The undersigned, **Matthew D. Wesolosky**, being duly sworn, deposes and states that he is Vice President – Controller of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Matthew D. Wesolosky

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 31st day of May, 2018.



Notary Public (SEAL)

My Commission Expires:

6/20/20

