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March 20, 2013

HAND DELIVERED

Hon. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601

Re: Case No. 2012-00428
Delta Natural Gas Company, Inc.

Dear Mr. Derouen:

Enclosed are an original and fourteen (14) copies of the response of Delta Natural Gas Company, Inc. to the Commission Staff's first request for information in the above-styled case. Delta's response is for Delta only, and Delta understands that Atmos Energy Corporation and Columbia Gas of Kentucky, Inc. plan to respond individually.

Enclosed are an original and fourteen (14) copies of Delta's response to the Attorney General's initial request for information in the above-styled case. Delta has responded to those data request items that it determined were applicable to the Company. All other requests for information from the Attorney General not addressed in this response were considered as relating to electric issues and Delta had no further pertinent information to provide on those items. Delta's response is for Delta only, and Delta understands that Atmos Energy Corporation and Columbia Gas of Kentucky, Inc. plan to respond individually.

Please acknowledge receipt of this filing by stamping the extra copy of the cover letter and returning to Delta.

Sincerely,

Robert M. Watt, III

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MAR 20 2013
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COMMISSION

Hon. Jeff Derouen
March 18, 2013
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rmw:rmw
Enclosures
cc: Service List (w/encl.)

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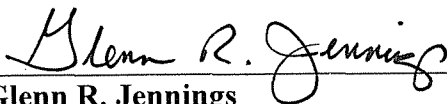
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CONSIDERATION OF THE IMPLEMENTATION)
OF SMART GRID AND SMART METER) **CASE NO. 2012-00428**
TECHNOLOGIES)

VERIFICATION

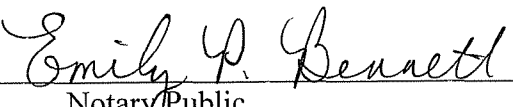
The undersigned, **Glenn R. Jennings**, being duly sworn, deposes and states that he is Chairman of the Board, President and CEO of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained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



Glenn R. Jennings

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of March, 2013.

 (SEAL)

Notary Public

My Commission Expires:

6/20/2016



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DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2012-00428

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DATED FEBRUARY 27, 2013

96. Refer to the Joint Direct Testimony of Glenn R. Jennings on Behalf of Atmos Energy Corporation, Columbia Gas of Kentucky, Inc., and Delta Natural Gas Company, Inc. (“Joint LDC Testimony”), page 3, lines 2 through 4, which states “Atmos and Columbia have some automated meter reading and Delta has had 100% automated meter reading for its customers for several years.” Provide the following:
- a. total number of automated meter reading meters installed by Delta Gas, total number of customers involved, and benefits Delta and its customers have received from the installation of the automated meter reading meters.
 - b. total number of automated meter reading meters installed by Atmos Energy, total number of customers, any benefits Atmos and its customers have received from the installation of the automated meter reading meters, and any plans to convert more of its system to automated meter reading.
 - c. total number of automated meter reading meters installed by Columbia KY, total number of customers, any benefits Columbia KY and its customers have received from the installation of the automated meter reading meters, and any plans to convert more of its system to automated meter reading.

Response:

Delta has approximately 36,000 residential and commercial customers served with mechanical meters. Delta did not replace its mechanical meters with automated meters. Rather, meter reading devices were installed on Delta’s existing mechanical meters for all of these customers in order to remotely read the mechanical meters. These were installed to provide efficiency and accuracy for reading meters in a timely fashion, thus benefitting Delta and Delta’s customers. Delta began purchasing the meter reading devices, which are Encoder Receiver Transmitters, or ERTs, in 1996. Delta installed some then on a limited basis, and then in 1997 acquired more and for several years after that purchased and installed more each year until the Company completed the ERT installations company-wide in 2004.

These are not smart meters, which are assumed to be meters that provide communication with the customers or that provide detailed intra-day information. Delta did not pursue any smart meters. Delta’s meters are all traditional mechanical meters. Delta’s efforts over those years were to improve the meter reading process. The intent of installing the ERTs was to capture meter readings and simplify Delta’s meter reading procedures. The ERTs are devices that are installed on each meter to detect and transmit meter readings to

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lap top computers that capture the meter readings in Delta's service vehicles and then download the reading information into Delta's computer systems for bill calculation and billing purposes. In Glenn Jennings' Joint Testimony in this proceeding, Delta's reference to this as "automated meter reading facilities" on page 3, line 1 was with respect to the ERTs.

