



DELTA NATURAL GAS COMPANY, INC.

3617 Lexington Road
Winchester, Kentucky 40391-9797

www.deltagas.com

PHONE: 859-744-6171

FAX: 859-744-3623



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Public Service
Commission

February 26, 2016

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

Dear Mr. Derouen:

Enclosed are the original and ten copies of Delta's Annual Pipe Replacement Program rate filing which determines the Pipe Replacement Program Rate to be effective May 1, 2016, which includes meters read on and after April 25, 2016.

An extra copy of the filing is attached for public files.

Please acknowledge receipt of this filing by stamping the extra copy of the cover letter and returning to Delta in the envelope provided.

Sincerely,

Jenny Lowery Croft
Manager – Employee & Regulatory Services

Delta Natural Gas Company, Inc.
 Pipe Replacement Program Filing
 Program Year Ended: December 31, 2015
 Rates Effective: May 1, 2016

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|---|--------------|--------------|--------------|--------------|--------------|--------------|------------------------|
| 1 Total annual expenditures under the PRP (Schedule II) | \$ 1,574,788 | \$ 1,730,104 | \$ 3,796,271 | \$ 2,961,542 | \$ 1,843,366 | \$ 1,758,827 | |
| 2 Less: | | | | | | | |
| 3 Accumulated depreciation | (163,036) | (178,965) | (317,894) | (170,478) | (78,279) | (21,860) | |
| 4 Accumulated deferred income taxes | (517,649) | (588,812) | (1,296,376) | (1,059,488) | (669,946) | (630,048) | |
| 5 Net PRP Rate Base, as of December 31, 2015 | 894,103 | 962,327 | 2,182,001 | 1,731,576 | 1,095,141 | 1,106,919 | |
| 6 WACOC, per case no 2010-00116 | 7.97025% | 7.97025% | 7.97025% | 7.97025% | 7.97025% | 7.97025% | |
| 7 Allowed Return | 71,262 | 76,700 | 173,911 | 138,011 | 87,285 | 88,224 | |
| 8 Tax expansion factor, w PSC (per Case No. 2010-00116) | 1.60658 | 1.60658 | 1.60658 | 1.60658 | 1.60658 | 1.60658 | |
| 9 Return, grossed up for income taxes | \$ 114,488 | \$ 123,225 | \$ 279,402 | \$ 221,726 | \$ 140,231 | \$ 141,739 | \$ 1,020,811 |
| 10 Cost of Service Items (Schedule III) | | | | | | | 408,511 |
| 12 Current Year PRP Adjustment | | | | | | | \$ 1,429,322 |
| 13 Balancing Adjustment | | | | | | | |
| 14 Prior Year PRP Adjustment | | | | | | | 1,293,108 |
| 15 Less: Actual Collections of Prior Year PRP Adjustment May 2015 through February 2016 | | | | | | | (1,068,170) |
| 16 Less: Estimated Collections March 2016 and April 2016 | | | | | | | (213,529) ^A |
| 17 Total PRP Adjustment | | | | | | | \$ 1,440,731 |

| | Calculated Net Revenue @ Approved Rates per Case No. 2010-00116 | Class Allocation | Allocated PRP Adjustment | # of Customers for the 12 months ended October 31, 2015 | Monthly PRP Rate |
|--------------------------|---|---------------------|--------------------------------|---|------------------------|
| 18 Residential | \$ 14,846,218 | 54.3% | \$ 782,642 | 354,494 | \$ 2.21 |
| 19 Small Non-Residential | 3,991,286 | 14.6% | 210,407 | 50,175 | \$ 4.19 |
| 18 Large Non-Residential | 7,008,122 | 25.6% | 369,444 | 11,557 | \$ 31.97 |
| 19 Interruptible | 1,484,119 | 5.4% | 78,238 | 341 | \$ 229.44 |
| 20 | \$ 27,329,745 | 100.0% | \$ 1,440,731 | 416,567 | |

^A Based on average monthly PRP billings for the six-months ended February 2016.

