



DELTA NATURAL GAS COMPANY, INC.

3617 Lexington Road
Winchester, Kentucky 40391-9797



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FEB 28 2017

PUBLIC SERVICE
COMMISSION

February 27, 2017

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

Dear Ms. Mathews:

Case No. 2017-00111

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, 2017.

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, 2016
Rates Effective: May 1, 2017

	2010	2011	2012	2013	2014	2015	2016	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	\$ 3,190,348	
2 Less:								
3 Accumulated depreciation	(192,679)	(218,735)	(408,721)	(238,669)	(130,465)	(65,581)	(42,659)	
4 Accumulated deferred income taxes	(507,997)	(573,716)	(1,264,299)	(1,033,603)	(650,145)	(616,383)	(1,145,195)	
5 Net PRP Rate Base, as of December 31, 2016	874,112	937,653	2,123,251	1,689,270	1,062,756	1,076,863	2,002,494	
6 WACOC, per case no 2010-00116	7.97025%	7.97025%	7.97025%	7.97025%	7.97025%	7.97025%	7.97025%	
7 Allowed Return	69,669	74,733	169,228	134,639	84,704	85,829	159,604	
8 Tax expansion factor, w PSC (per Case No. 2010-00116)	1.60658	1.60658	1.60658	1.60658	1.60658	1.60658	1.60658	
9 Return, grossed up for income taxes	\$ 111,929	\$ 120,065	\$ 271,879	\$ 216,309	\$ 136,084	\$ 137,891	\$ 256,417	\$ 1,250,574
10 Cost of Service Items (Schedule III)								\$ 511,796
12 Current Year PRP Adjustment								\$ 1,762,370
13 Balancing Adjustment								
14 Prior Year PRP Adjustment								1,440,731
15 Less: Actual Collections of Prior Year PRP Adjustment May 2016 through February 2017								(1,199,447)
16 Less: Estimated Collections March 2017 and April 2017								(242,929) ^A
17 Total PRP Adjustment								\$ 1,760,725

	Calculated Net Revenue @ Approved Rates per Case No. 2010-00116	Class Allocation	Allocated PRP Adjustment	# of Customers for the 12 months ended October 31, 2016	Monthly PRP Rate
18 Residential	\$ 14,846,218	54.3%	\$ 956,471	354,519	\$ 2.70
19 Small Non-Residential	3,991,286	14.6%	257,140	50,200	\$ 5.12
18 Large Non-Residential	7,008,122	25.6%	451,500	11,687	\$ 38.63
19 Interruptible	1,484,119	5.4%	95,615	337	\$ 283.72
20	\$ 27,329,745	100.0%	\$ 1,760,726	416,743	

^A Based on average monthly PRP billings for the six-months ended February 2017.

Calendar Year 2010
PRP Worksheet

	A		Book Depreciation Reserve			Book Net Book Value	COR Rate	COR Depr Value
	2010 Investment	Book Depr Year 7	Depreciation					
			Beginning	Expense	Ending			
1 Distribution Mains	816,750	3.10%	(139,255)	(25,319)	(164,574)	652,176	0.01%	\$ (82)
2 Transmission Mains	23,974	2.33%	(3,074)	(559)	(3,633)	20,341	0.02%	(5)
3 Services	118,268	2.69%	(17,496)	(3,181)	(20,677)	97,591	0.42%	(497)
4 Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	615,796	various	(3,211)	(584)	(3,795)	612,001	0.00%	-
	1,574,788		(163,036)	(29,643)	(192,679)	1,382,109		\$ (584)

	Qualifying Tax		50%				MACRS YEAR 7	Tax Depreciation Reserve					Tax Net Book Value		
	Book Investment	Expense Percentage	Tax Expense	Tax Additions	Bonus Depreciation	Depreciable Base		Tax Life	7	Beginning	Tax Expense	Bonus Depr		MACRS Depr	Ending
8 Transmission Mains	23,974	100.0%	(23,974)	-	-	-	15	5.905%	(23,974)	-	-	-	(23,974)	-	
9 Services	118,268	0.0%	-	118,268	(59,134)	59,134	20	4.888%	(81,776)	-	-	(2,890)	(84,666)	33,602	
10 Gathering Lines	-	0.0%	-	-	-	-	7	8.925%	-	-	-	-	-	-	
11 Storage Lines	-	0.0%	-	-	-	-	15	5.905%	-	-	-	-	-	-	
12 Cost of Removal	615,796	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA	
	1,574,788		(795,803)	163,189	(81,595)	81,595			(910,910)	-	-	(4,216)	(915,126)	43,866	

	Net Book Value		Cumulative		
	Book	Tax	Timing Difference	Statutory Rate	Deferred Income Taxes
14 Transmission Mains	20,341	-	(20,341)	37.96%	(7,721)
15 Services	97,591	33,602	(63,989)	37.96%	(24,290)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	612,001	NA	(612,001)	37.96%	(232,316)
	1,382,109	43,866	(1,338,243)		(507,997)

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.