Sponsoring Witness:

Glenn R. Jennings

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97. Refer to the “Natural Gas in a Smart Energy Future” white paper (“white paper”), discussed on pages 4 and 5 of the Joint LDC Testimony and filed in the record of Case No. 2008-00408.
- a. Explain what kind of actions Atmos Energy, Columbia KY, and Delta Gas (collectively “the Joint LDCs”) foresee they can realistically take on their own systems to create or enhance key capabilities within:
 - i. the “Supply” sector, as enumerated in the bullet points in the first half of page 3 under the heading *Achieving the Vision* pages and further discussed on pages 11 through 14.
 - ii. the “Delivery” sector, as enumerated in the bullet points in the bottom half of page 3 under the heading *Achieving the Vision* and further discussed on pages 11, 14, and 15.
 - iii. the “End Use” sector, as enumerated in the bullet points in the middle of page 4 under the heading *Achieving the Vision* and further discussed on pages 11, 15, and 16.
 - b. To the extent that any of the Joint LDCs have already taken actions to develop the capabilities and improved technologies in the sectors referenced in part a. above, explain in detail what has been accomplished.
 - c. Explain to what extent any of the capabilities and improved technologies referenced in a. above are unrealistic for a jurisdictional LDC in Kentucky to undertake.
 - d. Provide specific comments on each bullet point on pages 5 and 6 in the **Recommendations for Action** section, paying special attention to each action that the Joint LDCs recommend be accomplished by Kentucky policymakers and industry and their suggestions for achieving those actions.
 - e. Discuss the five categories of benefits of a smarter gas infrastructure which are listed as bullet points on page 17 and are further discussed through page 22. The discussion should include the extent to which the Joint LDCs have achieved, are in the process of achieving, or have plans to achieve an increased level of infrastructure performance as it relates to the five categories.

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- f. To the extent not previously addressed, discuss the 20 functions included in the table on page 27 that would contribute to achieving the objectives of energy resources and infrastructure being clean and sustainable; reliable and secure; affordable and efficient; and robust and flexible as outlined on page 26, as they relate to jurisdictional Kentucky LDCs and their ability to achieve the benefits included in the table on page 33.

Response:

- a. This 2011 White Paper developed by GTI and Navigant was included to provide the authors' vision as set forth on page 1 in the foreword "of a smart energy infrastructure integrating natural gas with electricity from multiple sources, including renewables", in what they describe as a "smart energy future". The White Paper promotes the thesis that "natural gas' importance to electric smart grid implementation is critical and should be viewed as part of a broader smart energy future". The White Paper was submitted in this proceeding to provide the views of the White Paper authors for consideration by the Commission. The sector items are beyond Delta's singular capabilities and resources, but might be possible on a statewide, coordinated basis. Delta's concern was, and is, that natural gas does play a key role in meeting customers' energy needs and should be considered further, where feasible, in policy and other decisions as related to smart grid development and deployment.
- a.i. Delta does not serve any gas-fired generation and thus has nothing to add or elaborate on with respect to the "Supply" discussion in that regard. Delta is willing to assist in providing service to electric generation facilities that locate on its system, and will work with any such generators in all these areas as needed just as it does with any potential new customer.
- a.ii. Delta has an adequate infrastructure for current and foreseeable needs. Delta is actively working to provide capabilities on its system for alternatively-fueled vehicles to utilize compressed natural gas ("CNG") as a vehicular fuel. Delta monitors its system to insure needed volumes and pressures are available. Gas quality is monitored and managed to meet customers' needs.
- a.iii. Delta only has natural gas as the fuel source it provides. Delta provides information on natural gas to customers. Delta's Demand Side Management (DSM) program provides information to customers and promotes conservation and efficient end uses of natural gas.

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- b. Delta is involved and participates with funding to the Gas Technology Institute (“GTI”) for developing and improving gas technologies. Delta has developed and implemented its active DSM program to inform customers and to promote conservation and the efficient use of natural gas.
- c. The items set forth in the “Supply” sector would not be used by Delta until electric power plants on Delta’s system convert to utilizing natural gas for generation needs and then request Delta to provide service. The items set forth in the “Delivery” sector, where applicable, are already addressed by Delta in its current operation. As new technologies are developed in the utility industry, they will be considered and implemented where appropriate. The items set forth in the “End Use” sector, where applicable, are already addressed by Delta in its current operation. Due to Delta’s smaller size and more limited resources, it would be difficult to develop for Delta to develop many of the capabilities and improved technologies not already in place.

Delta’s primary concern and reason for participating in this proceeding is to monitor the ongoing information exchange and to suggest that natural gas be considered if smart grid development occurs so that natural gas can be part of the solution. As indicated in Glenn Jennings’ Joint Testimony in this proceeding on page 3, utilization of natural gas “in many areas, including for space heating, water heating, cooking and clothes drying, should be considered as a way to lessen electricity demand and the resultant need to generate electricity. Any effort to utilize smart metering and smart grid methods should also consider natural gas as an option for customers. Natural gas should be used where it has higher value and is an efficient way to meet energy needs”. Delta recommends that natural gas be used in its highest and best values in end-use applications.

- d. The five bullet points listed under “Research and Development/Budget” extend beyond Delta’s individual capabilities and require involvement by all segments of the utility industry, including Federal and state policy makers. Delta would be pleased to be included in any collaborative efforts for these items. The eight bullet points listed under “Regulatory” likewise extend beyond Delta’s individual capabilities and require involvement and coordination by regulators and industry participants on both a state and national level. The eleven bullet points listed under “For Industry” are being done by Delta where it can participate, in areas such as insuring that its facilities meet the needs of all current and future end-uses and providing information to its customers.