Calendar Year 2010
PRP Worksheet

| | A | | Book Depreciation Reserve | | | Book Net Book Value | COR Rate | COR Depr |
|----------------------|------------|-------------------|---------------------------|----------|-----------|---------------------------|-------------|-------------|
| | 2010 | Book Depr Year | Depreciation | | | | | |
| | Investment | 6 | Beginning | Expense | Ending | | | |
| 1 Distribution Mains | 816,750 | 3.10% | (113,936) | (25,319) | (139,255) | 677,495 | 0.01% | \$ (82) |
| 2 Transmission Mains | 23,974 | 2.33% | (2,515) | (559) | (3,074) | 20,900 | 0.02% | (5) |
| 3 Services | 118,268 | 2.69% | (14,315) | (3,181) | (17,496) | 100,772 | 0.42% | (497) |
| 4 Gathering Lines | - | 2.25% | - | - | - | - | 0.00% | - |
| 5 Storage Lines | - | 2.05% | - | - | - | - | 0.00% | - |
| 6 Cost of Removal | 615,796 | various | (2,627) | (584) | (3,211) | 612,585 | 0.00% | - |
| | 1,574,788 | | (133,393) | (29,643) | (163,036) | 1,411,752 | | \$ (584) |

| | Qualifying Tax | | 50% | | | MACRS YEAR | Tax Depreciation Reserve | | | | Tax Net Book Value | | | |
|----------------------|----------------|------------|-----------|-----------|-----------------------|---------------|--------------------------|--------|-----------|----------------|--------------------------|---------------|---------------|--------|
| | Book | Expense | Tax | Tax | 50% | | Tax Life | 6 | Beginning | Tax Expense | | Bonus Depr | MACRS Depr | Ending |
| | Investment | Percentage | Expense | Additions | Bonus Depreciation | | | | | | | | | |
| 7 Distribution Mains | 816,750 | 94.5% | (771,829) | 44,921 | (22,461) | 22,461 | 15 | 6.233% | (803,760) | - | - | (1,400) | (805,160) | 11,590 |
| 8 Transmission Mains | 23,974 | 100.0% | (23,974) | - | - | - | 15 | 6.233% | (23,974) | - | - | - | (23,974) | - |
| 9 Services | 118,268 | 0.0% | - | 118,268 | (59,134) | 59,134 | 20 | 5.285% | (78,651) | - | - | (3,125) | (81,776) | 36,492 |
| 10 Gathering Lines | - | 0.0% | - | - | - | - | 7 | 8.925% | - | - | - | - | - | - |
| 11 Storage Lines | - | 0.0% | - | - | - | - | 15 | 6.233% | - | - | - | - | - | - |
| 12 Cost of Removal | 615,796 | NA | - | - | - | - | NA | NA | - | - | - | - | - | NA |
| | 1,574,788 | | (795,803) | 163,189 | (81,595) | 81,595 | | | (906,385) | - | - | (4,525) | (910,910) | 48,082 |

| | Net Book Value | | Cumulative | | |
|-----------------------|-----------------------|---------|----------------------|-------------------|--------------------------|
| | Book | Tax | Timing Difference | Statutory Rate | Deferred Income Taxes |
| | 13 Distribution Mains | 677,495 | 11,590 | (665,905) | 37.96% |
| 14 Transmission Mains | 20,900 | - | (20,900) | 37.96% | (7,934) |
| 15 Services | 100,772 | 36,492 | (64,280) | 37.96% | (24,401) |
| 16 Gathering Lines | - | - | - | 37.96% | - |
| 17 Storage Lines | - | - | - | 37.96% | - |
| 18 Cost of Removal | 612,585 | NA | (612,585) | 37.96% | (232,537) |
| | 1,411,752 | 48,082 | (1,363,670) | | (517,649) |

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.

Calendar Year 2011
PRP Worksheet

| | A | | Book Depreciation Reserve | | | Book Net Book Value | COR Rate | COR Depr |
|----------------------|--------------------|------------------------|---------------------------|-------------------------|-----------|---------------------------|-------------|-------------|
| | 2011 Investment | Book Depr Year 5 | A | | | | | |
| | | | Beginning | Depreciation Expense | Ending | | | |
| 1 Distribution Mains | 828,951 | 3.10% | (89,940) | (25,697) | (115,637) | 713,314 | 0.01% | \$ (83) |
| 2 Transmission Mains | 88,312 | 2.33% | (7,203) | (2,058) | (9,261) | 79,051 | 0.02% | (18) |
| 3 Services | 383,075 | 2.69% | (36,067) | (10,305) | (46,372) | 336,703 | 0.42% | (1,609) |
| 4 Gathering Lines | - | 2.25% | - | - | - | - | 0.00% | - |
| 5 Storage Lines | - | 2.05% | - | - | - | - | 0.00% | - |
| 6 Cost of Removal | 429,766 | various | (5,985) | (1,710) | (7,695) | 422,071 | 0.00% | - |
| | 1,730,104 | | (139,195) | (39,770) | (178,965) | 1,551,139 | | \$ (1,710) |

