

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JUN 21 2010

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL GAS)
COMPANY, INC. FOR AN ADJUSTMENT) CASE NO. 2010-00116
OF RATES)

SUPPLEMENTAL REQUESTS FOR INFORMATION
OF THE ATTORNEY GENERAL

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Supplemental Request for Information to Delta Natural Gas Company, Inc. to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

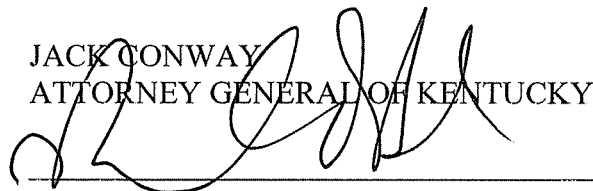
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL OF KENTUCKY



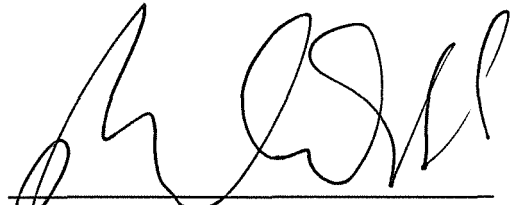
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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 21st day of June, 2010, I have filed the original and ten copies of the foregoing with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

Honorable Robert M. Watt, III
Stoll Keenon Ogden PLLC
300 West Vine St., Suite 2100
Lexington, KY 40507-1801

John B. Brown
Chief Financial Officer, Treasurer and Secretary
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391



Assistant Attorney General

DELTA NATURAL GAS COMPANY, INC.

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1. Please refer to the company's answer to PSC 2-46. Would the company agree that its loss of \$867,900.00 in acct no. 1.823.0000, Storage Gas Losses, is not a normally recurring expense? If not, please explain in detail.
2. Please refer to the company's answer to PSC 2-6. With regard to increase in Outside Services – Accounting costs, please indicate the portion of these costs that are recurring and the portion that are non-recurring. In responding to this question, please provide these costs for the last five years.
3. Please refer to the company's answer to PSC 2-6. With regard to increase in medical coverage expenses, please provide these costs for the last five years, breaking out separately the expenses associated with medical coverage and stop loss premiums.
4. Please refer to the company's answer to AG 1-24. With regard to Delta works orders 525-484, 525-490, 525-528 and 525-579, these projects are described as being necessary to increase Delta's off-system transportation capacity.
 - a. How much of the expenses associated with these projects are to be recovered through Delta's Off-System Transportation tariff?
 - b. Does Delta believe that these expansions provide benefits to its other ratepayer classes? If so, please describe those benefits in detail for each class.
 - c. With regard to Mr. Seelye's testimony Page 17, Lines 1-4. Does the rate increase proposed for the Off-System Transportation tariff fully recover the costs of these expenses? If not, please explain in detail why not.
 - d. Referring to your answer to part C of this question. If the costs of these expansions are not fully covered by the increase proposed in the Off-System Transportation tariff, would Mr. Seelye agree that the other classes of ratepayers are subsidizing the Off-System Transportation customers? If not, please explain in detail why not.
 - e. What is the effect of the expansions for off-system transportation capacity upon Delta's proposed depreciation rates?
 - f. If the costs of these expansions were excluded, what would be the effect on Delta's pro forma depreciation expense? If the company declines to perform the necessary calculations, please provide the relevant information necessary to perform these calculations as part of your response.
 - g. Please refer to Seelye Exhibit 6, Page 20. Given that the expansions referenced herein were specifically for off-system transportation customers, why are no depreciation expenses included in the allocation for unit cost?
5. Please refer to the Seelye testimony, Page 13, Line 12. With regard to the Special Contracts customers, please provide.
 - a. A breakdown of revenue from each special contract customer by customer and month for the last five year.
 - b. A breakdown of the throughput (usage) of each special contract customer