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Calendar Year 2011
PRP Worksheet

	A		Book Depreciation Reserve			Book Net Book Value	COR Rate	COR Depr
	2011 Investment	Book Depr Year 6	A					
			Beginning	Expense	Ending			
1 Distribution Mains	828,951	3.10%	(115,637)	(25,697)	(141,334)	687,617	0.01%	\$ (83)
2 Transmission Mains	88,312	2.33%	(9,261)	(2,058)	(11,319)	76,993	0.02%	(18)
3 Services	383,075	2.69%	(46,372)	(10,305)	(56,677)	326,398	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	(7,695)	(1,710)	(9,405)	420,361	0.00%	-
	1,730,104		(178,965)	(39,770)	(218,735)	1,511,369		\$ (1,710)

	Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	100% Bonus Depreciation	Depreciable Base	MACRS YEAR 6	Tax Depreciation Reserve					Tax Net Book Value		
								Tax Life	6	Beginning	Tax Expense	Bonus Depr		MACRS Depr	Ending
7 Distribution Mains	828,951	71.0%	(588,555)	240,396	(240,396)	-	15	6.233%	(828,951)	-	-	-	(828,951)	-	
8 Transmission Mains	88,312	94.0%	(82,981)	5,331	(5,331)	-	15	6.233%	(88,312)	-	-	-	(88,312)	-	
9 Services	383,075	100.0%	(383,075)	-	-	-	20	5.285%	(383,075)	-	-	-	(383,075)	-	
10 Gathering Lines	-	0.0%	-	-	-	-	7	8.925%	-	-	-	-	-	-	
11 Storage Lines	-	0.0%	-	-	-	-	15	6.233%	-	-	-	-	-	-	
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
13 Distribution Mains	687,617	-	(687,617)	37.96%	(261,019)
14 Transmission Mains	76,993	-	(76,993)	37.96%	(29,227)
15 Services	326,398	-	(326,398)	37.96%	(123,901)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	420,361	NA	(420,361)	37.96%	(159,569)
	1,511,369	-	(1,511,369)		(573,716)

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.

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Calendar Year 2012
PRP Worksheet

	A		Book Depreciation Reserve			Book Net Book Value	COR Rate	COR Depr
	2012 Investment	Book Depr Year S	A					
			Beginning	Expense	Ending			
1 Distribution Mains	2,164,531	3.10%	(234,850)	(67,100)	(301,950)	1,862,581	0.01%	\$ (216)
2 Transmission Mains	31,604	2.33%	(2,576)	(736)	(3,312)	28,292	0.02%	(6)
3 Services	732,128	2.69%	(68,929)	(19,694)	(88,623)	643,505	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	(11,539)	(3,297)	(14,836)	853,172	0.00%	-
	3,796,271		(317,894)	(90,827)	(408,721)	3,387,550		\$ (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	S	Beginning	Tax Expense	Bonus Depr		MACRS Depr	Ending
7 Distribution Mains	2,164,531	93.0%	(2,013,014)	151,517	(75,759)	75,758	15	6.925%	(2,112,065)	-	-	(5,246)	(2,117,311)	47,220	
8 Transmission Mains	31,604	1.3%	(416)	31,188	(15,594)	15,594	15	6.925%	(20,804)	-	-	(1,080)	(21,884)	9,720	
9 Services	732,128	100.0%	(732,128)	-	-	-	20	5.713%	(732,128)	-	-	-	(732,128)	-	
10 Gathering Lines	-	0.0%	-	-	-	-	7	8.925%	-	-	-	-	-	-	
11 Storage Lines	-	0.0%	-	-	-	-	15	6.925%	-	-	-	-	-	-	
12 Cost of Removal	868,008	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA	
	3,796,271		(2,745,558)	182,705	(91,353)	91,352			(2,864,997)	-	-	(6,326)	(2,871,323)	56,940	

	Net Book Value		Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
	Book	Tax			
	13 Distribution Mains	1,862,581	47,220	(1,815,361)	37.96%
14 Transmission Mains	28,292	9,720	(18,572)	37.96%	(7,050)
15 Services	643,505	-	(643,505)	37.96%	(244,274)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	853,172	NA	(853,172)	37.96%	(323,864)
	3,387,550	56,940	(3,330,610)		(1,264,299)

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 4	A					
			Beginning	Expense	Ending			
1 Distribution Mains	1,672,265	3.10%	(129,600)	(51,840)	(181,440)	1,490,825	0.01%	\$ (167)
2 Transmission Mains	-	2.33%	-	-	-	-	0.02%	-
3 Services	520,370	2.69%	(34,995)	(13,998)	(48,993)	471,377	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	(5,883)	(2,353)	(8,236)	760,671	0.00%	-
	2,961,542		(170,478)	(68,191)	(238,669)	2,722,873		\$ (2,353)

	Qualifying Tax			50% Bonus Depreciation	Depreciable Base	MACRS YEAR 4	Tax Depreciation Reserve				Tax Net Book Value	
	Book Investment	Expense Percentage	Tax Expense				Tax Additions	Beginning	Tax Expense	Bonus Depr		MACRS Depr
7 Distribution Mains	1,672,265	100.0%	(1,672,265)	-	-	15	7.695%	(1,672,265)	-	-	(1,672,265)	-
8 Transmission Mains	-	0.0%	-	-	-	15	7.695%	-	-	-	-	-
9 Services	520,370	100.0%	(520,370)	-	-	20	6.177%	(520,370)	-	-	(520,370)	-
10 Gathering Lines	-	0.0%	-	-	-	7	12.495%	-	-	-	-	-
11 Storage Lines	-	0.0%	-	-	-	15	7.695%	-	-	-	-	-
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		
	Book	Tax	Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	1,490,825	-	(1,490,825)	37.96%	(565,917)
14 Transmission Mains	-	-	-	37.96%	-
15 Services	471,377	-	(471,377)	37.96%	(178,935)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	760,671	NA	(760,671)	37.96%	(288,751)
	2,722,873	-	(2,722,873)		(1,033,603)

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 3	A					
			Beginning	Expense	Ending			
1 Distribution Mains	1,281,613	3.10%	(59,595)	(39,730)	(99,325)	1,182,288	0.01%	\$ (128)
2 Transmission Mains	500	2.33%	(18)	(12)	(30)	470	0.02%	-
3 Services	396,014	2.69%	(15,979)	(10,653)	(26,632)	369,382	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	(2,687)	(1,791)	(4,478)	160,761	0.00%	-
	1,843,366		(78,279)	(52,186)	(130,465)	1,712,901		\$ (1,791)

