

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:)	
)	
ELECTRONIC APPLICATION OF)	
DELTA NATURAL GAS COMPANY,)	CASE NO. 2023-00076
INC. TO ESTABLISH A GAS COST)	
RECOVERY SURCHARGE)	
)	

APPLICATION

Delta Natural Gas Company, Inc., pursuant to 807 KAR 5:011, hereby applies to the Kentucky Public Service Commission (“Commission”) to establish a gas cost recovery surcharge. In support of its Application, Delta states as follows:

1. Delta’s post office address, principal office, and place of business are located at 3617 Lexington Road, Winchester, Kentucky 40391. Delta’s full name is Delta Natural Gas Company, Inc. Delta can be reached at the email address of counsel set forth below.

2. Delta is a Kentucky corporation that was incorporated on October 7, 1949 and attests that it is currently in good standing under the laws of Kentucky.

3. Delta is a utility engaged in the natural gas business and is a wholly owned subsidiary of PNG Companies LLC. Delta purchases, sells, stores, and transports natural gas in Bath, Estill, Montgomery, Menifee, Madison, Powell, Garrard, Jackson, Lee, Bourbon, Jessamine, Rowan, Bell, Knox, Whitley, Laurel, Clay, Leslie, Lincoln, Fayette, Fleming, Clark, Robertson, Mason, Lawrence, Johnson, Martin, Magoffin, Floyd, Pike, Perry, Knott, and Letcher Counties, Kentucky.

4. In its January 3, 2022 Order in Case No. 2021-00185, the Commission approved the unification of the gas cost recovery mechanisms for Delta and the customers previously served

by Peoples Gas of KY LLC (“Peoples”) prior to its merger into Delta. The Order did not address the manner in which the then-existing GCR balances would be recovered.

5. During an informal conference on May 11, 2022 in Case No. 2022-00100, Delta discussed with Commission Staff the process by which the remaining balances could be collected. As summarized in the May 13, 2022 memorandum, “After the period in which the lingering Actual Cost Adjustment quarters and Balancing Adjustment quarters for each of the separate gas systems were accounted for, any under- or over-recoveries of gas costs related to each individual gas systems are totaled. Future GCR rate reports would establish a tracking mechanism that would allow for customers in each separate gas system to be charged a separate recovery rate until the remaining under- or over-recoveries of gas costs are individually reconciled.”

6. In addition to noting that Delta should establish a tracking mechanism in a GCR filing, Commission Staff referred Delta to its April 29, 2022 Order in Case No. 2022-00109, *In the Matter of: Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* in which the Commission approved a line-item tracker to reconcile any remaining under- and over- recoveries of past gas costs. The Commission approved the line-item tracker as part of Navitas’ quarterly gas cost application. It does not appear customer notice was required to be published.

7. In Delta’s quarterly gas cost filing in Case No. 2022-00422, Delta followed the process outlined in the Staff memorandum and *Navitas* case by seeking approval of its quarterly GCR rate along with a monthly tracker to recover the unrecovered balances.

8. By its January 24, 2023 Order, the Commission held that Delta’s “proposed residual tracker surcharges should be rejected at this time and that Delta should file a separate application proposing residual tracker surcharges to true up any under- or over-recovery of the EGC [expected gas cost], ACA [actual cost adjustment], and BA [balancing adjustment] of the

separate system's GCR rates with 30 days' notice to the Commission and public and customer notice of the proposed change."

9. Pursuant to the Commission's directive, Delta institutes this action to request approval to establish a monthly gas cost recovery surcharge. Consistent with 807 KAR 5:011, Section 8, customer notice is being provided through newspaper publication in Delta's service territory, the first publication having been made no later than the date of this filing. A copy of the notice is attached as Exhibit 1. Delta will provide proof of publication within 45 days of this application.

10. The total under-recovery for Delta customers is \$8,160,521, as compared to \$320,990 for the former Peoples customers. Delta proposes to recover the balances through a monthly surcharge of \$.87 per Mcf for Delta customers and \$.74 per Mcf for the former Peoples customers. The balance would be recovered from Delta customers over approximately three years, and approximately two years from Peoples customers. Once the balances are recovered, the surcharge shall automatically terminate. Attached as Exhibit 2 are proposed tariff sheets containing the surcharge.

