

## Delta Natural Gas Company, Inc.



3617 Lexington Road Winchester, Kentucky 40391-9797

> PHONE: 859-744-6171 FAX: 859-744-3623

July 11, 2012

RECENT

JUL 1 2 2012

PUBLIC SER DE COMMISSIUN

Mr. Jeff Derouen Executive Director Kentucky Public Service Commission P O Box 615 Frankfort, KY 40602-0615

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

CASE NO. 2012-00136

Dear Mr. Derouen:

Enclosed are the original and ten (10) copies of the responses to the Commission Staff's Third Request for Information in the above-styled case.

Please confirm your receipt of these documents by placing the File Stamp of your Office on the enclosed additional copy.

Please contact me if you have any questions about this filing.

Sincerely,

Connie King

Connie King

Manager – Corporate & Employee Services

### COMMONWEALTH OF KENTUCKY

## RECEIVED

### BEFORE THE PUBLIC SERVICE COMMISSION

JUL 1 2 2012

<b>PUBLIC</b>	SERVICE
COMM	IISSION

In the Matter of:	PUBLIC SE COMMISS
AN ADJUSTMENT OF THE PIPE REPLACEMENT PROGRAM RIDER OF DELTA NATURAL GAS COMPANY, INC.	) CASE NO. 2012-00136
VERIFICA	TION
The undersigned, Matthew D.Wesolosky, being	g duly sworn, deposes and states that he is
Vice President - Controller of Delta Natural Ga	as Company, Inc. and that he has personal
knowledge of the matters set forth in the respons	es for which he is identified as the witness,
and the answers contained therein are true an	nd correct to the best of his information,
knowledge and belief.  Matthew D	. Wesolosky
STATE OF KENTUCKY )	
COUNTY OF CLARK )	
Subscribed and sworn to before me, a Notary Pub  Other day of July, 2012	olic in and before said County and State, this
Nota	ary Public (SEAL)
My Commission Expires:	OFFICIAL SEAL EMILY P. BENNETT

6/20/2016

EMILT P. BENNE I I NOTARY PUBLIC - KENTUCKY STATE-AT-LARGE ID # 467350 My Commission Expires June 20, 2016

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

# THIRD PSC DATA REQUEST DATED JULY 5, 2012

- 1. Refer to Delta's response to Items 1.1. and 6 of Commission Staff's Second Request for Information ("Staff's Second Request").
  - a. Explain whether Delta is willing to add the following tariff provision to its Calculation of Pipe Replacement Rider Revenue Requirement in its Pipe Replacement program Rider ("PRP") tariff, in order to provide for operating expense reductions: "e) Reduction for savings in Operating and Maintenance expenses."
  - b. Show the effect on Delta's proposed PRP rate if its PRP revenue requirement includes reductions for savings in operating and maintenance expenses.

#### **RESPONSE:**

- a. Yes, Delta is willing to add savings in operation and maintenance to its PRP tariff.
- b. See Exhibit 1 for the effect on Delta's PRP rate if its PRP revenue requirement includes reductions for savings in operating and maintenance expenses. Schedule I computes the PRP rate as instructed in question 1.b, compares it to Delta's proposed PRP rates and is supported by Schedule II which shows the PRP expenditures and related depreciation and tax impacts. Schedule I is also supported by Schedule III which shows the Cost of Service items. Finally, Schedule IV is a revised tariff sheet reflecting the language mentioned in question 1.a. above.

Delta also respectfully requests the Commission to consider allowing Delta recovery through the PRP tariff of increased property taxes resulting from additions of PRP-related plant In-Service, similar to methodology used in the Atmos PRP filing. Delta has prepared Exhibit II with all of the detail schedules as explained for Exhibit I above assuming the Commission allows consideration of the increased expenses as well as the reduction of expenses.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas Company, Inc. Pipe Replacement Program Filing Program Year Ended: <u>December 31, 2011</u> Rates Effective: <u>May 1, 2012</u>