| | Qualifying Tax | | 100% | | | MACRS YEAR | Tax Depreciation Reserve | | | | Tax Net Book Value | | | | |
|----------------------|--------------------|-----------------------|----------------|------------------|-----------------------|---------------|--------------------------|----------|-------------|-----------|--------------------------|----------------|---------------|---------------|--------|
| | Book Investment | Expense Percentage | Tax Expense | Tax Additions | Bonus Depreciation | | Depreciable Base | Tax Life | 5 | Beginning | | Tax Expense | Bonus Depr | MACRS Depr | Ending |
| | | | | | | | | | | | | | | | |
| 8 Transmission Mains | 88,312 | 94.0% | (82,981) | 5,331 | (5,331) | - | 15 | 6.925% | (88,312) | - | - | - | (88,312) | - | |
| 9 Services | 383,075 | 100.0% | (383,075) | - | - | - | 20 | 5.713% | (383,075) | - | - | - | (383,075) | - | |
| 10 Gathering Lines | - | 0.0% | - | - | - | - | 7 | 8.925% | - | - | - | - | - | - | |
| 11 Storage Lines | - | 0.0% | - | - | - | - | 15 | 6.925% | - | - | - | - | - | - | |
| 12 Cost of Removal | 429,766 | NA | - | - | - | - | NA | NA | - | - | - | - | - | NA | |
| | 1,730,104 | | (1,054,611) | 245,727 | (245,727) | - | | | (1,300,338) | - | - | - | (1,300,338) | - | |

| | Net Book Value | | Cumulative | | |
|-----------------------|----------------|-----|----------------------|-------------------|--------------------------|
| | Book | Tax | Timing Difference | Statutory Rate | Deferred Income Taxes |
| | | | | | |
| 14 Transmission Mains | 79,051 | - | (79,051) | 37.96% | (30,008) |
| 15 Services | 336,703 | - | (336,703) | 37.96% | (127,812) |
| 16 Gathering Lines | - | - | - | 37.96% | - |
| 17 Storage Lines | - | - | - | 37.96% | - |
| 18 Cost of Removal | 422,071 | NA | (422,071) | 37.96% | (160,218) |
| | 1,551,139 | - | (1,551,139) | | (588,812) |

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.

Calendar Year 2012
PRP Worksheet

| | A | | Book Depreciation Reserve | | | Book Net Book Value | COR Rate | COR Depr |
|----------------------|--------------------|------------------------|---------------------------|-------------------------|-----------|---------------------------|-------------|-------------|
| | 2012 Investment | Book Depr Year 4 | Beginning | Depreciation Expense | Ending | | | |
| 1 Distribution Mains | 2,164,531 | 3.10% | (167,750) | (67,100) | (234,850) | 1,929,681 | 0.01% | \$ (216) |
| 2 Transmission Mains | 31,604 | 2.33% | (1,840) | (736) | (2,576) | 29,028 | 0.02% | (6) |
| 3 Services | 732,128 | 2.69% | (49,235) | (19,694) | (68,929) | 663,199 | 0.42% | (3,075) |
| 4 Gathering Lines | - | 2.25% | - | - | - | - | 0.00% | - |
| 5 Storage Lines | - | 2.05% | - | - | - | - | 0.00% | - |
| 6 Cost of Removal | 868,008 | various | (8,242) | (3,297) | (11,539) | 856,469 | 0.00% | - |
| | 3,796,271 | | (227,067) | (90,827) | (317,894) | 3,478,377 | | \$ (3,297) |