	Qualifying Tax			50% Bonus			MACRS YEAR 3	Tax Depreciation Reserve					Tax Net Book Value	
	Book Investment	Expense Percentage	Tax Expense	Tax Additions	50% Bonus Depreciation	Depreciable Base		Tax Life	Beginning	Tax Expense	Bonus Depr	MACRS Depr		Ending
7 Distribution Mains	1,281,613	100.0%	(1,281,613)	-	-	-	15	8.550%	(1,281,613)	-	-	-	(1,281,613)	-
8 Transmission Mains	500	0.0%	-	500	(250)	250	15	8.550%	(287)	-	-	(21)	(308)	192
9 Services	396,014	100.0%	(396,014)	-	-	-	20	6.677%	(396,014)	-	-	-	(396,014)	-
10 Gathering Lines	-	0.0%	-	-	-	-	7	17.492%	-	-	-	-	-	-
11 Storage Lines	-	0.0%	-	-	-	-	15	8.550%	-	-	-	-	-	-
12 Cost of Removal	165,239	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA
	1,843,366		(1,677,627)	500	(250)	250			(1,677,914)	-	-	(21)	(1,677,935)	192

	Net Book Value		Cumulative		
	Book	Tax	Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	1,182,288	-	(1,182,288)	37.96%	(448,797)
14 Transmission Mains	470	192	(278)	37.96%	(106)
15 Services	369,382	-	(369,382)	37.96%	(140,217)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	160,761	NA	(160,761)	37.96%	(61,025)
	1,712,901	192	(1,712,709)		(650,145)

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		Book Depreciation Reserve			Book Net Book Value	COR Rate	COR Depr
	2015	Book Depr Year	Depreciation					
	Investment	2	Beginning	Expense	Ending			
1 Distribution Mains	1,201,977	3.10%	(18,631)	(37,261)	(55,892)	1,146,085	0.01%	\$ (120)
2 Transmission Mains	87,414	2.33%	(1,018)	(2,037)	(3,055)	84,359	0.02%	(17)
3 Services	137,797	2.69%	(1,853)	(3,707)	(5,560)	132,237	0.42%	(579)
4 Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	331,639	various	(358)	(716)	(1,074)	330,565	0.00%	-
	1,758,827		(21,860)	(43,721)	(65,581)	1,693,246		\$ (716)

	Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	50% Bonus Depreciation	Depreciable Base	MACRS YEAR	Tax Depreciation Reserve					Tax Net Book Value		
								Tax Life	2	Beginning	Expense	Bonus Depr		MACRS Depr	Ending
7 Distribution Mains	1,201,977	91.9%	(1,104,617)	97,360	(48,680)	48,680	15	9.500%	(1,155,731)	-	-	(4,625)	(1,160,356)	41,621	
8 Transmission Mains	87,414	25.5%	(22,254)	65,160	(32,580)	32,580	15	9.500%	(56,463)	-	-	(3,095)	(59,558)	27,856	
9 Services	137,797	100.0%	(137,797)	-	-	-	20	7.219%	(137,797)	-	-	-	(137,797)	-	
10 Gathering Lines	-	0.0%	-	-	-	-	7	24.490%	-	-	-	-	-	-	
11 Storage Lines	-	0.0%	-	-	-	-	15	9.500%	-	-	-	-	-	-	
12 Cost of Removal	331,639	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA	
	1,758,827		(1,264,668)	162,520	(81,260)	81,260			(1,349,991)	-	-	(7,720)	(1,357,711)	69,477	

	Net Book Value		Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
	Book	Tax			
	13 Distribution Mains	1,146,085			
14 Transmission Mains	84,359	27,856	(56,503)	37.96%	(21,449)
15 Services	132,237	-	(132,237)	37.96%	(50,197)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	330,565	NA	(330,565)	37.96%	(125,482)
	1,693,246	69,477	(1,623,769)		(616,383)

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 2016
PRP Worksheet

	A		B			Book Net Book Value	COR Rate	COR Depr
	2016 Investment	Book Depr Year 1	Beginning	Depreciation Expense	Ending			
1 Distribution Mains	2,328,216	3.10%	-	(36,087)	(36,087)	2,292,129	0.01%	\$ (116)
2 Transmission Mains	219,764	2.33%	-	(2,560)	(2,560)	217,204	0.02%	(22)
3 Services	249,152	2.69%	-	(3,351)	(3,351)	245,801	0.42%	(523)
4 Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	393,216	various	-	(661)	(661)	392,555	0.00%	-
	3,190,348		-	(42,659)	(42,659)	3,147,689		\$ (661)

	Book Investment	Qualifying Tax		Tax Additions	50% Bonus Depreciation		Depreciable Base	MACRS YEAR 1	Tax Depreciation Reserve				Tax Net Book Value	
		Expense Percentage	Tax Expense		Tax Expense	Tax Expense			MACRS Depr	MACRS Depr	Ending			
7 Distribution Mains	2,328,216	96.9%	(2,256,041)	72,175	(36,088)	36,087	15	5.000%	-	(2,256,041)	(36,088)	(1,804)	(2,293,933)	34,283
8 Transmission Mains	219,764	7.5%	(16,483)	203,281	(101,641)	101,640	15	5.000%	-	(16,483)	(101,641)	(5,082)	(123,206)	96,558
9 Services	249,152	100.0%	(249,152)	-	-	-	20	3.750%	-	(249,152)	-	-	(249,152)	-
10 Gathering Lines	-	0.0%	-	-	-	-	7	14.286%	-	-	-	-	-	-
11 Storage Lines	-	0.0%	-	-	-	-	15	5.000%	-	-	-	-	-	-
12 Cost of Removal	393,216	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA
	3,190,348		(2,521,676)	275,456	(137,729)	137,727			-	(2,521,676)	(137,729)	(6,886)	(2,666,291)	130,841