11. Attached as Exhibit 3 is a schedule outlining the calculation of the under-recoveries and proposed recovery periods for Delta and the former Peoples customers.

WHEREFORE, Delta Natural Gas Company, Inc. respectfully requests the Commission approve Delta's request to establish a surcharge to collect its unrecovered gas costs.

Dated: March 20, 2023

Respectfully submitted,



Monica H. Braun

monica.braun@skofirm.com
Stoll Keenon Ogden PLLC
300 West Vine Street
Suite 2100
Lexington, KY 40507
Telephone: (859) 231-3000
Facsimile: (859) 259-3503

Counsel for Joint Applicants

CERTIFICATE OF COMPLIANCE

In accordance with 807 KAR 5:001, Section 8(7), this is to certify that Delta's March 20, 2023 electronic filing is a true and accurate copy of the documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on March 20, 2023; and that there are currently no parties that the Commission has excused from participation by electronic means.

Monica H. Braun

NOTICE

Delta Natural Gas Company, Inc. ("Delta") provides notice that it is filing with the Kentucky Public Service Commission ("Commission") no later than March 20, 2023 in Case No. 2023-00076 to establish a monthly surcharge with an effective date of May 1, 2023 to recover the remaining balances associated with gas costs for Delta and the former Peoples Gas of KY LLC ("Peoples") system prior to the unification of the gas cost recovery mechanisms as approved in the Commission's January 3, 2022 Order in Case No. 2021-00185. Delta proposes to recover the balances through a monthly surcharge of \$.87 per Mcf for Delta customers and \$.74 per Mcf for the former Peoples customers. The balance would be recovered from Delta customers over approximately three years, and approximately two years from the former Peoples customers. The surcharge shall terminate when the balances are recovered.

The surcharge is proposed to apply to Residential, Small Non-residential, Large Non-Residential, Interruptible, and Farm Tap customers. The revenues requested in this filing are recovery of the remaining balances, which for Delta customers is \$8,160,521, and \$320,990 for the former Peoples customers.

Customer Class	Average Mcf Usage	Monthly Surcharge	\$ Impact to Current Average Monthly Bill	% Impact to Current Average Monthly Bill
Residential	3.8	\$.87 per Mcf	\$3.31	4.5%
Small Non-residential	9.7	\$.87 per Mcf	\$8.44	5.1%
Large Non-residential	69.1	\$.87 per Mcf	\$60.12	5.6%
Interruptible	3.801	\$.87 per Mcf	\$3,306.87	10.0%
Farm Tap – Delta	4.5	\$.87 per Mcf	\$3.92	5.5%
Farm Tap – former Peoples	5.5	\$.74 per Mcf	\$4.07	5.0%

Any person may examine this filing at Delta's office located at 3617 Lexington Road, Winchester, KY 40391. This filing may also be examined at the Public Service Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Commission's website at <http://psc.ky.gov>. Comments regarding this filing may be submitted to the Public Service Commission through its website or by mail to Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602. The fees contained in this notice are the fees proposed by Delta, but the Public Service Commission may order fees to be charged that differ from the proposed fees contained in this notice. A person may submit a timely written request for intervention to the Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of the initial publication or mailing of this notice, the Commission may take final action on the filing.

DELTA NATURAL GAS COMPANY, INC.

**P.S.C. No. 13, Fifth Revised Sheet No. 2
Superseding P.S.C. No. 13, Fourth Revised Sheet No. 2**

**CLASSIFICATION OF SERVICE – RATE SCHEDULES
RESIDENTIAL**

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by residential customers.

CHARACTER OF SERVICE

Firm - within the reasonable limits of the Company's capability to provide such service.

RATES

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate + (GCR)**</u>	<u>= Total Rate</u>
Customer Charge*	\$ 24.00		\$24.00
All Mcf***	\$ 5.2539	\$ 7.1614	\$12.4153 /per 1.0 Mcf

* Residential rates are subject to a \$0.30 fee collected under Delta’s Energy Assistance Program Tariff Rider as set forth on Sheet No. 38 of this tariff. The fee is not included in the Customer Charge.

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

*** Residential rates are subject to the "Conservation/Efficiency Program Cost Recovery Component (CEPRC)" of 0/Mcf. The CEPRC is an adjustment determined in accordance with the Conservation/Efficiency Program Cost Recovery as set forth on Sheets 39 – 42 of this tariff.