| | Qualifying Tax | | 50% | | | MACRS YEAR | Tax Depreciation Reserve | | | | Tax Net Book Value | | | |
|----------------------|--------------------|-----------------------|----------------|------------------|-----------------------|---------------|--------------------------|----------|-------------|-----------|--------------------------|----------------|---------------|---------------|
| | Book Investment | Expense Percentage | Tax Expense | Tax Additions | Bonus Depreciation | | Depreciable Base | Tax Life | 4 | Beginning | | Tax Expense | Bonus Depr | MACRS Depr |
| 7 Distribution Mains | 2,164,531 | 93.0% | (2,013,014) | 151,517 | (75,759) | 75,758 | 15 | 7.695% | (2,106,235) | - | - | (5,830) | (2,112,065) | 52,466 |
| 8 Transmission Mains | 31,604 | 1.3% | (416) | 31,188 | (15,594) | 15,594 | 15 | 7.695% | (19,604) | - | - | (1,200) | (20,804) | 10,800 |
| 9 Services | 732,128 | 100.0% | (732,128) | - | - | - | 20 | 6.177% | (732,128) | - | - | - | (732,128) | - |
| 10 Gathering Lines | - | 0.0% | - | - | - | - | 7 | 12.495% | - | - | - | - | - | - |
| 11 Storage Lines | - | 0.0% | - | - | - | - | 15 | 7.695% | - | - | - | - | - | - |
| 12 Cost of Removal | 868,008 | NA | - | - | - | - | NA | NA | - | - | - | - | - | NA |
| | 3,796,271 | | (2,745,558) | 182,705 | (91,353) | 91,352 | | | (2,857,967) | - | - | (7,030) | (2,864,997) | 63,266 |

| | Net Book Value | | Cumulative | | Deferred Income Taxes |
|-----------------------|----------------|--------|----------------------|-------------------|--------------------------|
| | Book | Tax | Timing Difference | Statutory Rate | |
| 13 Distribution Mains | 1,929,681 | 52,466 | (1,877,215) | 37.96% | (712,591) |
| 14 Transmission Mains | 29,028 | 10,800 | (18,228) | 37.96% | (6,919) |
| 15 Services | 663,199 | - | (663,199) | 37.96% | (251,750) |
| 16 Gathering Lines | - | - | - | 37.96% | - |
| 17 Storage Lines | - | - | - | 37.96% | - |
| 18 Cost of Removal | 856,469 | NA | (856,469) | 37.96% | (325,116) |
| | 3,478,377 | 63,266 | (3,415,111) | | (1,296,376) |

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.

Calendar Year 2013
PRP Worksheet

| | A | | Book Depreciation Reserve | | | Book Net Book Value | COR Rate | COR Depr |
|----------------------|--------------------|------------------------|---------------------------|-------------------------|-----------|---------------------------|-------------|-------------|
| | 2013 Investment | Book Depr Year 3 | A | | | | | |
| | | | Beginning | Depreciation Expense | Ending | | | |
| 1 Distribution Mains | 1,672,265 | 3.10% | (77,760) | (51,840) | (129,600) | 1,542,665 | 0.01% | \$ (167) |
| 2 Transmission Mains | - | 2.33% | - | - | - | - | 0.02% | - |
| 3 Services | 520,370 | 2.69% | (20,997) | (13,998) | (34,995) | 485,375 | 0.42% | (2,186) |
| 4 Gathering Lines | - | 2.25% | - | - | - | - | 0.00% | - |
| 5 Storage Lines | - | 2.05% | - | - | - | - | 0.00% | - |
| 6 Cost of Removal | 768,907 | various | (3,530) | (2,353) | (5,883) | 763,024 | 0.00% | - |
| | 2,961,542 | | (102,287) | (68,191) | (170,478) | 2,791,064 | | \$ (2,353) |

| | Qualifying Tax | | | 50% | | | MACRS YEAR 3 | Tax Depreciation Reserve | | | | Tax Net Book Value | | |
|----------------------|--------------------|-----------------------|----------------|------------------|-----------------------|---------------------|--------------------|--------------------------|-------------|----------------|---------------|--------------------------|---------------|--------|
| | Book Investment | Expense Percentage | Tax Expense | Tax Additions | Bonus Depreciation | Depreciable Base | | Tax Life | Beginning | Tax Expense | Bonus Depr | | MACRS Depr | Ending |
| | | | | | | | | | | | | | | |
| 7 Distribution Mains | 1,672,265 | 100.0% | (1,672,265) | - | - | - | 15 | 8.550% | (1,672,265) | - | - | (1,672,265) | - | |
| 8 Transmission Mains | - | 0.0% | - | - | - | - | 15 | 8.550% | - | - | - | - | - | |
| 9 Services | 520,370 | 100.0% | (520,370) | - | - | - | 20 | 6.677% | (520,370) | - | - | (520,370) | - | |
| 10 Gathering Lines | - | 0.0% | - | - | - | - | 7 | 17.492% | - | - | - | - | - | |
| 11 Storage Lines | - | 0.0% | - | - | - | - | 15 | 8.550% | - | - | - | - | - | |
| 12 Cost of Removal | 768,907 | NA | - | - | - | - | NA | NA | - | - | - | - | NA | |
| | 2,961,542 | | (2,192,635) | - | - | - | | | (2,192,635) | - | - | (2,192,635) | - | |

