

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

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**  
**DATED JUNE 7, 2018**

1. Refer to Delta's response to Staff's First Request for Information ("Staff's First Request"), Item 1.
  - a. Delta states that the Ratepayer Impact Measure ("RIM") is the most important test in determining if the Conservation/Efficiency Program ("CEP) is fair, just, and reasonable. Provide a list of other Kentucky utilities who primarily rely on the RIM as the primary test in determining whether or not to implement a demand-side management program.
  - b. Delta states that if the Commission orders the CEP to be reduced or eliminated, Delta requests the option, at its discretion, to continue a similar rebate program on its own.
    - (1) Explain how such an optional CEP program would be funded.
    - (2) Explain how such an optional CEP program would be implemented and the revisions that would be needed to Delta's existing CEP tariff.

Response:

- 1a. Delta is unaware of a utility in Kentucky that has relied exclusively on the RIM test in determining whether or not to implement a demand-side management program. Most utilities look at multiple factors, including improved customer satisfaction, in considering the implementation of DSM programs; however, because the RIM test measures the impact of DSM programs on the utility's ratepayers as a whole, Delta believes that the RIM test is an extremely important test for evaluating its programs.

Sponsoring Witness:

Jennifer Lowery Croft

- 1b(1). Any rebates paid by Delta in excess of the rebate amounts approved by the Commission during this CEP proceeding would not be presented for recovery through the CEP. However, the Commission would have the opportunity to review any excess amounts paid as rebates during the test year of the next general rate case to determine if the excess rebate amounts are allowable for future recovery.

If these excess rebates are offered requiring the same efficiency criteria as approved in the CEP, Delta asks that while the excess rebate amounts would not be recovered through the CEP, the MCF saved due to efficiency of these new furnaces, water heaters and space

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heaters continue to be included in the CEP Revenue from Lost Sales (CEPLS) calculation. This aspect of the CEP allows Delta to continue promoting efficiency without eroding base revenues due to lost sales. Note that any rebates offered not requiring the purchase of high efficiency equipment would have no bearing on the CEP.

Sponsoring Witness:

John B. Brown

1b(2). In order for this proposal to be implemented, the Commission would approve lowered rebate amounts allowed through the CEP. Delta would supplement the rebate amounts as described in (1) above. No changes would need to be made to the customer messaging. No changes would need to be made to the Tariff either, since the Tariff itself does not specify the rebate amounts, only the processes for recovery and modification of the program.

For example, the current furnace rebate is \$400. If the Commission decided only \$200 should be recovered through the CEP, Delta would make up the \$200 shortfall from funds outside of the CEP. As a result, the amounts presented for recovery in the CEP would be roughly half while the Company would be able to continue to offer this program to our customers at the same level and promote efficiency without eroding base revenues due to lost sales.

If the Commission does not permit Delta to recover any portion of the rebate through the CEP, Delta would need to revise its tariff regarding the Conservation/Efficiency Program Cost Recovery Component.

Sponsoring Witness:

John B. Brown

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2. Refer to Delta's response to Staff's First Request, Item 2. Explain if Delta has considered a CEP targeted towards low-income customers.

Response:

Delta has not considered a CEP targeted towards low-income customers.

Sponsoring Witness:

John B. Brown

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3. Refer to the Application, CEP Billing Factor Calculation. For the CEPRC – Conservation/Efficiency Recovery Component, the estimated residential sales are 1,617,000 Ccf. Refer to Delta's Tariff filing, TFS 2016-00735, CEP Billing Factor Calculation. Here, the CEPRC – Conservation/Efficiency Recovery Component estimated residential sales are 15,932,000 Ccf. Explain why the estimated sales are 14,315,000 Ccf less in the current calculation as compared to the 2016 filing. If this is an error, provide an update to the billing factor calculations.

Response:

Delta made an error when preparing the 2017 CEP billing calculation. The estimated residential sales used in the CEPRC calculation were in Mcf instead of Ccf. As such, the estimated residential sales used in the calculation should be 16,170,000 Ccf. See Exhibit A for updated billing factor calculations. Only the CEPRC calculation was affected by this error.

Sponsoring Witness:

Jennifer Lowery Croft

Program Year End: October 31, 2017  
 Rate Effective: January 24, 2018

**CEPCR - Conservation/Efficiency Program Cost Recovery**

Program Costs				
Unrecovered CEP Rebates(Schedule A)	AC 1.186.61	\$	160,750	
Unrecovered CEP Rebates - Labor	AC 1.186.611		11,904	
Unrecovered Energy Audits - Material	AC 1.186.62		-	
Unrecovered Energy Audits - Labor	AC 1.186.621		86	
Unrecovered CEP Customer Awareness	AC 1.186.63		-	
Unrecovered CEP Admin - Labor	AC 1.186.64		-	
Unrecovered CEP Admin - Labor	AC 1.186.641		184	
Total Program Costs				\$ 172,924
<b>TOTAL CEPCR</b>				<b>\$ 172,924</b>

**CEPLS - Conservation/Efficiency Program Lost Sales**

Current Year Program Participation (Schedule A)