Residential rates are subject to a Pipe Replacement Program charge of \$0.00/1.0 Mcf, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

Monthly Surcharge: A monthly surcharge of \$0.87 per Mcf will be added to customer bills effective May 1, 2023 until the following balance is recovered. The purpose of the surcharge is to recover Gas Cost Recovery balances created before and during the transition period associated with the acquisition of Peoples Gas of KY LLC by Delta Natural Gas Company, Inc. The balance is \$8,160,521.

N
N
N
N
/

DATE OF ISSUE: March 20, 2023
DATE EFFECTIVE: May 1, 2023
ISSUED BY: /s/ John B. Brown
John B. Brown, President

**CLASSIFICATION OF SERVICE – RATE SCHEDULES
SMALL NON-RESIDENTIAL***

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by small non-residential customers.

CHARACTER OF SERVICE

Firm - within the reasonable limits of the Company's capability to provide such service.

RATES

	<u>Base Rate</u>	Gas Cost Recovery Rate + <u>(GCR)**</u>	= <u>Total Rate</u>
Customer Charge*	\$ 44.40		\$ 44.40
All Mcf	\$ 4.9739	\$ 7.1614	\$ 12.1353 /per 1.0 Mcf

TERMS AND CONDITIONS

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta's system, and/or requests to revert to the Small Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Small Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Small Non-Residential or Interruptible Service rate schedule.

* Meter no larger than AL425

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

Small Non-Residential rates are subject to a Pipe Replacement Program charge of \$0.00/1.0 Mcf as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

Monthly Surcharge: A monthly surcharge of \$0.87 per Mcf will be added to customer bills effective May 1, 2023 until the following balance is recovered. The purpose of the surcharge is to recover Gas Cost Recovery balances created before and during the transition period associated with the acquisition of Peoples Gas of KY LLC by Delta Natural Gas Company, Inc. The balance is \$8,160,521.

N
N
N
N

DATE OF ISSUE: March 20, 2023
DATE EFFECTIVE: May 1, 2023
ISSUED BY: /s/ John B. Brown
John B. Brown, President

**CLASSIFICATION OF SERVICE – RATE SCHEDULES
LARGE NON-RESIDENTIAL***

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by large non-residential customers.

CHARACTER OF SERVICE

Firm - within the reasonable limits of the Company's capability to provide such service.

RATES

	<u>Base Rate</u>	Gas Cost Recovery Rate + <u>(GCR)**</u>	= <u>Total Rate</u>
Customer Charge	\$ 195.04		\$ 195.04
1 - 200 Mcf	\$ 5.3766	\$ 7.1614	\$ 12.5380 / per 1.0 Mcf
201 – 1,000 Mcf	\$ 3.2307	\$ 7.1614	\$ 10.3921 / per 1.0 Mcf
1,001 – 5,000 Mcf	\$ 2.1947	\$ 7.1614	\$ 9.3561 / per 1.0 Mcf
5,001 – 10,000 Mcf	\$ 1.6743	\$ 7.1614	\$ 8.8357 / per 1.0 Mcf
Over 10,000 Mcf	\$ 1.4141	\$ 7.1614	\$ 8.5755 / per 1.0 Mcf

TERMS AND CONDITIONS

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta's system, and/or requests to revert to the Large Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Large Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Large Non-Residential or Interruptible Service rate schedule.

* Meter larger than AL425

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

Large Non-Residential rates are subject to a Pipe Replacement Program charge of \$0.00/1.0 Mcf, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

Monthly Surcharge: A monthly surcharge of \$0.87 per Mcf will be added to customer bills effective May 1, 2023 until the following balance is recovered. The purpose of the surcharge is to recover Gas Cost Recovery balances created before and during the transition period associated with the acquisition of Peoples Gas of KY LLC by Delta Natural Gas Company, Inc. The balance is \$8,160,521.

N
N
N
N

DATE OF ISSUE: March 20, 2023
DATE EFFECTIVE: May 1, 2023
ISSUED BY: /s/ John B. Brown
John B. Brown, President

**CLASSIFICATION OF SERVICE – RATE SCHEDULES
INTERRUPTIBLE SERVICE**

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by interruptible customers.