| | Net Book Value | | Cumulative Timing Difference | Statutory Rate | Deferred Income Taxes |
|-----------------------|----------------|-----|------------------------------------|-------------------|--------------------------|
| | Book | Tax | | | |
| 13 Distribution Mains | 1,542,665 | - | (1,542,665) | 37.96% | (585,596) |
| 14 Transmission Mains | - | - | - | 37.96% | - |
| 15 Services | 485,375 | - | (485,375) | 37.96% | (184,248) |
| 16 Gathering Lines | - | - | - | 37.96% | - |
| 17 Storage Lines | - | - | - | 37.96% | - |
| 18 Cost of Removal | 763,024 | NA | (763,024) | 37.96% | (289,644) |
| | 2,791,064 | - | (2,791,064) | | (1,059,488) |

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.

Calendar Year 2014
PRP Worksheet

| | A | | Book Depreciation Reserve | | | Book Net Book Value | COR Rate | COR Depr |
|----------------------|--------------------|-------------------|---------------------------|-------------------------|----------|---------------------------|-------------|-------------|
| | 2014 Investment | Book Depr Year | A | | | | | |
| | | | Beginning | Depreciation Expense | Ending | | | |
| 1 Distribution Mains | 1,281,613 | 3.10% | (19,865) | (39,730) | (59,595) | 1,222,018 | 0.01% | \$ (128) |
| 2 Transmission Mains | 500 | 2.33% | (6) | (12) | (18) | 482 | 0.02% | - |
| 3 Services | 396,014 | 2.69% | (5,326) | (10,653) | (15,979) | 380,035 | 0.42% | (1,663) |
| 4 Gathering Lines | - | 2.25% | - | - | - | - | 0.00% | - |
| 5 Storage Lines | - | 2.05% | - | - | - | - | 0.00% | - |
| 6 Cost of Removal | 165,239 | various | (896) | (1,791) | (2,687) | 162,552 | 0.00% | - |
| | 1,843,366 | | (26,093) | (52,186) | (78,279) | 1,765,087 | | \$ (1,791) |

| | Qualifying Tax | | | 50% | | | MACRS YEAR | Tax Depreciation Reserve | | | | | Tax Net Book Value | |
|----------------------|--------------------|-----------------------|----------------|------------------|-----------------------|---------------------|---------------|--------------------------|-------------|--------------------------|---------|---------------|--------------------------|--------|
| | Book Investment | Expense Percentage | Tax Expense | Tax Additions | Bonus Depreciation | Depreciable Base | | Tax Life | 2 | Tax Depreciation Reserve | | | | Ending |
| | | | | | | | | | | Beginning | Expense | Bonus Depr | | |
| 7 Distribution Mains | 1,281,613 | 100.0% | (1,281,613) | - | - | - | 15 | 9.500% | (1,281,613) | - | - | - | (1,281,613) | - |
| 8 Transmission Mains | 500 | 0.0% | - | 500 | (250) | 250 | 15 | 9.500% | (263) | - | - | (24) | (287) | 213 |
| 9 Services | 396,014 | 100.0% | (396,014) | - | - | - | 20 | 7.219% | (396,014) | - | - | - | (396,014) | - |
| 10 Gathering Lines | - | 0.0% | - | - | - | - | 7 | 24.490% | - | - | - | - | - | - |
| 11 Storage Lines | - | 0.0% | - | - | - | - | 15 | 9.500% | - | - | - | - | - | - |
| 12 Cost of Removal | 165,239 | NA | - | - | - | - | NA | NA | - | - | - | - | - | NA |
| | 1,843,366 | | (1,677,627) | 500 | (250) | 250 | | | (1,677,890) | - | - | (24) | (1,677,914) | 213 |

