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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION


In the Matter of:

AN ADJUSTMENT OF THE PIPE)
REPLACEMENT PROGRAM RIDER OF)
DELTA NATURAL GAS COMPANY, INC.)

CASE NO. 2012-00136

VERIFICATION

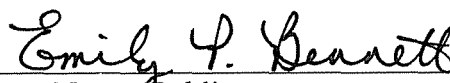
The undersigned, **John B. Brown**, being duly sworn, deposes and states that he is Chief Financial Officer, Treasurer and Secretary of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



John B. Brown

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of June, 2012



Notary Public (SEAL)

My Commission Expires:

6/20/2016
notary ID 467350

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF THE PIPE)
REPLACEMENT PROGRAM RIDER OF) CASE NO. 2012-00136
DELTA NATURAL GAS COMPANY, INC.)

VERIFICATION

The undersigned, Matthew D. Wesolosky, being duly sworn, deposes and states that he is Vice President - Controller 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.

[Handwritten signature of Matthew D. Wesolosky]
Matthew D. Wesolosky

STATE OF KENTUCKY)
COUNTY OF CLARK)

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of June, 2012

[Handwritten signature of Emily P. Bennett] (SEAL)
Notary Public

My Commission Expires:

6/20/2016
Notary ID 467350

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2012-00136**

**SECOND PSC DATA REQUEST
DATED JUNE 8, 2012**

1. Refer to Delta's response to Item 1 of Commission Staff's Initial Request for Information ("Staff's First Request").
 - a. Explain whether Delta is proposing to add a tariff provision to provide for the use of a Balancing Adjustment to reconcile collections, similar to the Pipe Replacement Program ("PRP") Rider of Atmos Energy Corporation ("Atmos") which states, "The filing will reflect the anticipated impact on the Company's revenue requirements of net plant additions as offset by operations and maintenance expense reductions . . . as well as a balancing adjustment for the preceding fiscal year."
 - b. Provide the actual PRP billings for March through May 2012, to the extent they are available, along with the impact on the proposed PRP rates.

Response:

- a. Yes. See attached.
- b. See attached.

Sponsoring Witness:

Matthew D. Wesolosky

**CERTIFICATION OF SERVICE
RATE SCHEDULES**

PIPE REPLACEMENT PROGRAM ("PRP") RIDER

APPLICABILITY

Applicable to all customers receiving service under the Company's Rate Schedules, Residential, Small Non-Residential, Large Non-Residential and Interruptible Services.

CALCULATION OF PIPE REPLACEMENT RIDER REVENUE REQUIREMENT

The PRP Rider Revenue Requirement includes the following:

- a. PRP-related Plant In-Service not included in base gas rates minus the associated PRP-related accumulated depreciation and accumulated deferred income taxes;
- b. Retirement and removal of plant related to PRP construction;
- c. The weighted average cost of capital on the net rate base is the overall rate of return on capital authorized in the Company's latest base gas rate case, grossed up for federal and state income taxes and PSC assessment;
- d. Depreciation expense on the PRP = related Plant In-Service less retirement and removals.

PIPE REPLACEMENT PROGRAM FACTORS

All customers receiving service under Delta's Residential, Small Non-Residential, Large Non-Residential and Interruptible Service Rate Schedules shall be assessed a monthly charge in addition to the Customer Charge component of their applicable rate schedule that will enable the Company to complete the pipe main replacement program.

(N)
|

The PRP Rider will be updated annually, in order to reflect the impact on the Company's revenue requirements of net plant additions as well as a balancing adjustment for the preceding program year. Such adjustment to the Rider will become effective with meter readings on and after the first billing cycle of May, and will reflect the allocation of the required revenue increase based on the revenue distribution approved by the Commission.

DATE OF ISSUE:

DATE EFFECTIVE: _____ (Final Meter Reads)

ISSUED BY: Glenn R. Jennings, Chairman of the Board, President and CEO

Delta Natural Gas Company, Inc.
Case No 2012-00136
PSC Second Data Request
Item 1b.