	2010		2011	Total	
1 Total annual expenditures under the PRP (Schedule II)	\$ 1,612,302	<b>⊹</b>	1,735,887		
2 Less:					
3 Accumulated depreciation	(45,730)	_	(19,950)		
4 Accumulated deferred income taxes	(564,926)	(	(651,370)		
5 Net PRP Rate Base, as of December 31, 2011	1,001,646		1,064,567		
6 WACOC, per case no 2010-00116	7.97025%	,0	7.97025%		
7 Allowed Return	79,834		84,849		
8 Tax expansion factor, w PSC (per Case No. 2010-00116)	1.60658		1.60658		
9 Return, grossed up for income taxes	\$ 128,260	Ş	136,317 \$	264,577	
10 Cost of Service Items (Schedule III)				36,947	
12 Current Year PRP Adjustment			\$	301,524	
13 Balancing Adjustment					
14 Prior Year PRP Adjustment				139,471	
15 Less: Collections of Prior Year PRP Adjustment, through February				(111,638)	
16 Less: Actual Collections March 2012 - May 2012				(23,971)	
17 Total PRP Adjustment			<b>\$</b>	305,386	

	Calculate	Calculated Net Revenue				# Customers		Monthly	Proposed	osed		
	@ App	@ Approved Rates	Class	Ā	Allocated	Per Case No.	PRP	۵.	ā	PRP	Š	Monthly
	per Case N	4o. 2010-00116	Allocation	PRP A	PRP Adjustment	2010-00116	Rate	ē	Ra	Rate	Ħ	Effect
18 Residential	↔	\$ 14,846,218	54.3%	\$	165,894	367,914	١,	0.45 \$		0.47	\$	0.47 \$ (0.02)
19 Small Non-Residential		3,991,286	14.6%		44,599	50,794	⋄	0.88	٠ ج	0.92	Q)	(0.04)
18 Large Non-Residential		7,008,122	25.6%		78,310	11,460	ς,	6.83		7.16 \$ (	ψ.	(0.33)
19 Interruptible		1,484,119	5.4%		16,584	486	\$	34.12 \$	\$ 3	5.76	ş	35.76 \$ (1.64)
20	❖	27,329,745	100.0%	\$	305,387	430,654						

