

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On March 20, 2023, Delta Natural Gas Company, Inc. (Delta) filed an application to establish Gas Cost Recovery (GCR) residual surcharges with a proposed effective date of May 1, 2023. Along with the application, Delta provide a customer notice in accordance with 807 KAR 5:011, Section 8. On April 21, 2023, Delta filed an affidavit of proof of publication of its customer notice.

BACKGROUND

On February 22, 2021, the transfer of ownership of Peoples Gas KY, LLC (Peoples) to Delta was completed following the closing of Case No. 2020-00346.¹ For a period after the transfer, Delta maintained a separate GCR rate for Peoples' system and Delta's existing system. In Case No. 2021-00185, Delta requested a unified GCR rate for the Delta and former Peoples' systems in order to eliminate customer confusion and to minimize the amount of filings to the Commission.² The Commission approved Delta's

¹ Case No. 2020-00346, *Electronic Application of Essential Utilities, Inc., PNG Companies LLC, Peoples Gas KY LLC, And Delta Natural Gas Company, Inc. for (1) A Declaratory Order and (2) Increase in Rates for Peoples Gas KY LLC* (Ky. PSC Feb. 22, 2021).

² Case No. 2021-00185, *Electronic Application of Delta Natural Gas Company, Inc. for an Adjustment of Its Rates and a Certificate of Public Convenience and Necessity* (Ky. PSC Jan. 3, 2022), Order at 27.

request to consolidate its GCR rates for the Delta and former Peoples' gas system.³ The Commission indicated that the GCR report would initially only include the combined system's Expected Gas Cost (EGC) in the calculation of the GCR rate, and that subsequent consolidated Actual Cost Adjustment (ACA) and consolidated Balancing Adjustment (BA) would be implemented in future unified GCR filings.⁴

Delta's last separate GCR rate was approved in Case No. 2021-00461,⁵ and Peoples' last separate GCR rate was approved in Case No. 2021-00450.⁶ Delta filed its first consolidated GCR rate report in Case No. 2022-00100⁷ with a combined EGC component and separate ACA and BA components for Delta's legacy system and Peoples' system. However, the case was closed on Delta's request with the previously approved separate GCR rates for Delta and former Peoples remaining in effect until the next quarterly GCR rate report filing. Delta's first consolidated GCR rate report was approved by the Commission in Case No. 2022-00191 for an effective date of July 25, 2022.⁸

The Commission's approval of a consolidated GCR rate report for the Delta and former Peoples gas system in Case No. 2022-00191 resulted in residual gas procurement

³ Case No. 2021-00185, Jan. 3, 2022 Order at 26–28.

⁴ Case No. 2021-00185, Jan. 3, 2022 Order at 27.

⁵ Case No. 2021-00461, *Electronic Purchased Gas Adjustment Filing of Delta Natural Gas Company, Inc.* (Ky. PSC Jan. 21, 2022).

⁶ Case No. 2021-00450, *Electronic Purchased Gas Adjustment Filing of Peoples Gas KY, LLC* (Ky. PSC Jan. 28, 2022).

⁷ Case No. 2022-00100, *Electronic Purchased Gas Filing of Delta Natural Gas Company, Inc.* (Ky. PSC Aug 31, 2022).

⁸ Case No. 2022-00191, *Electronic Purchased Gas Filing of Delta Natural Gas Company, Inc.* (Ky. PSC July 22, 2022).

costs related to each separate gas system that were not recovered when the consolidated GCR rate report became effective. The previously approved separate GCR rates for the Delta and former Peoples gas system included quarter ACA and BA components that were calculated to be in effect for a 12-month period in order to collect the total amount under- or over-recovered for each calendar quarter, but those amounts were not included in the consolidated GCR rate. In Case No. 2022-00422,⁹ Delta proposed GCR residual tracker surcharges as part of its GCR rate report with a proposed effective date of January 25, 2023. In its January 24, 2023 Order the Commission approved Delta's consolidated GCR rate but denied Delta's proposed GCR residual surcharges.¹⁰ The Commission determined that Delta's proposed residual surcharges would represent a proposed change to its Gas Cost Adjustment Clause mechanism as opposed to a change in the quarterly inputs to the mechanism and would be outside of the Gas Cost Adjustment Clause calculation as set forth in Delta's tariff.¹¹ Thus, the implementation of Delta's proposed GCR residual surcharges would require an amended tariff and customer notice pursuant to 807 KAR 5:011, Section 8. The Commission directed Delta to file a separate application proposing residual tracker surcharges to true up any under- or over-recovery of the EGC, ACA, and BA of the separate system's GCR rates with 30 days' notice to the Commission and public and customer notice of the proposed change.¹²

⁹ Case No. 2022-00422, *Electronic Purchased Gas Adjustment filing of Delta Natural Gas Company, Inc.* (Ky. PSC Jan. 24, 2023).

