

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA)	CASE NO.
NATURAL GAS COMPANY, INC. FOR PIPE)	2024-00332
REPLACEMENT FILING)	

ORDER

On October 15, 2024, Delta Natural Gas Company, Inc. (Delta) filed an update to its pipe replacement program (PRP) costs for the PRP year beginning January 1, 2025, and a tariff to revise the PRP rates to be effective January 1, 2025. On November 27, 2024, Commission Staff filed its first request for information to Delta. Delta filed its response to the request on December 11, 2024. Within the response, Delta stated that it mistakenly omitted the engineering costs and provided an amended application including the previously omitted amounts, resulting in a change to the proposed PRP rates.¹ By Order issued December 20, 2024, the Commission deemed the amended application to be filed on December 11, 2024, and suspended the rates for one day until January 12, 2025,² subject to refund, pursuant to KRS 278.190(2). On January 10, 2025, Delta filed its notice of rate implementation. There are no intervenors in this case. The matter now stands submitted for a decision.

¹ Delta's Response to Commission Staff's First Request for Information (Staff First Request) (filed Dec. 11, 2024), Item 3.

² Pursuant to KRS 278.180(1), changes to any rate by any utility is prohibited except upon 30 days' notice to the Commission. Therefore, since the application was accepted for filing as of December 11, 2024, the earliest date that Delta's proposed rates could have been effective was January 11, 2025.

LEGAL STANDARD

KRS 278.030(1) states that “[e]very utility may demand, collect and receive fair, just and reasonable rates” for utility service. Pursuant to KRS 278.509, the Commission may allow a utility to recover costs for investment in natural gas pipeline replacement programs that are not recovered in existing rates through a rider if the costs are fair, just and reasonable. The burden of proof to show that an increased rate or charge is just and reasonable shall be upon the utility.³

BACKGROUND

The Commission first approved Delta’s PRP in Case No. 2010-00116.⁴ As initially approved, the PRP provided for the accelerated recovery of the cost of replacing Delta’s bare steel pipe and included replacement of service lines, curb valves, meter loops, and mandated pipe relocations. As part of Case No. 2018-00086,⁵ the Commission approved an expansion of Delta’s PRP to include the replacement of pre-1983 vintage plastic pipe with all work under the PRP to be completed by 2033.

Delta’s PRP Rider Tariff anticipates that Delta will make a PRP filing by October 15 of each year reflecting the revenue requirement impacts of PRP projects through the following calendar year that are not included in base rates with a balancing adjustment to be filed in March of each year.⁶ In Delta’s most recently completed base rate case, Case

³ KRS 278.190(3).

⁴ Case No. 2010-00116, *Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates* (Ky. PSC Oct. 21, 2010), Order.

⁵ Case No. 2018-00086, *Electronic Adjustment of the Pipe Replacement Program Rider of Delta Natural Gas Company, Inc.* (Ky. PSC Aug. 21, 2018), Order.

⁶ Delta’s P.S.C. No. 13, Original Sheet No. 43; *see also* Direct Testimony of Jonathan Morpew (Morpew Direct Testimony) (filed Oct. 15, 2024) at 3–4 (discussing the history of the PRP Rider).

No. 2021-00185, the Commission approved the roll in of PRP expenditures through December 31, 2022, into base rates and reset the PRP monthly charge to zero.⁷ Delta made a PRP filing in Case No. 2022-00341 to establish PRP rates based on the revenue requirement impact of PRP projects from January 1, 2023, through December 31, 2023.⁸ Delta made a PRP filing in Case No. 2023-00343 to establish PRP rates based on the revenue requirement impact of PRP projects from January 1, 2024, through December 31, 2024.⁹

In its PRP filing in this case, Delta indicated that it was seeking to recover the revenue requirement impact of PRP projects placed in service January 1, 2023, through December 31, 2025 with rates to be effective January 1, 2025.¹⁰ As revised, Delta proposed a PRP revenue requirement of \$1,656,315 for the PRP period from January 1, 2025, through December 31, 2025, which it indicated was calculated based on a 13-month average rate base.¹¹ Based on that revised revenue requirement, Delta proposed PRP rates of \$0.50470, \$0.32219, \$0.20742, and \$0.06854 per MCF for Residential, Small Non-Residential, Large Non-Residential, and Interruptible customers, respectively.¹²

⁷ 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 21.

⁸ Case No. 2022-00341, *Electronic Application of Delta Natural Gas Company, Inc. for Its Pipe Replacement Filing* (Ky. PSC Aug. 11, 2023), Order; see also Morpew Testimony at 4.

⁹ Case No. 2023-00343, *Electronic Application of Delta Natural Gas Company, Inc. for Its Pipe Replacement Filing* (Ky. PSC Dec. 22, 2023), Order; see also Morpew Testimony at 4.

¹⁰ Morpew Direct Testimony at 4–6.

¹¹ Delta's Response to Staff's First Request, Item 3b at 2.

¹² Delta's Response to Staff's First Request, Item 3b at 2.

DISCUSSION

The evidence presented by Delta in its 2023 PRP case indicates that it has a process for evaluating the risk of pipe segments and that with the exception of projects required by the Kentucky Department of Transportation, it selects segments for replacement based on those risk rankings.¹³ Further, Delta has indicated that the segments it chooses for replacement and inclusion in the PRP consist of bare steel and pre-1983 plastic pipe as authorized by previous cases.¹⁴ Thus, the Commission finds that the replacement projects included in Delta's PRP are appropriate and consistent with Delta's approved PRP. Additionally, Delta correctly calculated its PRP rates, using both a 13-month average rate base and the correct weighted average cost of capital formula.¹⁵ Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the PRP rates proposed by Delta to be effective January 1, 2025, are fair, just and reasonable, and should be approved.

IT IS THEREFORE ORDERED that:

1. The PRP rates proposed by Delta are approved.
2. The PRP rates in the Appendix to this Order are approved for service rendered on and after January 1, 2025.
3. Delta shall file its next annual PRP filing with the Commission no later than October 15, 2025.

¹³ Case No. 2023-00343, Delta's Response to Commission Staff's First Request for Information, Item 1b.

¹⁴ Morphew Direct Testimony at 3–5.

¹⁵ See Delta's Response to Staff's First Request, Item 3b at 2.

4. Within 20 days of the date of this Order, Delta shall file with the Commission using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

5. This case is closed and removed from the Commission's Docket.

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PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman



Commissioner

ATTEST:



Executive Director



APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00332 DATED MAY 13 2025

The following rates and charges are prescribed for the customers in the area served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Pipeline Replacement Program Rates per Mcf:

Residential	\$ 0.50470
Small Non-residential	\$ 0.32219
Large Non-residential	\$ 0.20742
Interruptible	\$ 0.06854

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