

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA)	CASE NO.
NATURAL GAS COMPANY, INC. FOR PIPE)	2026-00084
REPLACEMENT PROGRAM)	

ORDER

On March 30, 2026, Delta Natural Gas, Inc. (Delta) filed proposed changes to the Pipe 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, 2025, with its projected costs for the same period. The proposed effective date for the tariff with the revised rates is June 1, 2026. 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.¹

¹ KRS 278.190(3).

DISCUSSION AND FINDINGS

Delta's PRP rider is updated annually in order to reflect the expected impact on Delta'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. Thereafter, 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.²

Delta anticipated completing a total of 93,456 feet of pipe replacement in 2025, which included 17,108 additional feet planned to be installed by the end of the year.³ The remaining 2025 work primarily consists of distribution mains and services in the Owingsville, Corbin, and Berea districts.⁴ For 2026, Delta plans to replace approximately 66,107 feet of vintage plastic pipe (Aldyl-A).⁵ The most significant work during 2026 will be concentrated in the Nicholasville and Berea Districts.⁶ Delta estimated having 419,847

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

³ Case No. 2025-00333, *Electronic Application of Delta Natural Gas Company, inc. for Its Pipe Replacement Filing* (filed on Oct. 5, 2025), the Direct Testimony of Jonathon Morphew at 4.

⁴ Case No. 2025-00333, *Electronic Application of Delta Natural Gas Company, inc. for Its Pipe Replacement Filing* (filed on Oct. 5, 2025), the Direct Testimony of Jonathon Morphew at 4–5.

⁵ Case No. 2025-00333, *Electronic Application of Delta Natural Gas Company, inc. for Its Pipe Replacement Filing* (filed on Oct. 5, 2025), the Direct Testimony of Jonathon Morphew at 5.

⁶ Case No. 2025-00333, *Electronic Application of Delta Natural Gas Company, inc. for Its Pipe Replacement Filing* (filed on Oct. 5, 2025), the Direct Testimony of Jonathon Morphew at 5.

feet (79.5 miles) of pipe remaining to be replaced under the program.⁷ The entire PRP is scheduled for completion by 2033, requiring an average of approximately 10 miles per year, a rate that the company is currently exceeding.⁸

Delta's filing in this case is a proposed true-up of rates set for the 2025 PRP period in Case No. 2024-00332,⁹ in which Delta proposed to reflect an increase in the revenue requirement of \$72,400.¹⁰ The difference arises from a combination of a decrease in the return in the amount of \$62,102, and an increase in operating expenses in the amount of \$10,298 as compared to estimated amounts used for the 2025 PRP year.¹¹ The decrease in the return is the result of the differences among the estimates and actuals of investments in Case No. 2025-00333¹² (Actuals) and Case Nos. 2023-00343¹³ and 2024-00332¹⁴ (Estimated) in years 2023 and 2024 and 2025.¹⁵

⁷ Case No. 2025-00333, *Electronic Application of Delta Natural Gas Company, inc. for Its Pipe Replacement Filing* (filed on Oct. 5, 2025), Direct Testimony of Jonathon Morphew at 3–5.

⁸ Case No. 2025-00333, *Electronic Application of Delta Natural Gas Company, inc. for Its Pipe Replacement Filing* (filed on Oct. 5, 2025), Direct Testimony of Jonathon Morphew at 5.

⁹ Case No. 2024-00332, *Electronic Application of Delta Natural Gas Company, Inc., for Annual Pipe Replacement Program* (Ky. PSC May 13, 2025)

¹⁰ Application, 2026_PRP_Filing_2025_Actuals.xlsx, tab "Sch I Summary."

¹¹ Application, 2026_PRP_Filing_2025_Actuals.xlsx, tab "Sch I Summary."

¹² Case No. 2025-00333, *Electronic Application of Delta Natural Gas Company, Inc., for Annual Pipe Replacement Program* (Ky. PSC Dec. 17, 2025).

¹³ Case No. 2023-00343, *Electronic Application of Delta Natural Gas Company, Inc., for Annual Pipe Replacement Program* (Ky. PSC Dec 22, 2023).

¹⁴ Case No. 2024-00332, *Electronic Application of Delta Natural Gas Company, Inc., for Annual Pipe Replacement Program* (Ky. PSC May 13, 2025).

¹⁵Application, 2026_PRP_Filing_2025_Actuals.xlsx, tab "Sch I Summary."

	Actuals			Total	Estimates As Billed			Total	Difference
	2023	2024	2025		2023	2024	2025		
	2025-00333 Dated 12/17/25	2025-00333 Dated 12/17/25	Schedule IV 2025 Monthly		2023-00343 Dated 12/22/23	2024-00332 Dated 5/13/25	2024-00332 Dated 5/13/25		
1 Eligible expenditures under the PRP (Schedule II)	\$ 6,691,502	\$ 8,915,084	\$ 4,310,901		\$ 8,456,789	\$ 7,733,404	\$ 2,666,161		
2 Less:									
3 Accumulated depreciation	(300,658)	(379,407)	(129,066)		(383,505)	(353,293)	(79,015)		
4 Accumulated deferred income taxes	(1,594,516)	(2,129,651)	(1,024,851)		(1,941,250)	(1,841,337)	(645,493)		
5 Net PRP Rate Base	4,796,328	6,406,026	3,156,984		6,132,034	5,538,774	1,941,653		
6 WACC	6.6917%	6.6917%	6.6917%		6.6917%	6.6917%	6.6917%		
7 WACC, grossed up for income taxes, PSC assessment, and bad debt	8.3149%	8.3149%	8.3149%		8.3149%	8.3149%	8.3149%		
8 Return, grossed up for income taxes	\$ 398,810	\$ 532,655	\$ 262,500	\$ 1,193,964	\$ 509,872	\$ 460,544	\$ 161,447	\$ 1,131,863	\$ 62,102
9 Cost of Service Items (Schedule III)	\$ 276,624	\$ 370,056	\$ 142,197	\$ 788,877	\$ 384,205	\$ 294,893	\$ 99,481	\$ 778,579	\$ 10,298
10 Current Year Projected PRP Revenue Requirement				\$ 1,982,842				\$ 1,910,442	\$ 72,400

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 2025 year is supported by the record. The Commission further finds that the rider rates in Delta's proposed tariffs are fair, just and reasonable and should be approved. The Commission also notes that in its application, Delta calculated its PRP rates out to six decimal places and used six decimal places in its proposed tariff sheets included with its application, when it previously used five decimal places. The Commission find that the rates should be set at five decimal places, without evidence supporting a change. In the future, if Delta would like to change the number of decimal places used, it should request that change and provide a justification for such change in its application.

IT IS THEREFORE ORDERED that:

1. The PRP rider rates proposed by Delta but set to the five decimal places standard as shown in Appendix to this Order, are approved for service rendered by Delta on and after June 1, 2026.

2. 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 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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Entered on this 28th day of May, 2026.

PUBLIC SERVICE COMMISSION




Angie Patton
Chair



Mary Pat Regan
Commissioner



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Linda C. Bridwell, PE
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00084 DATED MAY 28 2026

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	\$ 0.96008
Small Non-Residential	\$ 0.73559
Large Non-Residential	\$ 0.33914
Interruptible	\$ 0.08731

Service List for 2026-00084

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Chief Financial Officer
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391

* Monica Braun
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Lexington, KY 40507-1801

* Delta Natural Gas Company, Inc.
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