2011 PRP Rates (effective May, 2011 through April, 2012)
March - April, 2012

	Actual PRP Billings	Estimated March - April PRP Billings per Filing	Impact on Proposed Rates From Estimation of March-April Billings
Residential	\$ 13,140		
Small Non-Residential	3,544		
Large Non-Residential	6,165		
Interruptible	1,122		
Total March - April, 2012	\$ 23,971	\$ 22,800	\$ (1,171)

2012 PRP Rates (effective May, 2012 through April, 2013)
May, 2012

	Actual PRP Billings	# Bills	Rates		Impact on Proposed Rates from Delay in Implementation of 2012 Rates
			Currently Effective	Proposed	
Residential	6,369	30,330	0.21	0.47	\$ 7,886
Small Non-Residential	1,703	4,258	0.40	0.92	2,214
Large Non-Residential	3,033	972	3.12	7.16	3,927
Interruptible	545	35	15.58	35.76	706
Total May, 2012	\$ 11,650				\$ 14,733

Total Impact on Proposed Rates March, 2012 through May, 2012 \$ 13,562

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2012-00136**

**SECOND PSC DATA REQUEST
DATED JUNE 8, 2012**

2. Refer to Delta's response to Item 2 of Staff's First Request as it relates to the "Accounts Payable & Other" cost column.
 - a. Provide a description of the types of costs reflected in the "Accounts Payable & Other" column.
 - b. Provide an explanation for the credit reflected for Transmission Mains.

Response:

- a. Accounts payable and other include amounts paid for third party contractors, equipment rental, concrete, asphalt, rock, seed, straw and other goods or services used in the construction project. Additionally, this column includes reductions in the amounts capitalized due to billing third parties for relocations. This column also includes two manual journal entries which corrected postings from our payroll and overhead systems and reduce the amounts capitalized.
- b. The credit in transmission mains results from amounts billed to government agencies for the mandatory relocation of certain transmission mains.

Sponsoring Witness:

Matthew D. Wesolosky

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2012-00136**

**SECOND PSC DATA REQUEST
DATED JUNE 8, 2012**

3. Refer to Delta's response to Item 2 of Staff's First Request as it relates to the "Company Payroll" cost column.
 - a. Provide the job descriptions of the Delta employees for whom payroll costs are reflected in this column.
 - b. Explain how the payroll costs of these employees were treated for ratemaking purposes in Delta's most recent rate case.

Response:

- a. See attached.
- b. The payroll costs for these employees is capitalized, rather than charged to operating expense, in proportion to the amount of time the employee worked on capital projects. This is consistent with the methodology used in the test year for our most recent rate case.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas Company, Inc.

Position Description

Job Title:	<u>Construction Supervisor</u>
Reports To:	<u>Manager – Construction</u>
Grade:	<u>E10</u>
Section:	<u>Distribution</u>
Effective Date:	<u>01/01/2009</u>

Function:

Directs and supervises Company construction crew activities including main and service installations and leak repair.

Duties:

1. Supervises installation of mains, services and leak repairs made by Company Construction crews including quality control.
2. Responsible for safe working practices for Company construction crews including proper and safe use of tools and equipment.
3. Ensure Company construction crew compliance with Company specifications and procedures.
4. Ensure Company construction crew compliance with federal and state regulatory requirements.
5. Responsible for seeing that necessary materials are on the job.
6. Records materials used on the job and completes necessary paperwork including Material Usage and Completion Reports.
7. Performs any and all other duties assigned by authorized personnel.

QUALIFICATIONS

TITLE: CONSTRUCTION SUPERVISOR

EDUCATION:

- High School
-

PROFESSIONAL CERTIFICATIONS:

- Must obtain and maintain plastic fusion qualifications
-

PREVIOUS EXPERIENCE REQUIRED:

- Minimum five years related experience
-

OTHER JOB RESPONSIBILITIES:

Number of Employees Supervised:

- Direct: varies up to 4
 - Indirect: varies
-

PUBLIC CONTACTS:

- Customers, local officials, property owners and Kentucky Public Service Commission Staff
-

OTHER JOB REQUIREMENTS:

- Must possess a valid drivers license
 - Must be able to frequently and routinely bend, stoop, dig, lift, pull and carry items occasionally exceeding 100 pounds and any other activity required during the construction process.
-

Remarks: In addition to the above qualifications all employees must meet the general qualifications and requirements pertaining to all jobs.

