

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA	)	
NATURAL GAS COMPANY, INC. FOR PIPE	)	CASE NO.
REPLACEMENT PROGRAM BALANCING	)	2024-00078
ADJUSTMENT	)	

ORDER

On March 28, 2024, Delta Natural Gas, Inc. (Delta) filed proposed Pipeline Replacement Program (PRP) charges that reflect a balancing adjustment to true up its actual Pipe Replacement Program costs for the twelve months ending December 31, 2023 with its projected costs for the same period. The proposed effective date for the tariff with the revised rates is June 1, 2024.

There are no intervenors in this case. The matter now stands submitted for a decision.

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.<sup>1</sup>

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<sup>1</sup> KRS 278.190(3).

## DISCUSSION

Delta's PRP rider is updated annually in order to reflect the expected impact on the Company's revenue requirements of forecasted net plant additions and subsequently adjusted to true up the actual costs with the projected costs. Delta's PRP rates are set in two separate filings that are made annually. Delta is required to submit annually by October 15 the projected PRP costs for the upcoming calendar year with the new rider rates to become effective in January. Delta is required to submit annually by March 31 a balancing adjustment to true-up the actual costs, as offset by operations and maintenance expense reductions, during the most recent twelve months ending December 31 with the projected program costs for the same period. The balancing adjustment true-up is expected to become effective in June.<sup>2</sup>

Delta's filing in this case is a proposed true-up of rates set for the 2023 PRP period in Case No. 2022-00341,<sup>3</sup> and Delta proposes to reflect a decrease in the revenue requirement of \$(50,018). The difference arises from a combination of a decrease in the return on equity, grossed up for income taxes, in the amount of \$(76,129), and an increase in operating expenses in the amount of \$26,111 as compared to estimated amounts used for the 2023 PRP year. The decrease in the return is the result of a decrease of about \$(682,093) in the PRP rate base and a change in the way that Delta grossed up its PRP return in Case No. 00341 and how the Commission indicated the return should be grossed

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<sup>2</sup> Delta Natural Gas Company, Inc., P.S.C. No. 13, Original Sheet No. 43, Superseding P.S.C. No. 12 (effective Jan. 4, 2022).

<sup>3</sup> Case No. 2022-00341, *Electronic Application of Delta Natural Gas Company, Inc., for Annual Pipe Replacement Program* (Ky. PSC Aug. 11, 2022).

up in Delta's most recent PRP case.<sup>4</sup> The increase in operating expenses was the result of a decrease in property taxes due to the decrease in actual plant in service over the estimate and an increase in depreciation expense. Depreciation expense went up despite the decrease in plant in service because Delta previously had an error in its depreciation calculation.<sup>5</sup>

Having reviewed the application and being otherwise sufficiently advised, the Commission finds that Delta's proposed balancing adjustment to true up actual costs with projected revenue requirements for the PRP 2023 year is warranted. The Commission further finds that the rider rates in Delta's proposed tariffs are fair, just and reasonable and should be approved.

IT IS HEREBY ORDERED that:


1. The PRP rider rates proposed by Delta are approved for service rendered by Delta on and after June 1, 2024.
2. Within 20 days of the date of entry of this Order, Delta shall file with this 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.
3. This case is closed and removed from the Commission's docket.

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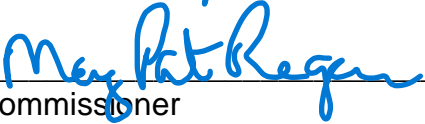
<sup>4</sup> Case No. 2023-00343, *Electronic Application of Delta Natural Gas Company, Inc., for Annual Pipe Replacement Program* (Ky. PSC Dec. 22, 2023) 4-6.

<sup>5</sup> See Application, *2023\_PRP\_Adjustment\_Filing.xlsx* (showing how the differences in the estimated 2023 PRP revenue requirement and the actual were calculated).

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner



ATTEST:

  
Executive Director

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