Rate	# of Participants	CCF Conserved	Distribution Charge	Lost Sales
<b>High Efficiency Heating Savings</b>				
1. High Efficiency Forced Air Furnaces	233	23,304.7	\$ 0.43185	\$ 10,064
2. High Efficiency Dual Fuel Units	40	834.0	\$ 0.43185	\$ 360
3. High Efficiency Gas Space Heating	73	1,192.1	\$ 0.43185	\$ 515
4. High Efficiency Gas Logs/Fireplaces	133	7,368.2	\$ 0.43185	\$ 3,182
<b>High Efficiency Water Heating Savings</b>				
1. High Efficiency Holding Tank Models	54	2,435.9	\$ 0.43185	\$ 1,052
2. High Efficiency Power Vent Models	15	939.3	\$ 0.43185	\$ 406
3. High Efficiency On-Demand Models	68	7,384.1	\$ 0.43185	\$ 3,189
<b>Energy Audits</b>				
1. Residential Energy Audits	1	30.0	\$ 0.43185	\$ 13
<b>Total Current Year Lost Sales</b>	<b>617</b>	<b>43,488.3</b>		<b>\$ 18,781</b>

Cumulative Prior Years Participation (Schedule B)

<b>Total Prior Year(s) Lost Sales</b>	<b>3,678</b>	<b>250,656.3</b>	0.43185	<b>\$ 108,246</b>
<b>TOTAL CEPLS</b>	<b>4,295</b>	<b>294,144.6</b>		<b>\$ 127,027</b>

**CEPI - Conservation/Efficiency Program Incentive**

Program Benefits (Schedule C)	\$ 160,628
Less: Program Costs	<u>\$ (172,924)</u>
<b>Net Resource Savings</b>	<b>\$ (12,296)</b>
Incentive Percentage	15%
<b>CEPI</b>	<b>\$ -</b>

**CEPBA - Conservation/Efficiency Program Balancing Adjustment**

Prior year DSMRC recovery amount	\$ 298,543
Projected recovery 11/1/16 through 1/31/17 used in calculation of prior year DSMRC	\$ 101,000
Actual recovery 11/1/16 through 1/31/17 used in calculation of prior year DSMRC	<u>\$ (67,827)</u>
<b>Amounts to be recovered</b>	<b>\$ 331,716</b>
Actual recovery 2/1/17 through 10/31/17	\$ 156,729
Projected recovery 11/1/17 through 1/31/18	<u>\$ 73,000</u>
<b>Amounts recovered</b>	<b>\$ 229,729</b>
<b>CEPBA Under (Over) Recovery</b>	<b>\$ 101,987</b>

**CEPRC - Conservation/Efficiency Recovery**

Estimated Residential Sales	16,170,000	Ccf
	<b>Recovery Amount</b>	<b>Rate, per Ccf</b>
CEPCR	\$ 172,924	\$ 0.01069
CEPLS	\$ 127,027	\$ 0.00786
CEPI	\$ -	\$ -
CEPBA	\$ 101,987	\$ 0.00631
<b>TOTAL DSMRC</b>	<b>\$ 401,938</b>	<b>\$ 0.02486</b>

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4. Refer to the table included in Delta's response to the Attorney General's First Request for Information, Item 6.
- a. Provide the amounts of the average residential customer's monthly consumption and monthly bill by year from 2010 through 2018, used as inputs in the table.
  - b. Recalculate the percent of the total bill and per bill impact for 2017 assuming the same average monthly consumption and monthly bill except that the CEP rate is \$.24857 per Ccf for the entire year.
  - c. Recalculate the percent of total bill and per bill impact for 2017 assuming the same average monthly consumption and monthly bill except that the CEP rate is revised to reflect Delta's response to Item 3 above.

Response:

4a.

<u>Year</u>	<u>Average Residential Customer's Monthly Consumption (Ccf)</u>	<u>Average Residential Customer's Monthly Bill</u>
2010	38	\$ 70.13
2011	49	\$ 68.96
2012	38	\$ 61.71
2013	46	\$ 74.02
2014	50	\$ 85.78
2015	47	\$ 68.10
2016	39	\$ 58.82
2017	38	\$ 61.30
2018	30	\$ 34.41

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4b.

<b>2017</b>	
<b>Percent of Total Bill</b>	15.23%
<b>Monthly per Bill Impact at .24857</b>	\$ 9.34

4c.

<b>2017</b>	
<b>Percent of Total Bill</b>	1.52%
<b>Monthly per Bill Impact at .02486</b>	\$ 0.93

Sponsoring Witness:

Jennifer Lowery Croft

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. )

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VERIFICATION

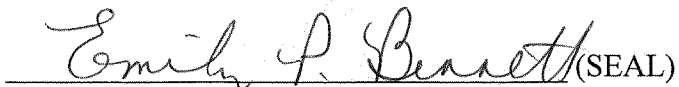
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The undersigned, **John B. Brown**, being duly sworn, deposes and states that he is President, Secretary and Treasurer of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified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

  
John B. Brown

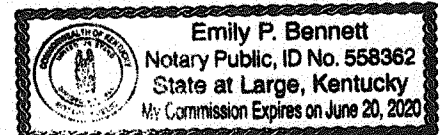
STATE OF KENTUCKY )  
 )  
COUNTY OF CLARK )

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 11<sup>th</sup> day of June, 2018.

  
Notary Public

My Commission Expires:

6/20/20





VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF CLARK )

The undersigned, Jennifer Lowery Croft, being duly sworn, deposes and says that she is Manager – Employee and Regulatory Services of Delta Natural Gas Company, Inc. and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Jennifer Lowery Croft  
Jennifer Lowery Croft

Subscribed and sworn to before me, a Notary Public, in said County and State this 14<sup>th</sup> day of June 2018.

Donna K. Fuller (SEAL)  
Notary Public

My Commission Expires:



July 11, 2020