Delta Natural Gas Company, Inc.

Position Description

Job Title:	<u>Construction Technician</u>
Reports To:	<u>Construction Supervisor</u>
Grade:	<u>N06</u>
Section:	<u>Distribution</u>
Effective Date:	<u>01/01/2009</u>

Function:

Under general supervision, performs various duties within the Construction Department.

Duties:

1. Performs routine construction functions on, but not limited to, distribution, transmission, gathering, production and storage facilities.
2. Operates small equipment including, but not limited to, trenching machines, boring machines, tampers, etc.
3. Drives trucks, pulls trailers, and moves equipment and materials as required.
4. Performs routine leak repair on gas facilities.
5. Assists with installation of both plastic and steel pipe.
6. Assists with installation of metering and regulating stations.
7. Performs routine maintenance and repair of assigned tools and power-operated equipment.
8. Assists with inventory, inventory control and necessary paperwork.
9. Performs any and all other duties assigned by authorized personnel.

QUALIFICATIONS

TITLE: CONSTRUCTION TECHNICIAN

EDUCATION:

- Preferably High School
-

PROFESSIONAL CERTIFICATIONS:

- Must obtain and maintain Plastic Fusion Certification
-

PREVIOUS EXPERIENCE REQUIRED:

- Preferred minimum five years related experience
-

OTHER JOB RESPONSIBILITIES:

Number of Employees Supervised:

- Direct: 0
 - Indirect: 0
-

PUBLIC CONTACTS:

- Customer and property owners
-

OTHER JOB REQUIREMENTS:

- Must possess a valid drivers license
 - Must be able to frequently and routinely bend, stoop, dig, lift, pull and carry items occasionally exceeding 100 pounds and any other activity required during the construction process.
 - Must obtain and maintain a CDL Class A license with air brake Endorsement
-

Remarks: In addition to the above qualifications all employees must meet the general qualifications and requirements pertaining to all jobs.

Delta Natural Gas Company, Inc.

Position Description

Job Title: Customer Service Representative
Reports To: District Customer Service Supervisor
Grade: N07
Section: Distribution
Effective Date: 01/01/2009

Function:

Under general supervision of, and receives duty assignments from, the Customer Service Supervisor.

Duties:

1. Shall be required to attend schools, training sessions and seminars as necessary in order to fulfill assigned job responsibilities.
2. Assists in the planning of branch activities in the areas of customer service operations, maintenance, odorization, safety procedures, merchandising and new business activities and is responsible for carrying out assigned duties in these areas in accordance with the rules and regulations of the Kentucky Public Service Commission, other regulatory agencies and the Company in a manner that promotes better employee, customer and public relations.
3. Shall be assigned general responsibilities in the service area and may be given specialty assignments such as Home Energy Audit, welder, etc. Each assignment shall be tactfully carried out in a safe, efficient, conscientious manner.
4. Shall be responsible for neatly and accurately preparing the necessary paperwork relating to job assignments including, but not limited to, time reports, service calls, damage prevention forms, work orders, leak reports, material usage reports and vehicle reports.
5. Shall be assigned standby duty on a scheduled basis by the Customer Service Supervisor.
6. Shall operate and/or maintain vehicles, equipment, tools and instruments and shall assist in maintaining the appearance and general upkeep of the Company's vehicles, equipment, office, shop and storage areas.
7. Shall maintain a neat personal appearance while on duty.
8. Performs any and all other duties assigned by authorized personnel.