0.	
2010	
Calendar Year	PRP Worksheet

1   1   1   1   1   1   1   1   1   1			•											
Department   Corporation   Department   Dep			₹ .			:		-						
12   12   12   12   12   12   12   12			Book Depr	1	Воок п	epreciation Ke	erve	800K						
MACKS   Septembrie   Continue		2010	Year		_	Depreciation		Net Book				COR	COR	
118.266   2.69%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.00%   1.		Investment	7		Beginning	Expense	Ending	Value				Rate	Depr	
118.266   2.6%   1.573   1.583   1.583   1.584   1.286   1.284   1.286   1.284   1.286   1.286   1.284   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.286   1.2	laıns	816,750	3.10%		(12,660)	(25,319)	(37,979)	778,771						
1826   2.05%   (422)   (344)   (1.266)   33,048   0.04%   497   0.05%   1.26572   (422)   (1244)   (1.266)   36,048   (422)   (422)   (1254)   (1264)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (1.266)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (42730)   (4	Mains	23,974	2.33%		(279)	(655)	(838)	23,136				0.02%	S	
31.514   2.15%   2.15%   (4.22)   (5.83)   (1.266)   35.248   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%   0.00%		118,268	2.69%		(1,591)	(3,181)	(4.772)	113,496				0.42%	497	
1,612,302   1,565,312   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,566,512   1,56	es	37,514	2.25%		(422)	(844)	(1,266)	36,248				0.00%	•	
Fig. 12-30   Fig. 12-21   Fig. 12-22   Fig			2.05%		•	•	,					0.00%	1	
1,512,302   1,512,43    30,486    45,730    1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,722   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,72   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572   1,356,572	la/	615,796	various	83	(292)	(583)	(875)	614,921				0.00%		
Social Hyling Tax   Social Housestern		1,612,302			(15,243)	(30,486)	(45,730)	1,566,572				\$		
Book   Expense   Tax   Tax   Bonus   Depreciable   YGAR   Tax   Bonus   MAGRS   Matches   Matc			Ouslifving Tax			% C		MACRS		Tax Denr	eciation Rese	a 2		Тах
Invisionent   Percentage   Expense   Additions   Base   Tax Life   2   Beginning   Expense   Depr   Ending   Via   S1574   18,123   44,921   122,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,461   22,374     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374)     (23,374		Book	Expense	Tax	Tax	Bonus	Depreciable	YEAR		Tax	Bonus	MACRS		Net Book
Step		Investment	Percentage	Expense		Depreciation	Base		Beginning	Expense	Depr	Depr	Ending	Value
23.974 100.0% (23.974)	Mains	816,750	94.5%	(771,829)	-	(22,461)	22,461	15			,	(2.134)	(798,557)	18,193
118,268	Mains	23,974	100.0%	(23.974)	,	Þ	,			,	•		(23,974)	•
37,514 0.0% 37,514 (18,757) 18,757 7 24,49% (23,351) - (4,594) (27,945) 18,757 18,758 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,757 1 18,758 2 1,266 79) 37,96% (10,127) 23,136 1 13,496 50,596 (62,900) 37,96% (10,127) 156,572 78,358 (14,88,215) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56,4926) (56		118,268	0.0%	,	118,268	(59,134)	59,134			,	1	(4,269)	(67,672)	50,596
1.612,302	ses	37,514	0.0%	,	37.514	(18,757)	18,757	7 24.49%		1	•	(4,594)	(27,945)	695'6
MA		,	0.0%	•	•	•	•		•	,	1		•	•
1,612,302         (795,803)         200,703         (100,352)         100,352         (907,151)         - (10,997)         (918,148)           Cumulative         Cumulative         Timing         Statutory         Deferred           Book         Timing         Statutory         Deferred           RBook         Timing         Statutory         Deferred           Book         (138,713)         37.96%         (138,713)           36.248         9.569         (10,127)           36.448,1921         MA         (644,921)         (364,926)           1.566,572         78.358         (1488,15)         (1488,15)         (36,926)         (36,926)         (36,926)         (36,926)         (36,926)         (36,926)         (36,926)         (38,926)         (38,926)         (38,926)         (38,926)         (38,926)         (38,926)         (38,926) <th< td=""><td>vaľ</td><td>615,796</td><td>NA</td><td>,</td><td>1</td><td>•</td><td>•</td><td></td><td></td><td>•</td><td></td><td>,</td><td>•</td><td>NA</td></th<>	vaľ	615,796	NA	,	1	•	•			•		,	•	NA
Cumulative           Net Book Value         Timing         Statutory         Def           Book         Tax         Difference         Rate         Incom           778.771         18.193         (760.579)         37.96%         (           23.136         -         (23.136)         37.96%         (           113.496         50.596         (62,900)         37.96%         (           36.248         9,569         (26,679)         37.96%         (           -         -         37.96%         (         (           -         -         37.96%         (         (           -         -         37.96%         (         (           -         -         37.96%         (         (           -         -         37.96%         (         (           -         -         37.96%         (         (           -         -         37.96%         (         (           -         -         37.96%         (         (           -         -         37.96%         (         (           -         -         37.96%         (         ( </td <td></td> <td>1,612,302</td> <td></td> <td>(795,803)</td> <td>200,703</td> <td>(100,352)</td> <td>100,352</td> <td></td> <td>(907,151)</td> <td>1</td> <td></td> <td>(10,997)</td> <td>(918,148)</td> <td>78,358</td>		1,612,302		(795,803)	200,703	(100,352)	100,352		(907,151)	1		(10,997)	(918,148)	78,358
Net Book Value   Timinative   Book   Tax   Timinative   Book   Tax   Difference   Rate   Incom   778.771   18.193   (760.579)   37.96%   (23.136   37.96%   50.596   (62.900)   37.96%   36.248   9.569   (26.679)   37.96%   37.96%   614.921   NA   (614.921)   37.96%   (14.98.21.5)   (4.98.21.5)   (4.98.21.5)					1									
Net Book Value   Timing Statutory   Def					Culturative									
Book         Tax         Difference         Rate         Incom           778.771         18,193         (766,579)         37.96%         (           23.136         -         (23.136)         37.96%         (           113,496         50,596         (62,900)         37.96%           36,248         9,569         (26,679)         37.96%           -         -         37.96%         (           614,921         NA         (614,921)         37.96%         (           1,566,572         78.358         (1,488,215)         37.96%         (		•	Net Book V	alue	Timing	Statutory	Deferred							
778.771 18.193 (760,579) 37.96% (7.21,136) 23.136 23.136 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7.200) 37.96% (7			Book	Тах	Difference		income Taxes							
23.136 (23.136) 37.96% 113.496 50.596 (62.900) 37.96% 36.248 9.569 (26.679) 37.96% 614.921 NA (614.921) 37.96% 1.566.572 78.358 (1488.115) (	Mains	ı	778,771	18,193	(760,579)	37.96%	(288.716)							
113,496 50,596 (62,900) 37,96% 36,248 9,569 (26,679) 37,96% 614,921 NA (614,921) 37,96% (1,566,572 78,358 (1,488,215) (	Mains .		23,136		(23,136)	37.96%	(8,782)							
36.248 9,569 (26,679) 37.96% 37.96% 614,921 NA (614,921) 37.96% ( 1,566,572 78.358 (1,488,215) (			113,496	50,596	(62,900)	37.96%	(23,877)							
37.96% 614,921 NA (614,921) 37.96% 1,566,572 78.358 (1,488,215)	es		36,248	6)269	(26,679)	37.96%	(10,127)							
val 614,921 NA (614,921) 37,96% 1,566,572 78,358 (1,488,215)			,	,	ı	37.96%	•							
78,358 (1,488,215)	val		614,921	AN	(614,921)	37.96%	(233,424)							
		ı	1,566,572	78,358	(1,488,215)		(564,926)							