| | Net Book Value | | Cumulative | | |
|-----------------------|----------------|-----|----------------------|-------------------|--------------------------|
| | Book | Tax | Timing Difference | Statutory Rate | Deferred Income Taxes |
| | | | | | |
| 13 Distribution Mains | 1,222,018 | - | (1,222,018) | 37.96% | (463,878) |
| 14 Transmission Mains | 482 | 213 | (269) | 37.96% | (102) |
| 15 Services | 380,035 | - | (380,035) | 37.96% | (144,261) |
| 16 Gathering Lines | - | - | - | 37.96% | - |
| 17 Storage Lines | - | - | - | 37.96% | - |
| 18 Cost of Removal | 162,552 | NA | (162,552) | 37.96% | (61,705) |
| | 1,765,087 | 213 | (1,764,874) | | (669,946) |

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.

Calendar Year 2015
PRP Worksheet

| | A | | B | | | Book Net Book Value | COR Rate | COR Depr |
|----------------------|--------------------|-----------------------|-----------|-------------------------|----------|---------------------------|-------------|-------------|
| | 2015 Investment | Book Dep Year 1 | Beginning | Depreciation Expense | Ending | | | |
| 1 Distribution Mains | 1,201,977 | 3.10% | - | (18,631) | (18,631) | 1,183,346 | 0.01% | \$ (60) |
| 2 Transmission Mains | 87,414 | 2.33% | - | (1,018) | (1,018) | 86,396 | 0.02% | (9) |
| 3 Services | 137,797 | 2.69% | - | (1,853) | (1,853) | 135,944 | 0.42% | (289) |
| 4 Gathering Lines | - | 2.25% | - | - | - | - | 0.00% | - |
| 5 Storage Lines | - | 2.05% | - | - | - | - | 0.00% | - |
| 6 Cost of Removal | 331,639 | various | - | (358) | (358) | 331,281 | 0.00% | - |
| | 1,758,827 | | - | (21,860) | (21,860) | 1,736,967 | | \$ (358) |

| | Qualifying Tax | | | 50% | | | MACRS YEAR | Tax Depreciation Reserve | | | | | Tax Net Book Value | |
|----------------------|--------------------|-----------------------|----------------|------------------|-----------------------|---------------------|---------------|--------------------------|---|-------------|----------------|---------------|--------------------------|---------------|
| | Book Investment | Expense Percentage | Tax Expense | Tax Additions | Bonus Depreciation | Depreciable Base | | Tax Life | 1 | Beginning | Tax Expense | Bonus Depr | | MACRS Depr |
| 7 Distribution Mains | 1,201,977 | 91.9% | (1,104,617) | 97,360 | (48,680) | 48,680 | 15 | 5.000% | - | (1,104,617) | (48,680) | (2,434) | (1,155,731) | 46,246 |
| 8 Transmission Mains | 87,414 | 25.5% | (22,254) | 65,160 | (32,580) | 32,580 | 15 | 5.000% | - | (22,254) | (32,580) | (1,629) | (56,463) | 30,951 |
| 9 Services | 137,797 | 100.0% | (137,797) | - | - | - | 20 | 3.750% | - | (137,797) | - | - | (137,797) | - |
| 10 Gathering Lines | - | 0.0% | - | - | - | - | 7 | 14.286% | - | - | - | - | - | - |
| 11 Storage Lines | - | 0.0% | - | - | - | - | 15 | 5.000% | - | - | - | - | - | - |
| 12 Cost of Removal | 331,639 | NA | - | - | - | - | NA | NA | - | - | - | - | - | NA |
| | 1,758,827 | | (1,264,668) | 162,520 | (81,260) | 81,260 | | | - | (1,264,668) | (81,260) | (4,063) | (1,349,991) | 77,197 |

| | Net Book Value | | Cumulative Timing Difference | Statutory Rate | Deferred Income Taxes |
|-----------------------|----------------|--------|------------------------------------|-------------------|--------------------------|
| | Book | Tax | | | |
| 13 Distribution Mains | 1,183,346 | 46,246 | (1,137,100) | 37.96% | (431,643) |
| 14 Transmission Mains | 86,396 | 30,951 | (55,445) | 37.96% | (21,047) |
| 15 Services | 135,944 | - | (135,944) | 37.96% | (51,604) |
| 16 Gathering Lines | - | - | - | 37.96% | - |
| 17 Storage Lines | - | - | - | 37.96% | - |
| 18 Cost of Removal | 331,281 | NA | (331,281) | 37.96% | (125,754) |
| | 1,736,967 | 77,197 | (1,659,770) | | (630,048) |

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.