QUALIFICATIONS

TITLE: CUSTOMER SERVICE REPRESENTATIVE

EDUCATION:

- High School or equivalent
-

PROFESSIONAL CERTIFICATIONS:

- Must obtain plastic fusion qualifications
-

PREVIOUS EXPERIENCE REQUIRED:

- None required
-

OTHER JOB RESPONSIBILITIES:

Number of Employees Supervised:

- Direct: 0
 - Indirect: 0
-

PUBLIC CONTACTS:

- Existing and prospective customers, Kentucky Public Service Commission staff, builders and contractors
-

OTHER JOB REQUIREMENTS:

- Must possess a valid drivers license
 - Must be able to frequently and routinely bend, stoop, dig, lift, pull and carry items occasionally exceeding 100 pounds and any other activity required during the customer service process.
-

Remarks: In addition to the above qualifications all employees must meet the general qualifications and requirements pertaining to all jobs.

Delta Natural Gas Company, Inc.

Position Description

Job Title:	<u>District Customer Service Coordinator</u>
Reports To:	<u>District Customer Service Supervisor</u>
Grade:	<u>N09</u>
Section:	<u>Distribution</u>
Effective Date:	<u>01/01/2009</u>

Function:

Under general supervision of the District Customer Service Supervisor, assists with the coordination of service and administrative duties.

Duties:

1. Responsible for coordinating District activities in the absence of or at the direction of the District Customer Service Supervisor.
2. Assists in the planning and coordination of District activities in the areas of customer service operations, maintenance, odorization, safety procedures, merchandising and new business activities. Responsible for carrying out assigned duties in these areas in accordance with the rules and regulations of the Kentucky Public Service Commission, other regulatory agencies and the Company in a manner that promotes better employee, customer and public relations.
3. Shall be responsible for neatly and accurately preparing the necessary paperwork relating to job assignments including, but not limited to, time reports, service calls, damage prevention forms, work orders, leak reports, material usage reports and vehicle reports.
4. Shall be assigned standby duty on a scheduled basis by the District Customer Service Supervisor.
5. Shall operate and/or maintain vehicles, equipment, tools and instruments and shall assist in maintaining the appearance and general upkeep of the Company's vehicles, equipment, office, shop and storage areas.
6. Shall assist Customer Representatives if workload requires it.
7. Shall be required to attend schools, training sessions and seminars as necessary in order to fulfill assigned job responsibilities.
8. Confers with builders, developers, current customers and potential customers to improve and expand service in the area and to resolve problems outside the scope of normal procedures.
9. Participates with community and civic activities.
10. Applies safety rules and procedures.
11. Shall maintain a neat personal appearance while on duty.
12. Performs any and all other duties assigned by authorized personnel.

QUALIFICATIONS

TITLE: DISTRICT CUSTOMER SERVICE COORDINATOR

EDUCATION:

- High School or equivalent experience
-

PROFESSIONAL CERTIFICATIONS:

- None required
-

PREVIOUS EXPERIENCE REQUIRED:

- Minimum five years experience in related work and duties
-

OTHER JOB RESPONSIBILITIES:

Number of Employees Supervised:

- Direct: 0
 - Indirect: varies by area
-

PUBLIC CONTACTS:

- Existing and prospective customers, builders, developers, contractors, local officials, Kentucky Public Service Commission staff, trade organizations and civic organizations
-

OTHER JOB REQUIREMENTS:

- Must possess a valid drivers license
 - Must be able to frequently and routinely bend, stoop, dig, lift, pull and carry items occasionally exceeding 100 pounds and any other activity required during the customer service process.
-

Remarks: In addition to the above qualifications all employees must meet the general qualifications and requirements pertaining to all jobs.

Delta Natural Gas Company, Inc.

Position Description

Job Title: Equipment Operator
Reports To: Construction Supervisor
Grade: N07
Section: Distribution
Effective Date: 01/01/2009

Function:

Operate equipment as needed to complete various construction and maintenance jobs.

Duties:

1. Works under the supervision of the Construction Maintenance Leak Repair Supervisor and Inspector.
2. Operate necessary equipment to complete specific jobs.
3. Operate equipment in a safe manner and comply with Company specifications and procedures.
4. Performs any and all other duties assigned by authorized personnel.