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

B 2010 PRP filing included, as depreciation expense. the cost of removal provision on all assets rather than only PRP assets placed during 2010. This worksheet has been corrected for the current year filing.

2011	
alendar Year	RP Worksheet

												Tax	Net Book	Value		•	•			NA											
			COR	Depr	\$ (41)	(6)	(804)		•	•	\$ (855)			Ending	(828,951)	(88,312)	(383,075)	(5,783)		•	(1,306,121)										
			COR	Rate	0.01%	0.02%	0.42%	0.00%	0.00%	0.00%		ve.	MACRS	Depr						,											
				1	1					i	l	Tax Depreciation Reserve	Bonus	Depr	(240,396)	(5,331)	,	(5,783)	•	•	(251,510)										
												Tax Depre	Tax	Expense	(588,555)	(82,981)	(383,075)	i	ı	•	(1,054,611)										
														Beginning		•		1		•	,										
												MACRS	YEAR	1	2.00%	2.00%	3.75%	14.29%	2.00%	NA											
		Book	Net Book	Value	816,102	87,283	377,923	5.718	,	428,911	1,715,937	_		Tax Life	15	15	20	7	15	NA											
	erve			Ending	(12,849)	(1,029)	(5,152)	(65)	,	(855)	(19,950)		Depreciable	Base	•	•	•	•	•		ŧ		Deferred	Income Taxes	(309,792)	(33,133)	(143,459)	(2,171)	•	(162,815)	(651,370)
1	Book Depreciation Reserve	4	Depreciation	Expense	(12,849)	(1,029)	(5.152)	(65)	,	(852)	(19,950)	100%	Bonus	Depreciation	(240,396)	(5,331)	•	(5,783)	•	,	(251,510)		Statutory	Rate	37.96%	37.96%	37.96%	37.96%	37.96%	37.96%	
	Book D		_	Beginning		•	٠	i	•	,			Tax	Additions	240,396	5,331	•	5,783	•		251,510	Cumulative	Timing	Difference	(816,102)	(87,283)	(377,923)	(5,718)	•	(428,911)	(1,715,937)
	i			1	ı						ı		Tax	Expense	(588,555)	(82,981)	(383,075)	ı	,	•	(1,054,611)		Value	Тах	•	,	•	•	•	NA	
		Book Depr	Year	1	3.10%	2.33%	2.69%	2.25%	2.05%	various		Qualifying Tax	Expense	Percentage	71.0%	94.0%	100.0%	0.0%	%0.0	AN			Net Book Value	Book	816,102	87,283	377,923	5,718	•	428,911	1,715,937
			2011	Investment	828.951	88,312	383,075	5,783	,	429,766	1,735,887	•	Book	Investment	828,951	88,312	383,075	5,783	•	429,766	1,735,887			. 1	ı					1	
Edi 2011	sheet				1 Distribution Mains	2 Transmission Mains	3 Services	4 Gathering Lines	5 Storage Lines	6 Cost of Removal					7 Distribution Mains	8 Transmission Mains	9 Services	10 Gathering Lines	11 Storage Lines	12 Cost of Removal					13 Distribution Mains	14 Transmission Mains	15 Services	16 Gathering Lines	17 Storage Lines	18 Cost of Removal	