	Net Book Value		Cumulative		
	Book	Tax	Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	2,292,129	34,283	(2,257,846)	37.96%	(857,078)
14 Transmission Mains	217,204	96,558	(120,646)	37.96%	(45,797)
15 Services	245,801	-	(245,801)	37.96%	(93,306)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	392,555	NA	(392,555)	37.96%	(149,014)
	3,147,689	130,841	(3,016,848)		(1,145,195)

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 Company, Inc.
Cost of Service Impact from PRP

Total
Cost of Service
Impact

	2010		2011		2012		2013		2014		2015		2016						
1 Increased depreciation expense (Schedule II)	\$	29,643	\$	39,770	\$	90,827	\$	68,191	\$	52,186	\$	43,721	\$	42,659	\$	366,997			
Operating expense reductions																			
	2010-0116 Calendar 2009 Test Year	2010 Actual Expenses		2011 Actual Expenses		2012 Actual Expenses		2013 Actual Expenses		2014 Actual Expenses		2015 Actual Expenses		2016 Actual Expenses					
		Decrease in Operating Expense		Decrease in Operating Expense		Decrease in Operating Expense		Decrease in Operating Expense		Decrease in Operating Expense		Decrease in Operating Expense		Decrease in Operating Expense					
2 Maintenance of Transmission and Distribution Mains	76,450	84,618		62,961		79,664		57,467		61,093		59,404		70,882					
	\$ 76,450	\$ 84,618	\$ -	\$ 62,961	\$ (13,489)	\$ 79,664	\$ -	\$ 57,467	\$ (18,983)	\$ 61,093	\$ (15,357)	\$ 59,404	\$ (17,046)	\$ 70,882	\$ (5,568)	\$ (5,568)			
Increased property tax expense																			
		2010 Increased Ad Valorem Taxes		2011 Increased Ad Valorem Taxes		2012 Increased Ad Valorem Taxes		2013 Increased Ad Valorem Taxes		2014 Increased Ad Valorem Taxes		2015 Increased Ad Valorem Taxes		2016 Increased Ad Valorem Taxes					
3 PRP Additions, Net Book Value	\$	1,382,109	\$	1,511,369	\$	3,387,550	\$	2,722,873	\$	1,712,901	\$	1,693,246	\$	3,147,689					
4 Ad valorem tax rate		0.9665%	\$	13,358	\$	14,608	\$	32,741	\$	26,317	\$	16,555	\$	16,365	\$	30,423	\$	150,367	
<i>Per Case 2010-00116, FR10(6)(h) Tab 27, Schedule 5.1</i>																			
5 Total taxable value																			
6 Property tax expense																			
7 Average ad valorem tax rate																			
8 Total Cost of Service Impact																		\$	511,796

DELTA NATURAL GAS
Cost of Removal and Replacement Projects for 2016

<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)	-	393,216
376	DISTRIBUTION MAINS	UNDER 2" PLASTIC	1,529	82,533
376	DISTRIBUTION MAINS	2" PLASTIC	27,573	1,364,359
376	DISTRIBUTION MAINS	4" PLASTIC	18,793	849,185
376	DISTRIBUTION MAINS	3" STEEL	202	32,139
			<u>48,097</u>	<u>2,328,216</u>
367	TRANSMISSION MAINS	4" STEEL	- (B)	92,648
367	TRANSMISSION MAINS	6" STEEL	- (B)	1,134
367	TRANSMISSION MAINS	8" STEEL	539	125,982
			<u>539</u>	<u>219,764</u>
380	SERVICES	(C)	-	249,152
			Report Total	<u>3,190,348</u>
			Control Total	<u>3,190,348</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 replacement of a service line. Delta does not track the footage of each individual service line.

**Delta Natural Gas Company, Inc.
Supplemental Data as Requested by
CASE NO. 2016-00110, Appendix B**

1. Provide a list of the remaining items to be replaced and an estimate of the associated costs eligible to be recovered through the Pipe Replacement Program (PRP) as originally enumerated by Delta in Case No. 2010-00116. The information should include:

- a. The amount of pipe remaining to be replaced through the PRP. Pipe should be categorized by material (i.e. bare steel, coated steel, etc.), age, size, and location.

The attached Schedule VI lists the steel pipe per Delta's mapping records to be replaced through the PRP mechanism and includes bare steel and coated steel pipe which is not cathodically protected. Delta's mapping records do not differentiate between the two types of pipe as both types are subject to the risk of corrosion. The attached listing does not include quantities of early vintage coated steel pipe from systems acquired by Delta which was improperly coated. Based on leak surveys such pipe possesses a corrosion risk equal to or greater than bare steel pipe.

Delta is also monitoring the Pipeline and Hazardous Materials Safety Administration ("PHMSA") advisory bulletins concerning the susceptibility of older plastic pipe to premature cracking. To date, Delta has not focused its resources on the systematic replacement of Alydyl-A pipe. Rather, Delta has relied upon the results of leak surveys to prioritize pipe replacement.

- b. The number of services remaining to be replaced through the PRP.

Service line replacements result from main replacements, mandatory relocation projects or leaks. While replacing a main, if a service line is found to be steel or older vintage plastic, the service line is replaced. Delta has approximately 1,100 bare steel service lines to be replaced. Mandatory relocations of services and replacements due to leaks occur as required.

