

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL GAS            )  
COMPANY, INC. TO EXTEND ITS NATURAL GAS        ) CASE NO. 2009-00066  
SUPPLY HEDGING PLAN TO MARCH 31, 2012        )

I N T E R I M   O R D E R

The natural gas supply hedging plan approved for Delta Natural Gas Company, Inc. ("Delta") is scheduled to expire March 31, 2009. Delta's application in this matter requests that its current plan be extended, without modification, for three years, through March 31, 2012. It subsequently filed an amended application requesting that the Commission enter an interim Order to allow Delta to continue its existing gas supply hedging plan through the upcoming May through November injection period and the 2009-2010 winter heating season or until such time as a final Order is issued on its original application.

Delta states that its request for an interim Order is based on its desire to take advantage of natural gas pricing changes that are favorable to its customers. Futures prices for natural gas currently reported on the New York Mercantile Exchange ("NYMEX") are lower than the prices at which Delta purchased gas for the 2008 summer injection season. Delta seeks an interim Order so it will have Commission approval to take advantage of prices in the near-term future if those prices are favorable to it and its customers.

The Commission appreciates the nature of Delta's request. In 2008, it was not uncommon for Delta, as well as other Kentucky local gas distribution companies

("LDCs"), to inject gas into storage during the summer injection season at prices exceeding \$10.00 per Mcf.<sup>1</sup> We note that recent prices reported by NYMEX for all of 2010 are substantially below the prices available for much of 2009. Accordingly, we conclude that the interim approval which Delta seeks is reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. Delta's request for an interim Order authorizing it to continue its current natural gas supply hedging program for the 2009 injection season and the 2009-2010 heating season is approved.

2. Unless a change in circumstance prior to the issuance of a final Order in this proceeding necessitates a different approach, Delta continues to be under the filing requirements imposed in its previous gas supply hedging case, Case No. 2006-00071.<sup>2</sup>

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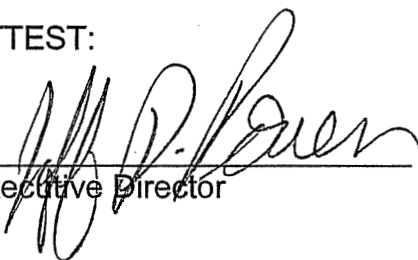
<sup>1</sup> The Kentucky LDCs' regular gas cost adjustment filings with the Commission reflected prices at these levels for a significant portion of the 2008 injection season. Historical NYMEX data shows that prices for natural gas at Henry Hub in Louisiana were above \$10 from mid-April to mid-August of 2008. In order to have an adequate supply of gas in storage for the current heating season, the LDCs were required to inject gas when the industry was experiencing double-digit prices.

<sup>2</sup> Case No. 2006-00071, The Application of Delta Natural Gas Company, Inc.'s Request for Natural Gas Hedging Plan to be Extended until 3/31/09, (Ky. PSC April 4, 2006).

Done at Frankfort, Kentucky, this 10th day of March, 2009.

By the Commission

ATTEST:

  
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Executive Director

Honorable Robert M Watt, III  
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