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6. B Year 1 for PRP assets assumes a half year of depreciation expense.

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Gas Cor	mpa
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Deft	Sosi

						Total Cost of Service Impact	rvice
1 Increased depreciation expense (schedule II)			<b>2010</b> \$ 30,486		2011 \$	\$ 50,436	436
Operating expense reductions	2010-0116 Calendar 2009 Test Year	Actual Expense	2010 Decrease in Operating Expense	2011	2011 Decrease in Operating Expense		
2 Maintenance of Transmission and Distribution Mains	76,450	84,618	· ·	62,961	\$ (13,489)	\$ (13,489)	.489)

36,947

ς,

3 Total Cost of Service Impact

P.S.C. No. 12, First Revised Sheet No. 43 Superseding P.S.C. No. 12, Original Sheet No. 43

## 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;
- e. Reduction for savings in operating and maintenance expense.

#### 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.

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.

(N)

(N)

**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.
Pipe Replacement Program Filing
Program Year Ended: <u>December 31, 2011</u>
Rates Effective: <u>May 1, 2012</u>

	2010		2011	Total	
1 Total annual expenditures under the PRP (Schedule II)	\$ 1,612,302	4	1,735,887		
2 Less:					
3 Accumulated depreciation	(45,730)		(19,950)		
4 Accumulated deferred income taxes	(564,926)		(651,370)		
5 Net PRP Rate Base, as of December 31, 2011	1,001,646		1,064,567		
6 WACOC ner case no 2010-00116	7 97075		7 97075%		
	0/0-70/0-/		1.0104010		
7 Allowed Return	79,834		84,849		
8 Tax expansion factor, w PSC (per Case No. 2010-00116)	1.60658		1.60658		
9 Return, grossed up for income taxes	\$ 128,260	Ş	136,317 \$	264,577	
10 Cost of Service Items (Schedule III)				808'69	
12 Current Year PRP Adjustment			\$	333,885	
13 Balancing Adjustment					
14 Prior Year PRP Adjustment				139,471	
15 Less: Collections of Prior Year PRP Adjustment, through February				(111,638)	
16 Less: Actual Collections March 2012 - May 2012				(23,971)	
17 Total PRP Adjustment			\$	337,747	

	Calculated Net Revenue	Revenue				# Customers	Mo	Monthly Proposed	Propo	pes		
	@ Approved Rates	i Rates	Class	⋖	Allocated	Per Case No.	<u>a</u>	PRP	PR	PRP	Monthly	thly
	per Case No. 2010-00116		Allocation	PRP	PRP Adjustment	2010-00116	Ra	Rate	Rate	ė	Effect	ect
18 Residential	<b>\$</b>	14,846,218	54.3%	-ζ-	183,474	367,914 \$		0.50 \$ 0.47	0 \$	.47	\$	0.03
19 Small Non-Residential		3,991,286	14.6%		49,325	50,794	Ś	0.97	\$ 0.92	.92	) \$	0.05
18 Large Non-Residential		7,008,122	25.6%		86,608	11,460	↔	7.56	\$ 7	7.16	\$	0.40
19 Interruptible		1,484,119	5.4%		18,341	486	❖	37.74 \$ 35.76 \$ 1.98	<b>\$</b> 35	9/.	\$	1.98
20	\$	27,329,745	100.0%	\$	337,748	430,654						