The cost of removal related to inactive service lines is also recovered through the PRP. Delta currently has approximately 2,700 services which are inactive. Once these services remain inactive for five years, Delta schedules removal of the service line from the premise.

- c. The number of years Delta expects to use the PRP mechanism to recover the cost of bare and coated steel pipes along with associated services.

At the current pace, Delta expects to reduce its mapped bare steel at a rate of 2-3 miles per year, which indicates bare steel replacement will take fourteen to twenty years to complete. The quantity of bare steel main Delta is able to replace in a given year largely depends on resource requirements. In addition to replacing bare steel pipe, the PRP includes main replacements resulting from leak surveys, replacements dictated by outside agencies and the termination of inactive service lines.

Excluding mandatory relocations, Delta has replaced an average of 42,000 feet of main per year since the PRP's inception. However, the quantities of bare steel and unprotected steel are not declining at the same rate. Experience under the PRP has shown quantities retired to be greater than the quantities originally cataloged in Delta's mapping records, primarily when pipe is retired from older systems acquired by Delta many years ago and therefore not originally mapped by Delta personnel.

In these acquired systems, Delta has discovered steel which is mapped as protected, but when replaced based on leak history is either unprotected or inadequately protected. Going forward Delta intends to track the decline in bare steel per its mapping records, as compared to the amount of pipe replaced, to better extrapolate the number of years required for replacement. Additionally, Delta is encountering portions of plastic connected to the steel which require replacement. As in recent years, priorities at the time of work will continue to influence the pace and scope of replacement activities. As Delta monitors the PHMSA advisory bulletins, the pace of replacements could change. Delta's PRP is a continuing program which utilizes a risk based approach based on its leak surveys to target the replacement of bare steel, unprotected or inadequately protected pipe which poses the greatest risk. In doing so, Delta's PRP focuses on the improvement of public safety and reliability of service for its customers.

- d. The estimated remaining cost per year of the PRP, broken down by pipe, services, and any other eligible PRP activities.

See attached Schedule VII.

2. Provide a list showing by year the amount of pipe replaced through the PRP since the program started. Pipe should be categorized by material (i.e., bare steel, coated steel, etc.), age, size and location.

See attached Schedule VIII.

Feet of Bare Steel Main by Pipe Size (per mapping records)

	0.75	1.00	1.25	2.00	2.50	3.00	4.00	6.00	8.00	Grand Total
BARBOURVILLE	25	1,176	184	5,764	-	790	3,961	-	-	11,900
UNKNOWN	25	1,176	184	5,764	-	790	3,961	-	-	11,900
BEREA	-	302	-	508	-	-	-	-	-	810
1956	-	163	-	382	-	-	-	-	-	545
1957	-	63	-	-	-	-	-	-	-	63
UNKNOWN	-	76	-	126	-	-	-	-	-	202
CORBIN	730	3,557	1,119	13,465	-	4,188	7,676	14,164	6,474	51,373
1982	-	84	-	-	-	-	-	-	-	84
2014	-	30	-	-	-	-	-	-	-	30
UNKNOWN	730	3,443	1,119	13,465	-	4,188	7,676	14,164	6,474	51,259
DELTA TRANS	-	2,154	-	4,990	-	214	1,648	3,597	1,131	13,734
1966	-	-	-	101	-	-	-	-	-	101
1971	-	-	-	-	-	-	457	-	-	457
1972	-	-	-	-	-	-	-	-	1,131	1,131
1973	-	-	-	-	-	-	1,191	-	-	1,191
1975	-	-	-	-	-	-	-	912	-	912
1984	-	7	-	-	-	-	-	-	-	7
1986	-	-	-	40	-	-	-	-	-	40
1987	-	72	-	-	-	-	-	-	-	72
1988	-	273	-	-	-	-	-	-	-	273
1989	-	-	-	150	-	-	-	-	-	150
1990	-	339	-	-	-	-	-	-	-	339
1991	-	163	-	-	-	-	-	-	-	163
1992	-	26	-	-	-	-	-	-	-	26
1993	-	106	-	-	-	-	-	-	-	106
1995	-	195	-	-	-	-	-	-	-	195
1997	-	-	-	-	-	214	-	-	-	214
UNKNOWN	-	973	-	4,699	-	-	-	2,685	-	8,357
LONDON	-	189	-	26	-	-	674	-	-	889
1988	-	189	-	-	-	-	-	-	-	189
1989	-	-	-	-	-	-	674	-	-	674
UNKNOWN	-	-	-	26	-	-	-	-	-	26
MANCHESTER	-	1,165	633	747	-	4,642	-	-	-	7,187
1983	-	52	-	-	-	-	-	-	-	52
2005	-	-	71	-	-	-	-	-	-	71
UNKNOWN	-	1,113	562	747	-	4,642	-	-	-	7,064
MIDDLESBORO	78	1,360	-	20,101	445	906	14,401	4,489	-	41,780
1980	-	-	-	84	-	-	-	-	-	84
1981	-	-	-	35	-	-	-	-	-	35
1983	-	-	-	206	-	-	-	-	-	206
1984	-	-	-	602	-	-	-	-	-	602
1997	-	45	-	-	-	-	-	-	-	45
UNKNOWN	78	1,315	-	19,174	445	906	14,401	4,489	-	40,808
NICHOLASVILLE	-	6,544	210	29,931	-	26	5,513	340	1,257	43,821
1957	-	1,239	-	1,379	-	-	-	-	-	2,618
1958	-	1,462	-	2,161	-	-	-	-	-	3,623
1959	-	318	-	296	-	-	-	-	-	614
1960	-	72	-	1,114	-	-	-	-	-	1,186
1961	-	221	-	1,695	-	-	-	-	-	1,916
1962	-	523	-	1,331	-	-	-	-	-	1,854
1963	-	418	-	2,001	-	-	-	-	-	2,419
1964	-	578	-	1,334	-	-	-	-	-	1,912
1965	-	44	-	3,261	-	-	-	-	-	3,305
1966	-	-	-	1,351	-	-	-	-	-	1,351
1968	-	105	-	-	-	-	-	328	2	435
1969	-	34	-	-	-	-	-	-	-	34
1973	-	-	-	-	-	-	-	-	1,255	1,255
1975	-	-	-	59	-	-	-	-	-	59
1978	-	-	-	459	-	-	-	-	-	459
1980	-	-	-	32	-	-	-	-	-	32