QUALIFICATIONS

TITLE: EQUIPMENT OPERATOR

EDUCATION:

- Preferably High School
-

PROFESSIONAL CERTIFICATIONS:

- Must obtain and maintain plastic fusion qualification
-

PREVIOUS EXPERIENCE REQUIRED:

- Minimum three years related experience
-

OTHER JOB RESPONSIBILITIES:

Number of Employees Supervised:

- Direct: 0
 - Indirect: 0
-

PUBLIC CONTACTS:

- Customer and property owners
-

OTHER JOB REQUIREMENTS:

- Must possess a valid drivers license
 - Must be able to frequently and routinely bend, stoop, dig, lift, pull and carry items occasionally exceeding 100 pounds and any other activity required during the construction process.
 - Must obtain and maintain a CDL Class A license with air brake endorsement
-

Remarks: In addition to the above qualifications all employees must meet the general qualifications and requirements pertaining to all jobs.

Delta Natural Gas Company, Inc.

Position Description

Job Title:	<u>Senior Customer Service Representative</u>
Reports To:	<u>District Customer Service Supervisor</u>
Grade:	<u>N08</u>
Section:	<u>Distribution</u>
Effective Date:	<u>01/01/2009</u>

Function:

Under general supervision of, and receives duty assignments from, the Customer Service Supervisor.

Duties:

1. Shall be required to attend schools, training sessions and seminars as necessary in order to fulfill assigned job responsibilities.
2. Assists in the planning of branch activities in the areas of customer service operations, maintenance, odorization, safety procedures, merchandising and new business activities and is responsible for carrying out assigned duties in these areas in accordance with the rules and regulations of the Kentucky Public Service Commission, other regulatory agencies and the Company in a manner that promotes better employee, customer and public relations.
3. Shall be assigned general responsibilities in the service area and may be given specialty assignments such as Home Energy Audit, welder, etc. Each assignment shall be tactfully carried out in a safe, efficient, conscientious manner.
4. Shall be responsible for neatly and accurately preparing the necessary paperwork relating to job assignments including, but not limited to, time reports, service calls, damage prevention forms, work orders, leak reports, material usage reports and vehicle reports.
5. Shall be assigned standby duty on a scheduled basis by the Customer Service Supervisor.
6. Shall operate and/or maintain vehicles, equipment, tools and instruments and shall assist in maintaining the appearance and general upkeep of the Company's vehicles, equipment, office, shop and storage areas.
7. Shall assist Customer Representatives if workload requires it.
8. May be responsible for supervising branch activities in the absence of or at the direction of the Customer Service Supervisor.
9. Shall maintain a neat personal appearance while on duty.
10. Performs any and all other duties assigned by authorized personnel.

QUALIFICATIONS

TITLE: SENIOR CUSTOMER SERVICE REPRESENTATIVE

EDUCATION:

- High School or equivalent
-

PROFESSIONAL CERTIFICATIONS:

- Must obtain plastic fusion qualifications
-

PREVIOUS EXPERIENCE REQUIRED:

- Minimum three years experience in related work and duties
-

OTHER JOB RESPONSIBILITIES:

Number of Employees Supervised:

- Direct: 0
 - Indirect: up to 6
-

PUBLIC CONTACTS:

- Existing and prospective customers, Kentucky Public Service Commission staff, builders and contractors
-

OTHER JOB REQUIREMENTS:

- Must possess a valid drivers license
 - Must be able to frequently and routinely bend, stoop, dig, lift, pull and carry items occasionally exceeding 100 pounds and any other activity required during the customer service process.
-

Remarks: In addition to the above qualifications all employees must meet the general qualifications and requirements pertaining to all jobs.

Delta Natural Gas Company, Inc.

Position Description

Job Title:	<u>Senior Inspector</u>
Reports To:	<u>Manager – Construction</u>
Grade:	<u>N08</u>
Section:	<u>Distribution</u>
Effective Date:	<u>01/01/2009</u>

Function:

Inspect new construction and maintenance of facilities performed by contractor crews and Company construction crews.