2010	
Calendar Year	PRP Worksheet

400		e											
		£ 3		2			-						
	;	Book Depr	1	BOOK L	Book Depreciation Reserve	serve	BOOK						
	2010	Year			Depreciation		Net Book				COR	COR	
	Investment	2		Beginning	Expense	Ending	Value				Rate	Depr	
1 Distribution Mains	816,750	3.10%		(12,660)	(25,319)	(37,979)	778,771				0.01% \$	82	
2 Transmission Mains	23,974	2.33%		(279)	(529)	(838)	23,136				0.02%	5	
3 Services	118,268	2.69%		(1,591)	(3,181)	(4,772)	113,496				0.42%	497	
4 Gathering Lines	37,514	2.25%		(422)	(844)	(1,266)	36,248				0.00%	•	
5 Storage Lines	ı	2.05%			,		•				0.00%	,	
6 Cost of Removal	615,796	varions	83	(292)	(583)	(875)	614,921				0.00%	•	
	1,612,302		l	(15,243)	(30,486)	(45,730)	1,566,572				\$	583	
		Qualifying Tax			20%		MACRS	10	Тах Dерге	Tax Depreciation Reserve	rve		Тах
	Book	Expense	Tax	Тах	Bonus	Depreciable	YEAR		Tax	Bonus	MACRS		Net Book
	Investment	Percentage	Expense	Additions	Depreciation	Base	Tax Life 2	Beginning	Expense	Depr	Depr	Ending	Value
7 Distribution Mains	816,750	94.5%	(771,829)	44,921	(22,461)	22,461	15 9.50%	6 (796,423)			(2,134)	(798,557)	18,193
8 Transmission Mains	23,974	100.0%	(23,974)	,	,	•	15 9.50%	6 (23,974)	ı	•		(23,974)	•
9 Services	118,268	0.0%	•	118,268	(59,134)	59,134	20 7.22%			٠	(4,269)	(67,672)	965'05
10 Gathering Lines	37,514	0.0%	•	37,514	(18,757)	18,757	7 24.49%	6 (23,351)		,	(4,594)	(27,945)	695'6
11 Storage Lines	•	0.0%	•	•	r		15 9.50%	,	,	ŧ	•	•	1
12 Cost of Removal	615,796	NA	•	1	•	•	NA NA	•		4			NA
	1,612,302		(795,803)	200,703	(100,352)	100,352		(907,151)	•	1	(10,997)	(918,148)	78,358
				Cumulative									
		Net Book Vaine	/ajire	Timing	Statutory	Deferred							
	•	Book	Tax	Difference	Rate	income Taxes							
13 Distribution Mains	•	778,771	18,193	(760,579)	37.96%	(288,716)							
14 Transmission Mains		23,136	ı	(23,136)	37.96%	(8,782)							
15 Services		113,496	50,596	(62.900)	37.96%	(23,877)							
16 Gathering Lines		36,248	695'6	(26,679)	37.96%	(10,127)							
17 Storage Lines		•	,	•	37.96%	,							
18 Cost of Removal	,	614,921	NA	(614.921)	37.96%	(233,424)							
		1,566,572	78,358	(1,488,215)		(564,926)							

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

B 2010 PRP filing included, as depreciation expense, the cost of removal provision on all assets rather than only PRP assets placed during 2010. This worksheet has been corrected for the current year filing.