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- by customer and month for the last five years.
- c. Please provide a copy of the contract for each special contract customer, including the inception and expiration dates of the contract.
 - d. Do the contracts Delta has with its special contracts customers contain any price escalation clauses? If so, please provide the relevant language, by customer, for each special contracts customer.
 - e. Given that the rate of return listed in Seelye Exhibit 6, Page 16 indicates that the Special Contracts customer class is only returning 0.79% to the company, please explain in detail the company's reasoning behind its decision to exclude Special Contract customer from any increase.
6. Please refer to the Seelye testimony, Page 19, Lines 6-18. With regard to the projects listed in the response to AG 1-24, concerning expansions necessary to increase Delta's off-system transportation capacity:
 - a. Please indicate how these costs were allocated under Mr. Seelye's cost of service study.
 - b. Please indicate where in Exhibit 5 & 6 these costs can be found.
 7. Please refer to the Seelye testimony, Page 13, Lines 2-3. As the increases in revenue proposed by the company allocate no increase to the Special Contracts customers, would Mr. Seelye agree that as a result of this treatment, the Special Contracts customers are being subsidized by the other customer classes? If not, please explain in detail why not
 8. Please refer to the Blake testimony, Page 14, Lines 16-20. Dr. Blake notes that Delta is about 54.5% debt financed based on its capital structure in this case. Would Dr. Blake agree that the company, rather than its ratepayers, controls the amount of debt assumed by the company? If not, please explain in detail why not.
 9. Please refer to the Blake testimony, Page 27, Lines 7-12. Please list all cases in which Dr. Blake's recommendation of a size premium was adopted by the relevant jurisdictional authority. As part of this answer, please provide the case number, state, and the date of the decision.
 10. Please refer to the Blake testimony, Page 2, Lines 9-12. Regarding Dr. Blake's testimony in Delta's prior rate cases, please indicate the return on equity recommended by Dr. Blake in those cases.
 11. Please refer to Tab 27, Schedule 8. Please provide the monthly balances and cost rates for both long term and short term debt for the last five years.
 12. Please refer to Tab 27, Schedule 4, Line 18, Account No. 352 – Storage Wells. In Delta's last rate case (2007-00089) this accounts balance was \$360,583.00, the current rate case lists this balance as \$2,876,146.00. Please provide a description, in

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detail, explaining the increase in the account balance including the customer classes effected by the increase.

13. Please refer to Tab 27, Schedule 4, Line 28, Account No. 3651 – Land & Rights. In Delta's last rate case (2007-00089) this accounts balance was \$56,999.00, the current rate case lists this balance as \$140,670.00. Please provide a description, in detail, explaining the increase in the account balance including the customer classes effected by the increase.
14. Please refer to Tab 27, Schedule 4, Line 31, Account No. 366 – Structures & Improvements. In Delta's last rate case (2007-00089) this accounts balance was \$182,239.00, the current rate case lists this balance as \$250,172.00. Please provide a description, in detail, explaining the increase in the account balance including the customer classes effected by the increase.
15. Please refer to Tab 27, Schedule 4, Line 32, Account No. 367 – Transmission Mains. In Delta's last rate case (2007-00089) this accounts balance was \$41,447,022.00, the current rate case lists this balance as \$42,032,176.00. Please provide a description, in detail, explaining the increase in the account balance including the customer classes effected by the increase.
16. Please refer to Tab 27, Schedule 4, Line 33, Account No. 368 – Compressor Station Equipment. In Delta's last rate case (2007-00089) this accounts balance was \$2,463,406.00, the current rate case lists this balance as \$7,576,006.00. Please provide a description, in detail, explaining the increase in the account balance including the customer classes effected by the increase.
17. Please refer to Tab 27, Schedule 4, Line 34, Account No. 369 – Measuring & Regulating Station Equipment. In Delta's last rate case (2007-00089) this accounts balance was \$2,665,648.00, the current rate case lists this balance as \$3,384,707.00. Please provide a description, in detail, explaining the increase in the account balance including the customer classes effected by the increase.
18. Please refer to Tab 27, Schedule 4, Page 2, Line 4, Account No. 376 – Distribution Mains. In Delta's last rate case (2007-00089) this accounts balance was \$61,423,134.00, the current rate case lists this balance as \$66,875,341.00. Please provide a description, in detail, explaining the increase in the account balance including the customer classes effected by the increase.
19. Please refer to Tab 27, Schedule 4, Page 2, Line 7, Account No. 380 – Services. In Delta's last rate case (2007-00089) this accounts balance was \$12,658,475.00, the current rate case lists this balance as \$13,709,008.00. Please provide a description, in detail, explaining the increase in the account balance including the customer classes effected by the increase.

