

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

	2010	2011	Total
1 Total annual expenditures under the Pipe Replacement Program	\$ 1,612,302	\$ 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	<u>1,001,646</u>	<u>1,064,567</u>	
6 WACOC, per case no 2010-00116	<u>7.97025%</u>	<u>7.97025%</u>	
7 Allowed Return	79,834	84,849	
8 Tax expansion factor, w PSC (per Case No. 2010-00116)	<u>1.60658</u>	<u>1.60658</u>	
9 Return, grossed up for income taxes	128,260	136,317	
10 Depreciation	30,486	19,950	
12 Current Year PRP Adjustment	\$ 158,746	\$ 156,267	\$ 315,013
13 Balancing Adjustment			
14 Prior Year PRP Adjustment			139,471
15 Less: Collections of Prior Year PRP Adjustment, through February			(111,638)
16 Less: Estimated Collections March 2012 - April 2012			<u>(22,800)</u>
17 Total PRP Adjustment			\$ 320,046

	Calculated Net Revenue @ Approved Rates per Case No. 2010-00116	Class Allocation	Allocated PRP Adjustment	# Customers Per Case No. 2010-00116	Monthly PRP Rate
18 Residential	\$ 14,846,218	54.3%	\$ 173,858	367,914	\$ 0.47
19 Small Non-Residential	3,991,286	14.6%	46,740	50,794	\$ 0.92
18 Large Non-Residential	7,008,122	25.6%	82,069	11,460	\$ 7.16
19 Interruptible	1,484,119	5.4%	17,380	486	\$ 35.76
20	<u>\$ 27,329,745</u>	100.0%	\$ 320,047	430,654	

Calendar Year 2010
PRP Worksheet

	A		Book Depreciation Reserve			Book Net Book Value	COR Rate	COR Depr
	2010 Investment	Book Depr Year 2	Depreciation					
			Beginning	Expense	Ending			
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)	(559)	(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	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	615,796	various	B (292)	(583)	(875)	614,921	0.00%	-
	1,612,302		(15,243)	(30,486)	(45,730)	1,566,572		\$ 583

	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	Beginning	Expense		Bonus Depr	MACRS Depr	Ending
7 Distribution Mains	816,750	94.5%	(771,829)	44,921	(22,461)	22,461	15	9.50%	(796,423)	-	-	(2,134)	(798,557)	18,193	
8 Transmission Mains	23,974	100.0%	(23,974)	-	-	-	15	9.50%	(23,974)	-	-	-	(23,974)	-	
9 Services	118,268	0.0%	-	118,268	(59,134)	59,134	20	7.22%	(63,403)	-	-	(4,269)	(67,672)	50,596	
10 Gathering Lines	37,514	0.0%	-	37,514	(18,757)	18,757	7	24.49%	(23,351)	-	-	(4,594)	(27,945)	9,569	
11 Storage Lines	-	0.0%	-	-	-	-	15	9.50%	-	-	-	-	-	-	
12 Cost of Removal	615,796	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA	
	1,612,302		(795,803)	200,703	(100,352)	100,352			(907,151)	-	-	(10,997)	(918,148)	78,358	

	Net Book Value		Cumulative		
	Book	Tax	Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	778,771	18,193	(760,579)	37.96%	(288,716)
14 Transmission Mains	23,136	-	(23,136)	37.96%	(8,782)
15 Services	113,496	50,596	(62,900)	37.96%	(23,877)
16 Gathering Lines	36,248	9,569	(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.

Calendar Year 2011
PRP Worksheet

	Book Depr		Book Depreciation Reserve			Book Net Book Value	COR Rate	COR Depr
	2011 Investment	Year 1	Beginning	Depreciation Expense	Ending			
1 Distribution Mains	828,951	3.10%	-	(12,849)	(12,849)	816,102	0.01%	\$ (41)
2 Transmission Mains	88,312	2.33%	-	(1,029)	(1,029)	87,283	0.02%	(9)
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)	(855)	428,911	0.00%	-
	1,735,887		-	(19,950)	(19,950)	1,715,937		\$ (855)

	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	Beginning	Tax Expense	Bonus Depr		MACRS Depr	Ending
7 Distribution Mains	828,951	71.0%	(588,555)	240,396	(240,396)	-	15	5.00%	-	(588,555)	(240,396)	-	(828,951)	-
8 Transmission Mains	88,312	94.0%	(82,981)	5,331	(5,331)	-	15	5.00%	-	(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%	-	-	-	-	15	5.00%	-	-	-	-	-	-
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)	-

	Net Book Value		Cumulative		
	Book	Tax	Timing Difference	Statutory Rate	Deferred 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%	-
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.