DELTA NATURAL GAS
Cost of Removal and Replacement Projects for 2015

| <u>PLANT ACCOUNT</u> | <u>PLANT CLASSIFICATION</u> | <u>PIPE SIZE AND TYPE INSTALLED</u> | <u>INSTALLED FOOTAGE</u> | <u>TOTAL</u> |
|----------------------|-----------------------------|-------------------------------------|--------------------------|------------------|
| | COST OF REMOVAL | (A) | - | 331,639 |
| 376 | DISTRIBUTION MAINS | UNDER 2" PLASTIC | 2,266 | 91,743 |
| 376 | DISTRIBUTION MAINS | 2" PLASTIC | 17,661 | 521,198 |
| 376 | DISTRIBUTION MAINS | 4" PLASTIC | 11,112 | 471,915 |
| 376 | DISTRIBUTION MAINS | 6" PLASTIC | 2,062 | 113,892 |
| 376 | DISTRIBUTION MAINS | 3" STEEL | 0 | 3,229 |
| | | | <u>33,101</u> | <u>1,201,977</u> |
| | | | | (B) |
| 367 | TRANSMISSION MAINS | 4" STEEL | 270 | 63,108 |
| 367 | TRANSMISSION MAINS | 6" STEEL | 104 | 113 |
| 367 | TRANSMISSION MAINS | 8" STEEL | 10 | 17,548 |
| 367 | TRANSMISSION MAINS | 10" STEEL | 10 | 6,645 |
| | | | <u>394</u> | <u>87,414</u> |
| | | | | (C) |
| 380 | SERVICES | (D) | - | 137,797 |
| | | | | |
| | | | Report Total | <u>1,758,827</u> |
| | | | | |
| | | | Control Total | <u>1,758,827</u> |

(A) Represents cost of removal incurred. No pipe installed.

(B) Represents incurred costs for an ongoing project. Footage will be assigned once completed.

(C) Represents Delta's portion of a project that was partially billed to a customer.

(D) Represents replacement of a service line. Delta does not track the footage of each individual service line.

CLASSIFICATION OF SERVICE – RATE SCHEDULES
 RESIDENTIAL

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by residential customers.

CHARACTER OF SERVICE

Firm - within the reasonable limits of the Company's capability to provide such service.

RATES

| | Base Rate | + | Gas Cost Recovery Rate (GCR) ** | = | Total Rate |
|-------------------|-------------|---|---------------------------------------|---|-----------------|
| Customer Charge * | \$ 20.90000 | | | | \$ 20.90000 |
| All Ccf *** | \$ 0.43185 | | \$ 0.40897 | | \$ 0.84082 /Ccf |

* The customer charge includes \$0.20 collected under Delta's Energy Assistance Program Tariff Rider as set forth on Sheet No. 38 of this tariff.

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Ccf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

*** Residential rates are also subject to the "Conservation/Efficiency Program Cost Recovery Component (CEPRC)" of .01508/Ccf. The CEPRC is an adjustment determined in accordance with the Conservation/Efficiency Program Cost Recovery as set forth on Sheets 39 – 42 of this tariff.

Residential rates are also subject to a Pipe Replacement Program charge of \$2.21, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff. (1)

DATE OF ISSUE: February 26, 2016
 DATE EFFECTIVE: May 1, 2016
 ISSUED BY: John B. Brown, Chief Operating Officer, Treasurer and Secretary

Issued by Authority of an Order of the Public Service Commission of KY In
 Case No. 2016-_____ dated _____, 2016

**CLASSIFICATION OF SERVICE – RATE SCHEDULES
SMALL NON-RESIDENTIAL***

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by small non-residential customers.

CHARACTER OF SERVICE

Firm - within the reasonable limits of the Company's capability to provide such service.

RATES

| | Base Rate | + | Gas Cost Recovery Rate (GCR) ** | = | Total Rate |
|-------------------|-------------|---|---------------------------------------|---|-----------------|
| Customer Charge * | \$ 31.20000 | | | | \$ 31.20000 |
| All Ccf *** | \$ 0.43185 | | \$ 0.40897 | | \$ 0.84082 /Ccf |

TERMS AND CONDITIONS

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta's system, and/or requests to revert to the Small Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Small Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Small Non-Residential or Interruptible Service rate schedule.