CHARACTER OF SERVICE

Firm Service, as available. This rate schedule is designed to make available quantities of natural gas that Company may from time to time have available for sale without impairment of service to customers served under other higher priority rate schedules, and which can be supplied from Company's existing distribution system, subject to the provisions of this rate schedule. Company shall have the right to discontinue the supply of natural gas wholly or in part for such period or periods as, in the sole judgment of Company, may be necessary or advisable to enable it to supply the full gas requirements of its customers served under higher priority rate. Nothing herein shall prevent Company from expanding its obligations under such other rate schedules. Company may decline to accept any additional contracts for service hereunder.

RATES

	<u>Base Rate</u>	Gas Cost Recovery Rate + (GCR)**	<u>= Total Rate</u>
Customer Charge	\$ 267.85		\$ 267.85
1 – 1,000 Mcf	\$ 1.7143	\$ 7.1614	\$ 8.8757 / per 1.0 Mcf
1,001 – 5,000 Mcf	\$ 1.2857	\$ 7.1614	\$ 8.4471 / per 1.0 Mcf
5,001 – 10,000 Mcf	\$ 0.8571	\$ 7.1614	\$ 8.0185 / per 1.0 Mcf
Over 10,000 Mcf	\$ 0.6428	\$ 7.1614	\$ 7.8042 / per 1.0 Mcf

Special Conditions - All customers having a connected load in excess of 2,500,000 Btu input per hour may be required to enter into an Interruptible Sales Agreement. Determinations of those customers so required shall be based on peak day use as well as annual volume and shall be at the sole discretion of the Company. 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.

Any customer required to enter into an Interruptible Agreement shall be permitted to purchase or transport gas under the Interruptible Rate Schedule as set forth on Sheet No. 5. Gas requirements, minimum charges and other specific information shall be set forth in the Agreement.

Interruptible rates are also subject to a Pipe Replacement Program charge of \$0.00/1.0 Mcf, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

Monthly Surcharge: A monthly surcharge of \$0.87 per Mcf will be added to customer bills effective May 1, 2023 until the following balance is recovered. The purpose of the surcharge is to recover Gas Cost Recovery balances created before and during the transition period associated with the acquisition of Peoples Gas of KY LLC by Delta Natural Gas Company, Inc. The balance is \$8,160,521.

N
N
N
N

DATE OF ISSUE: March 20, 2023
DATE EFFECTIVE: May 1, 2023
ISSUED BY: /s/ John B. Brown
John B. Brown, President

DELTA NATURAL GAS COMPANY, INC.

**P.S.C. No. 13, Sixth Revised Sheet No. 6.2
Superseding P.S.C. No. 13, Fifth Revised Sheet No. 6.2**

**CLASSIFICATION OF SERVICE – RATE SCHEDULES
FARM TAP SERVICE**

RATES

	<u>Base Rate</u>	+	<u>Gas Cost Recovery Rate</u> GCR**	= <u>Total Rate</u>
Customer Charge *	\$ 24.00			\$ 24.00
All Mcf	\$ 3.2110		\$ 7.1614	\$ 10.3724

* Residential farm tap rates are subject to a \$0.30 fee collected under Delta’s Energy Assistance Program Tariff Rider as set forth on Sheet No. 38 of this tariff. The fee is not included in the Customer Charge.

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with Sheets No. 13 and 14 of this tariff.

Monthly Surcharge: A monthly surcharge of \$0.74 per Mcf will be added to bills for the former Peoples Gas of KY LLC customers and \$0.87 per Mcf for all other farm tap customers effective May 1, 2023 until the following balances are recovered. The purpose of the surcharge is to recover Gas Cost Recovery balances created before and during the transition period associated with the acquisition of Peoples Gas of KY LLC by Delta Natural Gas Company, Inc. The balances are \$320,990 for the former Peoples Gas of KY LLC customers and \$8,160,521 for the Delta Natural Gas Company, Inc. customers.

N
N
N
N
N
N

SPECIAL CHARGES APPLICABLE TO FARM TAP CUSTOMERS

New installations: \$150.00 fee

Reconnections and Turn-ons: \$25.00 fee plus payment of all past due amounts

The special charges set forth herein are in addition to the special charges set forth elsewhere in the Tariff that likewise apply to customers taking Farm Tap Service.

DATE OF ISSUE: March 20, 2023
DATE EFFECTIVE: May 1, 2023
ISSUED BY: /s/ John B. Brown
John B. Brown, President