Feet of Bare Steel Main by Pipe Size (per mapping records)

	0.75	1.00	1.25	2.00	2.50	3.00	4.00	6.00	8.00	Grand Total
1981	-	30	-	-	-	-	-	-	-	30
1983	-	-	-	72	-	-	-	-	-	72
1985	-	45	-	-	-	-	-	-	-	45
1986	-	-	210	20	-	-	-	-	-	230
1988	-	-	-	-	-	-	-	12	-	12
1990	-	-	-	320	-	-	-	-	-	320
UNKNOWN	-	1,455	-	13,046	-	26	5,513	-	-	20,040
OWINGSVILLE	-	1,816	-	1,985	2,091	-	210	-	-	6,102
1961	-	-	-	117	-	-	-	-	-	117
1965	-	157	-	73	-	-	-	-	-	230
1968	-	-	-	152	-	-	-	-	-	152
1983	-	-	-	-	-	-	210	-	-	210
UNKNOWN	-	1,659	-	1,643	2,091	-	-	-	-	5,393
STANTON	-	369	-	196	-	1,117	-	-	-	1,682
1962	-	218	-	-	-	-	-	-	-	218
1975	-	-	-	49	-	-	-	-	-	49
1983	-	42	-	-	-	-	-	-	-	42
1984	-	-	-	38	-	-	-	-	-	38
1985	-	-	-	-	-	1,117	-	-	-	1,117
UNKNOWN	-	109	-	109	-	-	-	-	-	218
WILLIAMSBURG	-	3,819	-	11,718	-	4,268	3,737	10,390	-	33,932
1980	-	25	-	21	-	-	-	-	-	46
1982	-	42	-	-	-	-	-	-	-	42
UNKNOWN	-	3,752	-	11,697	-	4,268	3,737	10,390	-	33,844
Grand Total	833	22,451	2,146	89,431	2,536	16,151	37,820	32,980	8,862	213,210

Delta Natural Gas Company, Inc.
Estimated Future PRP Costs

Schedule VII

Main replacements (unprotected)	\$ 2,200,000 {1}
Main replacements (leak survey)	{2}
Main replacements (old vintage plastic)	{3}
Main relocations	{2}
Main retirements	{2}
Service line removals	182,000 {4}
Service line replacements	214,000 {5}
Service line relocations	{2}

{1} Since inception, the average cost of mains replaced through the PRP, excluding mandatory relocations, is \$53.06 per foot. Based on replacing an average of 42,000 feet of main per year, Delta expects to spend approximately \$2.2 million per year to replace the unprotected mains.

{2} Performed as needed.

{3} Delta is currently monitoring the PHMSA advisory bulletins to determine the scope of replacements required.

{4} Delta has 2,700 inactive services. Once a service has been inactive for five years, Delta removes the service line. Under the PRP, the average cost to remove a service is \$337, resulting in an average cost of \$182,000 per year for five years.

{5} Delta has approximately 1,100 bare steel services. Since the PRP inception, Delta has averaged 250 service line replacements per year with an average cost to replace a service of \$856. Delta estimates an average cost of \$214,000 per year.