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20. Please refer to Tab 27, Schedule 4, Page 2, Line 8, Account No. 381 – Meters. In Delta's last rate case (2007-00089) this accounts balance was \$8,917,576.00, the current rate case lists this balance as \$9,302,928.00. Please provide a description, in detail, explaining the increase in the account balance including the customer classes effected by the increase.
21. Please refer to Tab 27, Schedule 4, Page 2, Line 10, Account No. 383 – House Regulators. In Delta's last rate case (2007-00089) this accounts balance was \$3,093,300.00, the current rate case lists this balance as \$3,478,550.00. Please provide a description, in detail, explaining the increase in the account balance including the customer classes effected by the increase.
22. Please refer to Tab 27, Schedule 4, Page 2, Line 16, Account No. 392 – Autos & Trucks. In Delta's last rate case (2007-00089) this accounts balance was \$3,868,757.00, the current rate case lists this balance as \$4,201,697.00. Please provide a description, in detail, explaining the increase in the account balance including the dates on which any new equipment was placed in service.
23. Please refer to Tab 27, Schedule 4, Page 2, Line 4, Account No. 396 – Power Operated Equipment. In Delta's last rate case (2007-00089) this accounts balance was \$2,779,542.00, the current rate case lists this balance as \$3,294,567.00. Please provide a description, in detail, explaining the increase in the account balance including the dates on which any new equipment was placed in service.
24. Please refer to Tab 27, Schedule 4, Page 2, Line 25, Account No. 3992 – Computer Software. In Delta's last rate case (2007-00089) this accounts balance was \$2,525,991.00, the current rate case lists this balance as \$3,720,474.00. Please provide a description, in detail, explaining the increase in the account balance including the customer classes effected by the increase and the dates on which any new software was placed in service.
25. Please refer to Tab 27, Schedule 6, Line 5, Gas In Storage. In Delta's last rate case (2007-00089) the 13 month average balance was \$9,879,627.00, the current rate case lists this balance as \$3,777,901.00. Please provide a description, in detail, explaining the decrease in the account balance including the customer classes effected by the decrease.
26. Please refer to Tab 27, Schedule 6, Line 6, Unamortized Debt Expense Per Books. In Delta's last rate case (2007-00089) the balance was \$5,704,177.00, the current rate case lists this balance as \$4,542,382.00. Please provide a description, in detail, explaining the decrease in the account balance including the customer classes effected by the decrease.

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27. Please refer to Tab 27, Schedule 6, Line 1, Total Utility Plant in Service Per Books. In Delta's last rate case (2007-00089) the balance was \$182,191,296.00, the current rate case lists this balance as \$199,027,425.00. Please provide a description, in detail, explaining the increase in the account balance including the customer classes effected by the increase.
28. In Delta's 2001 Annual Report the company stated that it had "Gas Utility Plant" at a cost of \$147,792,390 and had 38,983 total retail customers. From the company's June 30, 2009 10-K filing, Delta states that it serves approximately 37,000 customers and lists its Total Utility Plant in the application at \$199,027,424.00.
- a. Please explain in detail why Delta has invested approximately \$51 million in additional Plant since 2001 while losing approximately 2000 of its customers?
 - b. Is Delta of the opinion that it is to be compensated by its ratepayers for its investments in Plant even if those investments generate no customer growth or increased sales?
 - c. Please explain in detail how the additional \$51 million investment in Plant since 2001 has benefitted Delta's customers.
29. In Delta's June 30, 2006 10-K filing, Delta states that it serves approximately 38,000 customers and lists its Total Utility Plant at \$182,155,110.00. From the company's June 30, 2009 10-K filing, Delta states that it serves approximately 37,000 customers and lists its Total Utility Plant in the application at \$199,027,424.00.
- a. Please explain in detail Delta's rationale for investing approximately \$17 million in additional Plant since 2006 while losing approximately 1000 of its customers?
 - b. Does Delta believe that its shareholders should be responsible for any of these investments? If so, please explain in detail how?
 - c. Please explain in detail how the additional \$17 million investment in Plant since 2006 has benefitted Delta's customers even though these it appears that these investments generated no customer growth or increased sales.
30. Please refer to the company's answer to AG 1-24. With regard to Delta works orders 525-484, 525-490, 525-528 and 525-579, the answer states that the economic feasibility of these expansion projects were evaluated by company management. Please describe in detail Delta's economic feasibility evaluation process and provide copies of all documents related to the economic feasibility studies of the referenced projects.
31. Please refer to the Application Section 10(1)(a)1, Second Paragraph, where it is stated that " Delta has been unable to earn the return authorized in its last rates case