2011	
Calendar Year	PRP Worksheet

sheet			i	Book	<b>Book Depreciation Reserve</b>	serve								
		<b>Book Depr</b>			A		Book							
	2011	Year			Depreciation		Net Book					COR	COR	
	Investment	1		Beginning	Expense	Ending	Value					Rate	Depr	
1 Distribution Mains	828,951	3.10%	l		(12,849)	(12,849)	816,102				•	0.01%	\$ (41)	
2 Transmission Mains	88,312	2.33%			(1,029)	(1,029)	87,283					0.02%	(6)	
3 Services	383,075	2.69%			(5,152)	(5,152)	377,923					0.42%	(804)	
4 Gathering Lines	5,783	2.25%			(65)	(65)	5.718					0.00%	•	
5 Storage Lines	•	2.05%		•	•	•	•					0.00%		
6 Cost of Removal	429,766	various			(855)	(852)	428,911					0.00%		
	1,735,887		ı		(19,950)	(19,950)	1,715,937				•		\$ (855)	
		Qualifying Tax			100%			MACRS		Tax Depre	Tax Depreciation Reserve	ve		Тах
	Book	Expense	Тах	Тах	Bonus	Depreciable		YEAR		Тах	Bonus	MACRS	<b>*</b>	Net Book
	investment	Percentage	Expense	Additions	Depreciation	Base	Tax Life		Beginning	Expense	Depr	Depr	Ending	Value
7 Distribution Mains	828,951	71.0%	(588,555)	240,396	(240,396)	•	15	5.00%		(588,555)	(240,396)	,	(828,951)	1
8 Transmission Mains	88,312	94.0%	(82,981)	5,331	(5,331)	•	15	2.00%		(82,981)	(5.331)		(88,312)	
9 Services	383,075	100.0%	(383,075)	,	•		20	3.75%	•	(383,075)	•	,	(383,075)	
10 Gathering Lines	5,783	0.0%	,	5.783	(5,783)		7	14.29%	•	,	(5,783)	•	(5,783)	
11 Storage Lines		0.0%	٠	,			15	2.00%	٠	•		•	•	
12 Cost of Removal	429,766	NA	,	,		•	NA	NA		•		•		NA
	1,735,887		(1,054,611)	251,510	(251,510)					(1,054,611)	(251,510)		(1,306,121)	,
				Cumulative										
		Net Book Value	Value	Timing	Statutory	Deferred								
		Book	Tax	Difference	Rate	Income Taxes								
13 Distribution Mains	•	816,102	•	(816,102)	37.96%	(309,792)								
14 Transmission Mains		87,283	•	(87,283)	37.96%	(33,133)								
15 Services		377,923		(377,923)	37.96%	(143,459)								
16 Gathering Lines		5,718		(5,718)	37.96%	(2,171)								
17 Storage Lines			,	•	37.96%	r								
18 Cost of Removal	·	428,911	NA	(428,911)	37.96%	(162,815)								
		1,715,937	,	(1,715,937)		(651,370)								

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6. B Year 1 for PRP assets assumes a half year of depreciation expense.

Total Cost of Service Impact

nc.	PRP
l Gas Company,	ct from
l Gas Co	ce Impact
Natural	of Service
Delta	Cost

1 Increased depreciation expense (schedule II)		∽	<b>2010</b> 30,486	·	<b>2011</b> \$ 19,950	⋄	50,436
Operating expense reductions	2010-0116 Calendar		2010		2011		
	2009 Test Year	Actual Expense	Decrease in Operating Expense	2011	Decrease in Operating Expense		
2 Maintenance of Transmission and Distribution Mains	76,450	84,618		62,961			
	\$ 76,450	\$ 84,618 \$	ı	\$ 62,961	\$ (13,489)	Ϋ́	(13,489)
Increased property tax expense		Market and the second s					
			2010		2011		
		1	Increased Ad Valorem		Increased Ad Valorem		
2 DDD Additions		\$ 1 513 203	Тахеѕ	T00 7CF 1 3	Taxes		
4 Ad valorem tax rate		0.97% \$	15,583	%25°00/1 ¢	\$ 16,778	Ϋ́	32,361
Per Case 2010-00116, FR10(6)(h) Tab 27, Schedule 5.1							
5 Total taxable value	144,250,000						
6 Property tax expense	1,394,198						
7 Average ad valorem tax rate	%26.0						
8 Total Cost of Service Impact						<b>√</b>	808.69

P.S.C. No. 12, First Revised Sheet No. 43 Superseding P.S.C. No. 12, Original Sheet No. 43

## 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;
- Retirement and removal of plant related to PRP construction;
   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.
- e. Reduction for savings in operating and maintenance expense;
- f. Increased property tax expense on the PRP-related Plant In-Service.

#### 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.

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.

(N)

DATE OF ISSUE:

(N)

(N)

DATE EFFECTIVE:(Final	al Meter Reads)	
ISSUED BY: Glenn R. Jennings, Chairm	an of the Board, President and CEO	
<b></b>	······································	
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Issued by Authority of an Order of the	Public Service Commission of KY in Case No. 2012 dat	ed, 2012