Duties:

1. Works under minimal supervision of Manager of Construction.
2. *Inspect daily work performed by contractor construction crew including installation of mains and services and leak repair.*
3. Responsible for seeing that necessary materials are on the job.
4. Records materials used on jobs and completes necessary paperwork including Material Usage and Completion Report.
5. Ensures quality control of contractor construction crews and contractor maintenance crews.
6. Ensures contractor construction crew compliance with Company specifications and procedures.
7. Ensures contractor crew compliance with all federal and state regulatory requirements.
8. Performs any and all other duties assigned by authorized personnel.

QUALIFICATIONS

TITLE: SENIOR INSPECTOR

EDUCATION:

- High School
-

PROFESSIONAL CERTIFICATIONS:

- Must obtain and maintain plastic fusion qualification
-

PREVIOUS EXPERIENCE REQUIRED:

- Three to five years related experience
-

OTHER JOB RESPONSIBILITIES:

Number of Employees Supervised:

- Direct: 0
 - Indirect: varies
-

PUBLIC CONTACTS:

- Contractors, customers, local officials, property owners and Kentucky Public Service Commission staff
-

OTHER JOB REQUIREMENTS:

- Must possess a valid drivers license
 - Must be able to frequently and routinely bend, stoop, dig, lift, pull and carry items occasionally exceeding 100 pounds and any other activity required during the construction process.
-

Remarks: In addition to the above qualifications all employees must meet the general qualifications and requirements pertaining to all jobs.

Delta Natural Gas Company, Inc.
Position Description

Job Title: Welder
Reports To: Construction Supervisor
Grade: N08
Section: Distribution
Effective Date: 01/01/2009

Function:

Performs various welding jobs required as needed to complete construction and maintenance jobs.

Duties:

1. Works under the supervision of the Construction Maintenance Leak repair Supervisors and Inspectors.
2. Performs necessary welding or plastic fusion for main replacement, maintenance jobs, regulator station and meter set fabrication.
3. Performs all welding or plastic fusion in compliance with Company specifications and procedures.
4. Performs any and all other duties assigned by authorized personnel.

QUALIFICATIONS

TITLE: WELDER

EDUCATION:

- Preferably High School
-

PROFESSIONAL CERTIFICATIONS:

- Must obtain and maintain plastic and steel welding qualification
-

PREVIOUS EXPERIENCE REQUIRED:

- Minimum three years related experience
-

OTHER JOB RESPONSIBILITIES:

Number of Employees Supervised:

- Direct: 0
 - Indirect: 0
-

PUBLIC CONTACTS:

- Customer and property owners
-

OTHER JOB REQUIREMENTS:

- Must possess a valid drivers license
 - Must be able to frequently and routinely bend, stoop, dig, lift, pull and carry items occasionally exceeding 100 pounds and any other activity required during the construction process.
 - Must obtain and maintain a CDL Class A license with air brake endorsement
-

Remarks: In addition to the above qualifications all employees must meet the general qualifications and requirements pertaining to all jobs.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2012-00136

SECOND PSC DATA REQUEST
DATED JUNE 8, 2012

4. Refer to Delta's response to Item 2 of Staff's First Request as it relates to the "Company Overhead" cost column.
 - a. Provide a description of the type of costs reflected in the "Company Overhead" column.
 - b. Provide the basis or methodology of how the "Company Overhead" amounts are calculated.
 - c. Explain how these overhead costs were treated for ratemaking purposes in Delta's most recent rate case.