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in 2007 due in large part to reduced consumption by its customers.”

- a. Please explain in detail whether Delta believes that its rate of return as been exclusively harmed by the reduced consumption of its customers? If not, please list any other factors Delta believes affects its ability to earn its authorized return.
 - b. Please explain in detail what effect, if any, Delta believes that its investment of \$51 million in additional Plant since 2001, while losing approximately 2000 customers, has had on its rate of return? Did this investment increase Delta's return?
 - c. In light of Delta's claim that its customers have reduced their consumption, has Delta considered reducing its investments in Plant unless those investments expand its sales or its customers? If not, please explain in detail why not?
32. Please refer to the company's answer to AG 1-24 and the Seelye testimony, Page 26, Table 2 and Seelye Exhibit 3 Page 1. In the answer to AG 1-24, the company states that Delta works orders 525-484, 525-490, 525-528 and 525-579 were done primarily to increase off-system transportation capacity. It appears that the total cost for these projects is \$7,804,047, leaving approximately \$9.2 million (\$17 million increase in Plant minus \$7.2 for off-system transportation projects) in plant projects for the remaining customer classes since 2006.
- a. In Seelye Exhibit 3, Page 1, the company proposes to collect an additional \$253,030.00 from the Off-System Transportation class on an annual basis. Please explain in detail the company's rationale for collecting only 4.7% of the proposed \$5.3 million dollar increase from the class of customers that consumed 48% of its capital budget since 2006?
 - b. In Seelye Exhibit 3, Page 1, the company proposes to collect an additional \$3,538,987.00 from the Residential class on an annual basis. Please explain in detail the company's rationale for collecting the bulk (67%) of the proposed \$5.3 million dollar increase from the class of customers that consumed only a little over half (54%) of its capital budget since 2006?
 - c. Referring to Table 2 on Page 26 of the Seelye testimony, it appears that the Off-System Transportation rate has a proposed increase of only 1.67%, while the proposed Residential rate increases by 4.75%. Assuming those rates are approved, Does Mr. Seelye believe it is in the best interest of Delta's residential customers for the company to continue to its off-system transportation capacity? If so, why? Does Mr. Seelye believe that Delta's residential customers are subsidizing the costs for the increases to Delta's off-system transportation capacity? Please fully explain your answers.

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33. Referring to Table 2 on Page 26 of the Seelye testimony, assuming the increases proposed are approved, it appears that the Delta's Total Transportation rates will provide only \$8,067,973.00 in revenue to the company. Does Mr. Seelye it was a cost effective use of Delta's capital to increase its Off-System Transportation Plant by \$7,804,047 since 2006? If so, why? Please fully explain your answer.
34. Referring to Table 2 on Page 26 of the Seelye testimony, assuming the increases proposed are approved, it appears that the Delta's Total Retail rates provide \$43,017,469.00 in revenue to the company. Does Mr. Seelye it was a cost effective use of Delta's capital to increase its Plant for its remaining customer classes by approximately \$9.2 million since 2006? If so, why? Please fully explain your answer.
35. Please provide a table indicating the taxable compensation (breaking out base salary and including any bonuses, fringe benefits such as company cars, stock plans, etc.) of all of the corporate officers of Delta since 2000.