Retired Quantities, per Accounting Records

Pipe Type/Size	District	Year Replaced						Total	
		2010	2011	2012	2013	2014	2015		2016
2" PLASTIC, DISTRIBUTION	Barbourville	(150)	(124)	(520)	(524)	(851)	(8)	(1,535)	(3,712)
	Berea	(852)	(634)	(498)	(326)	(1,302)	(251)	(626)	(4,489)
	Corbin	(286)	(2,251)	(1,204)	(1,900)	(2,751)	(993)	(1,335)	(10,720)
	London	(106)	(275)	(85)		(671)	(2,003)		(3,140)
	Manchester				(120)	(50)		(91)	(261)
	Middlesboro	(347)	(180)	(494)	(471)	(108)	(334)	(1,155)	(3,089)
	Nicholasville	(334)	(1,047)	(2,351)	(1,421)	(1,225)	(480)	(321)	(7,179)
	Owingsville	(534)	(578)	(234)	(123)	(1,379)	(445)	(1,367)	(4,660)
	Stanton	(1,217)	(601)	(610)	(160)	(20)	(257)	(164)	(3,029)
	Transmission Williamsburg		(356)		(117)	(1,109)	(3,752)	(555)	(592)
2" PLASTIC, DISTRIBUTION Total		(3,826)	(6,046)	(5,996)	(6,271)	(12,109)	(5,326)	(7,186)	(46,760)
2" STEEL, DISTRIBUTION	Barbourville			(4)	(1)	(3)	(1)	(1)	(10)
	Berea	(2,666)	(815)	(1,917)	(162)	(2,951)		(213)	(8,724)
	Corbin	(652)	(713)	(1,720)	(4,631)	(1,236)	(933)	(48)	(9,933)
	London				(1)	(1)			(2)
	Manchester			(263)					(263)
	Middlesboro	(1,127)	(4,194)	(5,026)	(6)	(856)	(1)	(231)	(11,441)
	Nicholasville	(2,445)	(2,910)	(14,959)	(7,923)	(2,243)	(2,049)	(230)	(32,759)
	Owingsville	(538)			(796)		(350)	(370)	(2,054)
	Stanton	(188)	(958)	(780)			(498)	(47)	(2,471)
	Williamsburg	(380)	(619)	(1)	(1)	(1)	(1)	(3)	(986)
2" STEEL, DISTRIBUTION Total		(7,976)	(10,209)	(24,670)	(13,521)	(7,291)	(3,833)	(1,143)	(68,643)
2" STEEL, TRANSMISSION	Middlesboro					(1)			(1)
	Owingsville Transmission	(3)		(48)			(14)		(3)
2" STEEL, TRANSMISSION Total		(3)		(48)		(1)	(14)		(66)
3" PLASTIC, DISTRIBUTION	Corbin					(152)			(152)
	Owingsville					(1,650)			(1,650)
3" PLASTIC, DISTRIBUTION Total						(1,802)			(1,802)
3" STEEL, DISTRIBUTION	Barbourville			(500)		(1)		(1)	(502)
	Corbin	(177)	(73)	(3,292)	(929)	(8,620)	(1,197)	(114)	(14,402)
	London			(5)		(1)	(1)		(7)
	Manchester			(1)				(1)	(2)
	Middlesboro			(2,114)		(545)	(200)		(2,859)
	Owingsville			(2)	(475)				(477)
	Williamsburg			(735)					(735)
3" STEEL, DISTRIBUTION Total		(177)	(73)	(6,649)	(1,404)	(9,167)	(1,398)	(116)	(18,984)
3" STEEL, TRANSMISSION	Owingsville			(3,280)					(3,280)
	Transmission				(63)				(63)
3" STEEL, TRANSMISSION Total				(3,280)	(63)				(3,343)
4" PLASTIC, DISTRIBUTION	Barbourville	(12)						(1,989)	(2,001)
	Berea	(849)	(470)	(48)			(1,650)		(3,017)
	Corbin					(173)	(171)		(344)
	London	(4)				(1,726)		(100)	(1,830)
	Manchester	(330)		(55)					(385)
	Middlesboro		(12)	(40)	(15)	(84)	(90)		(241)
	Nicholasville		(150)			(5)			(155)
	Owingsville			(2)	(240)		(350)		(592)
	Stanton						(28)		(28)
	Williamsburg							(100)	(100)
4" PLASTIC, DISTRIBUTION Total		(1,195)	(632)	(145)	(255)	(1,988)	(2,289)	(2,189)	(8,693)
4" STEEL, DISTRIBUTION	Barbourville			(1)			(6)	(1,001)	(1,008)
	Berea	(735)	(2,872)	(1,640)		(360)		(312)	(5,919)
	Corbin				(1,827)	(2,439)	(4,320)	(88)	(8,674)
	London		(4,100)	(1,225)			(1,416)		(6,741)
	Manchester			(1)					(1)
	Middlesboro	(1,856)		(1,850)	(771)	(1)	(3,097)	(1)	(7,578)
	Nicholasville			(383)		(5)			(388)
	Stanton			(45)					(45)
	Williamsburg	(1,300)				(15)			(1,315)
	4" STEEL, DISTRIBUTION Total		(3,891)	(6,972)	(5,145)	(2,598)	(2,820)	(8,839)	(1,402)
4" STEEL, TRANSMISSION	Berea	(7)							(7)
	Owingsville Transmission	(599)		(78)			(276)	(1)	(78)
4" STEEL, TRANSMISSION Total		(606)		(78)			(276)	(1)	(876)
6" PLASTIC, DISTRIBUTION	Owingsville			(18)					(18)
	6" PLASTIC, DISTRIBUTION Total				(18)				(18)
6" STEEL, DISTRIBUTION	Barbourville	(3,438)							(3,438)
	Corbin	(1,009)		(2,142)		(44)	(720)	(548)	(3,915)
	London				(942)				(1,490)
	Middlesboro Nicholasville					(593)	(40)		(593)
6" STEEL, DISTRIBUTION Total		(4,447)		(2,142)	(942)	(651)	(760)	(548)	(9,490)
6" STEEL, TRANSMISSION	Nicholasville								
	Transmission		(132)	(8)		(10)	(67)		(217)
6" STEEL, TRANSMISSION Total			(132)	(8)		(10)	(67)		(217)
8" STEEL, DISTRIBUTION	Corbin				(1,280)	(379)			(1,659)
	Middlesboro	(87)							(87)
	Nicholasville					(12)			(12)
8" STEEL, DISTRIBUTION Total		(87)			(1,280)	(391)			(1,758)
8" STEEL, TRANSMISSION	Transmission	(10)	(422)			(765)	(27)	(661)	(1,885)
	8" STEEL, TRANSMISSION Total		(10)	(422)			(765)	(27)	(661)
8" STEEL, TRANSMISSION-HP	Transmission						(8)		(8)
	8" STEEL, TRANSMISSION-HP Total							(8)	(8)
UNDER 2" PLASTIC, DISTRIBUTION	Barbourville	(33)	(3,160)	(228)	(119)	(512)	(50)	(234)	(4,336)
	Berea		(42)	(15)	(5)	(109)			(171)
	Corbin	(238)	(557)	(945)	(620)	(765)	(395)		(3,520)
	London	(56)	(1)	(15)	(90)		(40)		(202)
	Manchester	(162)	(180)	(168)	(210)	(1,020)			(1,740)
	Middlesboro	(40)	(178)	(472)	(135)		(281)	(631)	(1,737)
	Nicholasville	(80)	(51)	(272)	(192)	(209)	(140)		(944)
	Owingsville	(37)		(4)	(239)	(357)	(300)	(144)	(1,081)