* Meter no larger than AL425

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Ccf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

Small Non-Residential rates are also subject to a Pipe Replacement Program charge of \$4.19 as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

(1)

DATE OF ISSUE: February 26, 2016

DATE EFFECTIVE: May 1, 2016

ISSUED BY: John B. Brown, Chief Operating Officer, Treasurer and Secretary

Issued by Authority of an Order of the Public Service Commission of KY in
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**CLASSIFICATION OF SERVICE – RATE SCHEDULES
LARGE NON-RESIDENTIAL***

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by large non-residential customers.

CHARACTER OF SERVICE

Firm - within the reasonable limits of the Company's capability to provide such service.

RATES

| | <u>Base Rate</u> | + | Gas Cost Recovery Rate <u>(GCR) **</u> | = | <u>Total Rate</u> |
|----------------------|------------------|---|--|---|-------------------|
| Customer Charge | \$ 131.00000 | | | | \$ 131.00000 |
| 1 - 2,000 Ccf | \$ 0.43185 | | \$ 0.40897 | | \$ 0.84082 /Ccf |
| 2,001 - 10,000 Ccf | \$ 0.26696 | | \$ 0.40897 | | \$ 0.67593 /Ccf |
| 10,001 - 50,000 Ccf | \$ 0.18735 | | \$ 0.40897 | | \$ 0.59632 /Ccf |
| 50,001 - 100,000 Ccf | \$ 0.14735 | | \$ 0.40897 | | \$ 0.55632 /Ccf |
| Over 100,000 Ccf | \$ 0.12735 | | \$ 0.40897 | | \$ 0.53632 /Ccf |

TERMS AND CONDITIONS

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta's system, and/or requests to revert to the Large Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Large Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Large Non-Residential or Interruptible Service rate schedule.

* Meter larger than AL425

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Ccf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

Large Non-Residential rates are also subject to a Pipe Replacement Program charge of \$31.97, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff. (l)

DATE OF ISSUE: February 26, 2016

DATE EFFECTIVE: May 1, 2016

ISSUED BY: John B. Brown, Chief Operating Officer, Treasurer and Secretary

Issued by Authority of an Order of the Public Service Commission of KY In
Case No. 2016-_____ dated _____, 2016

**CLASSIFICATION OF SERVICE – RATE SCHEDULES
 INTERRUPTIBLE SERVICE**

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by interruptible customers.

CHARACTER OF SERVICE

Interruptible - within the reasonable limits of the Company's capability to provide such service.

RATES

| | Base Rate | + | Gas Cost Recovery Rate (GCR) ** | = | Total Rate |
|----------------------|--------------|---|---------------------------------------|---|-----------------|
| Customer Charge | \$ 250.00000 | | | | \$ 250.00000 |
| 1 - 10,000 Ccf | \$ 0.16000 | | \$ 0.40897 | | \$ 0.56897 /Ccf |
| 10,001 - 50,000 Ccf | \$ 0.12000 | | \$ 0.40897 | | \$ 0.52897 /Ccf |
| 50,001 - 100,000 Ccf | \$ 0.08000 | | \$ 0.40897 | | \$ 0.48897 /Ccf |
| Over 100,000 Ccf | \$ 0.06000 | | \$ 0.40897 | | \$ 0.46897 /Ccf |

Special Conditions - All customers having a connected load in excess of 2,500,000 Btu input per hour may be required to enter into an Interruptible Sales Agreement. Determinations of those customers so required shall be based on peak day use as well as annual volume and shall be at the sole discretion of the Company. In order to provide a fair opportunity to compete with other motor fuels, the customer charge and Pipe Replacement Program charge may be waived by Delta at its sole discretion for compressed natural gas fueling station customers.

Any customer required to enter into an Interruptible Agreement shall be permitted to purchase or transport gas under the Interruptible Rate Schedule as set forth on Sheet No. 5. Gas requirements, minimum charges and other specific information shall be set forth in the Agreement.

Interruptible rates are also subject to a Pipe Replacement Program charge of \$229.44, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff. (I)

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Ccf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

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 DATE EFFECTIVE: May 1, 2016
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