Response:

- a. Overhead includes administrative costs such as administrative payroll, benefits and other general administrative costs which are allocated to construction activities in proportion to the amount of time administrative employees spend supporting construction activities.
- b. We utilize a fully-distributed cost allocation methodology.
- c. In our most recent rate case, overhead costs were charged to capital projects and thus included in rate base rather than operating expense.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2012-00136

SECOND PSC DATA REQUEST
DATED JUNE 8, 2012

5. Refer to Delta's response to Item 2 of Staff's First Request.
- a. In 2011, Delta installed 376 feet of 8-inch Steel Transmission Main at a total cost of \$61,535 or \$163.66 per foot. In 2010, Delta installed 10 feet of 8-inch Steel Transmission Main at a total cost of \$10,966, or \$1,096.60 per foot. Explain the reason for the difference in the per-foot costs.
 - b. In 2011, Delta installed 24 feet of 6-inch Plastic Distribution Main at a total cost of \$6,101, or \$254.21 per foot. In 2011, Delta installed 406 feet of 4-inch Distribution Main at a total cost of \$11,481, or \$28.28 per foot, and 3,476 feet of 8-inch Distribution Main at a total cost of \$246,867, or \$71.02 per foot. Explain why the 6-inch Distribution Main per-foot cost is so much greater than both the 4-inch Distribution Main and the 8-inch Distribution Main per-foot costs.

Response:

- a. The replacement of the ten feet of 8-inch steel transmission main in 2010 had a higher cost per foot because the transmission line was replaced at the entrance to a coal mine. This replacement required additional excavation to allow adequate cover to protect the transmission line. Additionally, during the excavation process, solid rock was encountered which required a significant amount of manual labor to jackhammer and remove the rock, to achieve an adequate depth.
- b. The replacement referred to with a cost of \$254.21 per foot is not 6-inch distribution main. The replacement is 2-inch steel distribution main that was replaced due to a leak. The distribution main was located under a parking lot and additional costs were incurred for blacktop removal and replacement as well as materials to protect the pipe beneath the blacktop.

Sponsoring Witness:

Matthew D. Wesolosky

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2012-00136**

**SECOND PSC DATA REQUEST
DATED JUNE 8, 2012**

6. Refer to Delta's response to Item 3 of Staff's First Request, which states that Delta's tariff does not stipulate operating expense reductions being used in PRP applications.
 - a. Explain whether Delta is aware that the other two approved PRP tariffs currently in use by Atmos and Columbia Gas of Kentucky, Inc. contain provisions for operating expense reductions.
 - b. Explain whether Delta would consider the addition of a tariff provision to provide for operating expense reductions, as well as the provision for the balancing adjustment discussed in Item 1.a. above.

Response:

- a. Yes, we are aware.
- b. Yes, we would consider both.

Sponsoring Witness:

John B. Brown

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2012-00136**

**SECOND PSC DATA REQUEST
DATED JUNE 8, 2012**

7. Refer to Delta's response to Item 4 of Staff's First Request. Explain why the footage (26,555 feet) of removal and replacement projects is approximately 35 percent less in 2011 than the footage (40,405 feet) of removal and replacements projects in 2010, yet the total costs in 2011 increased by approximately 7.7 percent (\$1,735,887 in 2011 versus \$1,612,302 in 2010) above the 2010 total cost.

Response:

In 2011, \$264,000 more was expended on service lines primarily for the installation of curb boxes required to meet current safety standards. There is no footage assigned to these projects. Additionally, in 2011 there were more replacements of transmission mains and steel distribution mains than in 2010, both of which cost more to replace.

Sponsoring Witness:

Matthew D. Wesolosky

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2012-00136**

**SECOND PSC DATA REQUEST
DATED JUNE 8, 2012**

8. Reconcile Delta's statement in the response to Item 6 of Staff's First Request when it stated, ". . . estimated to cost at least approximately \$13 million, or \$650,000 annually to replace the remaining 67 miles of bare steel main" with the response to Staff's First Request Item No. 2 where the schedule shows that in 2010 Delta incurred \$1.6 million in pipe replacement costs and in 2011 it incurred \$1.7 million in pipe replacement costs.

Response:

The \$650,000 per year is the estimated cost to retire the bare steel pipe in Delta's system divided by the expected number of years to complete the retirements. The amount of bare steel pipe retired in a given year can fluctuate from year-to-year. The amounts expended in 2010 and 2011 under the program not only include the replacement of bare steel pipe but other replacements, relocations and retirements covered under the Pipe Replacement Program.

Sponsoring Witness:

John B. Brown