Retired Quantities, per Accounting Records

Pipe Type/Size	District	Year Replaced							Total
		2010	2011	2012	2013	2014	2015	2016	
UNDER 2" PLASTIC, DISTRIBUTION	Stanton	(207)	(88)	(104)		(100)	(250)		(749)
	Williamsburg	(12)	(361)	(31)	(124)	(102)	(260)	(122)	(1,012)
UNDER 2" PLASTIC, DISTRIBUTION Total		(865)	(4,618)	(2,254)	(1,734)	(3,174)	(1,716)	(1,131)	(15,492)
UNDER 2" STEEL, DISTRIBUTION	Barbourville		(35)	(48)	(1)	(2)	(2)	(312)	(400)
	Berea	(1,162)	(302)	(1,987)	(20)			(339)	(3,810)
	Corbin		(176)	(33)	(6)	(169)	(2,632)		(3,016)
	London	(39)	(63)		(1)		(1)	(1)	(105)
	Manchester	(244)	(430)	(68)	(1)		(96)		(839)
	Middlesboro	(124)		(7)			(42)	(67)	(240)
	Nicholasville	(807)	(1,886)	(935)	(3,282)	(231)	(981)	(136)	(8,258)
	Owingsville	(125)	(1)	(145)	(4)		(30)	(40)	(345)
	Stanton			(682)	(1)	(1)	(1)	(1)	(686)
	Williamsburg	(85)	(1)	(41)			(4)	(14)	(145)
UNDER 2" STEEL, DISTRIBUTION Total		(2,586)	(2,894)	(3,946)	(3,316)	(403)	(3,789)	(910)	(17,844)
UNDER 2" STEEL, TRANSMISSION	Corbin			(31)					(31)
	Manchester					(203)			(203)
	Middlesboro			(26)		(1)	(1)		(28)
	Transmission						(55)	(40)	(95)
UNDER 2" STEEL, TRANSMISSION Total				(57)		(204)	(56)	(40)	(357)
Total		(25,669)	(31,998)	(54,436)	(31,384)	(40,776)	(28,398)	(15,327)	(227,988)

Note: Vintages are not tracked when pipe is retired. Retirements are automated in the asset account system applying the footage, pipe size, type and location to retirement curves.

Differences in installed footage and retirements result from discrepancies in quantities of feet existing in systems acquired by Delta which had incomplete/inaccurate plant accounting and mapping records.

Quantities per Delta's accounting records do not differentiate between types of steel (i.e. coated versus bare).

DELTA NATURAL GAS COMPANY, INC.

P.S.C. No. 12, Forty-first Revised Sheet No. 2
Superseding P.S.C. No. 12, Fortieth Revised Sheet No. 2

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		\$ 0.49461		\$ 0.92646 /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 .01873/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.

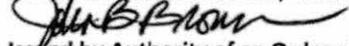
Residential rates are also subject to a Pipe Replacement Program charge of \$2.70, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

(1)

DATE OF ISSUE: _____, 2017

DATE EFFECTIVE: May 1, 2017

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.

DELTA NATURAL GAS COMPANY, INC.

P.S.C. No. 12, Thirty-fifth Revised Sheet No. 3
Superseding P.S.C. No. 12, Thirty-fourth Revised Sheet No. 3

**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		\$ 0.49461		\$ 0.92646 /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.

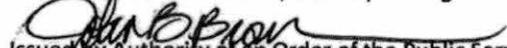
Small Non-Residential rates are also subject to a Pipe Replacement Program charge of \$5.12 as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

(1)

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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

	Base Rate	+	Gas Cost Recovery Rate (GCR) **	=	Total Rate
Customer Charge	\$ 131.00000				\$ 131.00000
1 - 2,000 Ccf	\$ 0.43185		\$ 0.49461		\$ 0.92646 /Ccf
2,001 - 10,000 Ccf	\$ 0.26696		\$ 0.49461		\$ 0.76157 /Ccf
10,001 - 50,000 Ccf	\$ 0.18735		\$ 0.49461		\$ 0.68196 /Ccf
50,001 - 100,000 Ccf	\$ 0.14735		\$ 0.49461		\$ 0.64196 /Ccf
Over 100,000 Ccf	\$ 0.12735		\$ 0.49461		\$ 0.62196 /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 \$38.63, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff. (l)

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DELTA NATURAL GAS COMPANY, INC.

P.S.C. No. 12, Thirty-sixth Revised Sheet No. 5
 Superseding P.S.C. No. 12, Thirty-fifth Revised Sheet No. 5

**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

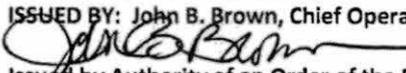
	Base Rate	+	Gas Cost Recovery Rate (GCR) **	=	Total Rate
Customer Charge	\$ 250.00000				\$ 250.00000
1 - 10,000 Ccf	\$ 0.16000		\$ 0.49461		\$ 0.65461 /Ccf
10,001 - 50,000 Ccf	\$ 0.12000		\$ 0.49461		\$ 0.61461 /Ccf
50,001 - 100,000 Ccf	\$ 0.08000		\$ 0.49461		\$ 0.57461 /Ccf
Over 100,000 Ccf	\$ 0.06000		\$ 0.49461		\$ 0.55461 /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 \$283.72, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff. (1)

** 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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