¹⁰ Case No. 2022-00422, Jan. 24, 2023 Order.

¹¹ Case No. 2022-00422, Jan. 24, 2023 Order at 6.

¹² Case No. 2022-00422, Jan. 24, 2023 Order at ordering paragraph 5.

LEGAL STANDARD

KRS 278.160(1) requires each utility to “file with the commission, within such time and in such form as the commission designates, schedules showing all rates and conditions for service established by it.” KRS 278.160(2) prohibits a utility from charging “greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules.” KRS 278.180 prohibits a utility from amending a rate in its filed schedules without 30 days’ notice to the Commission (or 20 days-notice upon a showing of good cause). Pursuant to 807 KAR 5:011, Section 8, a utility is required to provide public and customer notice if a charge, fee, or rule regarding the provision of service is changed, revised, or initiated and the change will affect the amount that a customer pays for service or the quality, delivery, or rendering of a customer’s service.¹³ However, periodic recalculation of a formulaic rate that does not involve a revision of the rate and that is performed in accordance with provisions of an effective rate schedule or administrative regulation does not require notice pursuant to that section.

DISCUSSION

Delta proposes GCR residual surcharges for the purpose of recovering the lingering gas procurement costs that were not recovered for the former Peoples and former Delta gas systems when the consolidated GCR rate report became effective. Delta reported an under-recovery of \$8,160,521 for Delta and \$320,990 for the former Peoples gas system.¹⁴ As part of this case proceeding, Delta is proposing to recover the balances through a monthly GCR residual surcharges of \$0.87 per Mcf for Delta and

¹³ 807 KAR 5:011, Section 8.

¹⁴ GCR Surcharge Application, Exhibit 3.

\$0.74 per Mcf for former Peoples. Delta estimates based on historical sales data that the surcharges would be in effect for a three-year period and a two-year period for the former Peoples' system.¹⁵ Once a gas system recovers the residual balance, the respective GCR residual tracker surcharge shall automatically terminate. Delta filed proposed amended tariff sheets with the proposed surcharges¹⁶ along with a customer notice and its proof of publication¹⁷ pursuant to 807 KAR 5:011, Section 8.

The Commission finds that Delta's proposed GCR residual tracker surcharges should be approved for service rendered on and after May 1, 2023. For the purpose of transparency and to maintain a record of information, the Commission finds that Delta should maintain a record of the total amounts recovered through its GCR residual tracker surcharges in its quarterly consolidated GCR rate report filings. The Commission further finds that Delta should provide an update of the total amounts collected for each former gas system in the cover letter that is filed along with Delta's consolidated GCR rate report filings. Should Delta experience significant changes to its monthly sales, it should notify the Commission in the cover letter of its quarterly GCR rate report filings how the change in sales would impact the expected recovery period of the GCR residual tracker surcharges. Additionally, the Commission finds that in the event of natural gas costs rising meaningfully, before the total amount is recovered, the Commission reserves its right to initiate an investigation to determine whether a change to the surcharges recovery rate is necessary.

¹⁵ GCR Surcharge Application. paragraph 10.

¹⁶ GCR Surcharge Application, Exhibit 2.

¹⁷ Affidavit of Proof of Publication of Customer Notice (filed Apr. 21, 2023).

IT IS THEREFORE ORDERED that:

1. The GCR residual surcharge rates proposed by Delta are approved for service rendered on and after May 1, 2023.

2. Delta's future GCR rate report filings shall include a report on the amount recovered for each GCR residual tracker surcharge to be included as a separate line item for the customers in each legacy gas system until any remaining under- or over-recoveries of gas costs is individually reconciled for each month on and after the effective date of May 1, 2023.

3. Delta shall include in the cover letter of its GCR rate reports when the total amount for each legacy gas system has been collected and that the GCR residual tracker surcharge for that system will no longer be included in those customer's bills.

4. Delta shall provide any update on the expected recovery period for the GCR residual surcharges on the cover letter of its GCR rate reports should there be any significant changes in the expected sales.

5. In the event of natural gas costs rising meaningfully, before the total amount is recovered, the Commission reserves its right to initiate an investigation to determine whether a change to the surcharges recovery rate is necessary.

6. Within 20 days of the date of service of this Order, Delta shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rate approved herein and reflecting that it was approved pursuant to this Order.

7. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner



ATTEST:


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