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Many of these bullet points under these three categories mentioned above are broad in scope and require involvement of all electric and natural gas utilities in Kentucky. Many are even broader and more national in scope. Delta would be pleased to participate where it can with the other utilities and the Commission in working in all these areas. The bullet points relating to customer information/communication are more specifically possible for Delta, as the Company already does such communications and certainly could help further with these areas. All other bullet point areas are broader than just Delta. The Company has no more specific comments that would elaborate any more than is already reflected in those bullet points on pages 5-6 of the White Paper. Due to the abundant supply of natural gas, Delta encourages policymakers to include natural gas in future smart grid or smart energy considerations.

- e. Under the caption “Benefits of a Smarter Gas Infrastructure”, the sub-caption “Safety Benefits” applies already to Delta. Delta operates its system and provides employee training and customer and public information. Delta will consider any technology developments that occur that will assist in this area in the future. The sub-caption “Economic Benefits” is already addressed where appropriate by Delta as it pursues operating its pipeline facilities and system in an efficient and effective method to meet the needs of its customers. Delta will consider technology developments that occur in the future in any area of its operations. Delta already operates and maintains its system and expands it appropriately to emphasize reliability and to thus meet the requirements of customers in its service area. This includes distribution, transmission and underground storage. Delta does and will continue to address the sub-caption “Reliability and Service Quality Benefits” where appropriate. Delta always strives to utilize its system to the maximum extent possible, and safety is a very important component of the Company’s culture and operations. Reliability is sought in all Delta does. The sub-caption “Environmental Benefits” shows some benefits from the further utilization of natural gas, and the environmental benefits of natural gas are emphasized. Delta plans to participate and assist in further utilization where possible on its system and will work with electric utilities and the Commission in this regard. The sub-caption “Energy Security Benefits” demonstrates that increased usage of natural gas produced in our country also helps with improving national energy security by lessening our country’s dependence on imported fuel sources. Increased utilization of natural gas as a vehicular fuel will assist in lessening our state and national dependence on imported oil. Delta is willing to work with the Commission and others in the state to help facilitate this.

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- f. Delta has no further comments on these items that are not already reflected in earlier responses. Delta would participate to any extent possible and work cooperatively with the Commission and other utilities in future development and implementation, especially as technological improvements are developed within the utility industry.

Sponsoring Witness:

Glenn R. Jennings

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113. Provide a description of the type of meters (mechanical, electro-mechanical, AMR [one-way communication], AMI [two-way communication]) currently used by the utility. Include in the description the reasons the current meters were chosen and any plans to move to a different type of metering configuration.

Response:

Delta utilizes mechanical meters that include ERTs to enable the meters to be read remotely. See Delta's Response to Item 96. There are no current plans to do anything different.

Sponsoring Witness:

Glenn R. Jennings

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114. If either AMR or AMI metering is in use, state whether the utility has received any customer complaints concerning those meters. If the response is yes, provide the following:
- a. the number of complaints, separated by gas and electric if a combination utility, along with the total number of customers served.
 - b. how the complaints were addressed by the utility.
 - c. a detailed explanation as to whether customers should have the ability to opt out of using either AMR or AMI metering.
 - d. If customers were to be given the opportunity to opt out of using either AMR or AMI metering, provide:
 - i. an explanation as to whether the utility should establish a monthly manual metering reading tariff or charge applied to the opt-out customers to recover the costs associated with manually reading the non-AMR or -AMI accounts.
 - ii. an explanation as to whether these opt-out customers could still receive benefit from the utility using either AMR or AMI metering.
 - iii. an explanation addressing the point at which opt-out customers either in terms of number of customers or a percent of customers, affect the benefits of the utility using either the AMR or AMI metering.

Response:

Delta does not utilize AMR or AMI metering. Delta utilizes a standard mechanical meter that includes ERTs to provide for reading those mechanical meters remotely for use in calculating consumption for billing purposes.

Sponsoring Witness:

Glenn R. Jennings

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115. In testimony, each utility cited cyber security as an area of concern related to the implementation of Smart Grid technologies. Provide and describe your company's policy regarding cyber security or the standard your company has adopted governing cyber security. If your company has not adopted any policy or standard, identify and describe any industry or nationally recognized standards or guidelines that you may be aware of that the Commission should consider relating to cyber security issues and concerns.

Response:

It appears that this item is more related to metering smart grid customers using AMR technology that communicates directly with the Company's IT systems. Since Delta's ERTs do not have direct connectivity into its systems, Delta has not identified cyber security risk associated with this technology.

Delta does not have a formal written cyber security practice or policy that conforms to any nationally recognized frameworks. Delta is in the process of completing a cyber security evaluation tool from the Department of Homeland Security.

Delta maintains its Sarbanes-Oxley ("Sarbox") documentation that sets forth some of its security controls, which includes customer information and metering. Delta has additional IT security controls not included in its Sarbox documentation that assist in mitigating cyber security risk.

Sponsoring Witness:

Glenn R. Jennings

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116. If not previously addressed, provide a detailed discussion of whether deployment of smart meters should allow an opt-out provision.

Response:

Delta does not at this time have any plans to deploy smart meters.

Sponsoring Witness:

Glenn R. Jennings