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April 5, 2019

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APR 05 2019

PUBLIC SERVICE  
COMMISSION

**HAND DELIVERED**

Ms. Gwen R. Pinson  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

**RE: Case No. 2019-00074**

Dear Ms. Pinson,

Please find enclosed and accept for filing Delta Natural Gas Company, Inc.'s Responses to Commission Staff's Initial Request for Information in the above-referenced matter. Pursuant to the instructions in the Request, Delta is filing an original and four copies of the Responses. Delta is also filing herewith an original and ten copies of a Petition for Confidential Protection and Entry of Appearance.

Delta is enclosing in a sealed envelope the information for which confidential protection is requested. The confidential information is denoted by yellow highlighting.

Should you have any questions, please let me know.

Sincerely,

Stoll Keenon Ogden PLLC

A handwritten signature in black ink that reads "Monica H. Braun".

Monica H. Braun

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APR 05 2019

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF THE PIPE )  
REPLACEMENT PROGRAM RIDER OF ) CASE NO. 2019-00074  
DELTA NATURAL GAS COMPANY, INC. )

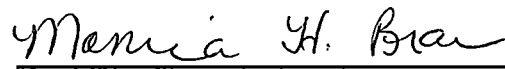
ENTRY OF APPEARANCE

Delta Natural Gas Company, Inc. hereby gives notice of the entry of appearance of counsel, Monica H. Braun, in the above-referenced matter.

Dated April 5, 2019

Respectfully submitted,

Monica H. Braun  
Stoll Keenon Ogden PLLC  
300 West Vine Street, Suite 2100  
Lexington, Kentucky 40507  
Phone: 859-231-3000  
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[Monica.braun@skofirm.com](mailto:Monica.braun@skofirm.com)

  
Counsel for Delta Natural Gas Company,  
Inc.

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PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF THE PIPE )  
REPLACEMENT PROGRAM RIDER OF ) CASE NO. 2019-00074  
DELTA NATURAL GAS COMPANY, INC. )

**DELTA NATURAL GAS COMPANY, INC.'S  
PETITION FOR CONFIDENTIAL PROTECTION**

Delta Natural Gas Company, Inc. ("Delta"), by counsel, pursuant to 807 KAR 5:001, Section 13, hereby petitions the Public Service Commission ("Commission") to grant confidential protection for certain information that is being provided in response to Item 4(a) of the Commission Staff's Initial Request for Information, which is more fully described below.

The Kentucky Open Records Act exempts from disclosure certain commercial information. KRS 61.878(1)(c)(1)). To qualify for the exemption and, therefore, maintain the confidentiality of the information, a party must establish that the material is of a kind generally recognized to be confidential or proprietary, the disclosure of which would place the party seeking confidentiality at an unfair commercial advantage.

Item 4(a) requests that Delta "Provide the status of the request for proposal (RFP) for third-party resources issued in 2019. If an agreement has been reached, state the term of the contract and the approximate percentage increase above the contract that terminated in 2018." In response to this request, Delta is providing the percentage increase above the contract terminated in 2018. Public disclosure of this information would hinder Delta's ability to receive the best proposals and procure the best contract terms in future negotiations for these resources by providing potential vendors the price ceiling on what Delta would be willing to pay for certain materials, which would reduce, if not eliminate, vendors' incentive to provide their most

competitive bids. Diminishing Delta's ability to receive the best prices would harm both Delta and its customers through increased costs of service. Thus, the Commission should grant confidential protection the approximate percentage increase set forth in response to Item 4(a).

The information for which Delta is seeking confidential protection is not known outside of Delta and the relevant vendors and is not disseminated within Delta except to those employees with a legitimate business need to know and act upon such information.

As required by 807 KAR 5:001, Section 13(2)(b), Delta is providing one copy of the response, under seal, with the material for which confidential treatment is requested highlighted, and an original and one copy of the response with the confidential material removed.

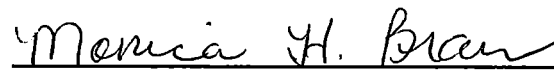
The public interest will be served by granting this Petition in that competition among Delta's third party vendors will be fostered. For these reasons, Delta respectfully requests that the confidential material should be treated as confidential for a five year period.

**WHEREFORE**, Delta Natural Gas Company, Inc. respectfully requests that the Commission classify and protect as confidential for a five year period the percentage increase provided in response to Item 4(a).

Dated: April 5, 2019

Respectfully submitted,

Monica H. Braun  
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Counsel for Delta Natural Gas Company,  
Inc.





**DELTA NATURAL GAS COMPANY, INC.  
CASE NO. 2019-00074**

**RESPONSES TO DATA REQUEST  
ORDER DATED MARCH 28, 2019**

1. Explain how Aqua America, Inc.'s acquisition of indirect ownership and control of Delta, as approved in Case No. 2018-00369, will affect future Pipe Replacement Program (PRP) rider applications filed by Delta.

Response:

We are unaware of any changes to future Pipe Replacement Program applications resulting from the proposed acquisition by Aqua America, Inc.

Sponsoring Witness:

John B. Brown

**DELTA NATURAL GAS COMPANY, INC.**  
**CASE NO. 2019-00074**

**RESPONSES TO DATA REQUEST**  
**ORDER DATED MARCH 28, 2019**

2. Refer to the application, Schedule I, line 8. Provide the calculation of the 2019 tax expansion factor.

Response:

$$\frac{1}{(1 - \text{Effective income tax rate})} = 2019 \text{ tax expansion factor}$$

$$\frac{1}{(1 - 0.2495) \text{ (A)}} = 1.33245$$

(A) – The current effective income tax rate is 24.95%, as calculated on Schedule II – 2018 in the initial application for Case No. 2019-00074.

Sponsoring Witness:

Casey D. Mudd



**DELTA NATURAL GAS COMPANY, INC.**  
**CASE NO. 2019-00074**

**RESPONSES TO DATA REQUEST**  
**ORDER DATED MARCH 28, 2019**

3. Refer to the application, Schedule VIII and Schedule IX, page 2 of 2. Explain why the estimated 2019 PRP Adjustment on Schedule VIII is less than the "Low" estimate for 2019 shown on Schedule IX.

Response:

The PRP Adjustment on Schedule VIII of \$3,545,025 is the projected amount to be included on Line 12 on the 2019 Schedule I labeled "Current Year PRP Adjustment." The comparable number from the 2018 Schedule I is \$2,618,189.

The Total 2019 PRP Estimate on Schedule IX calculates the projected range of estimated total annual expenditures under the PRP for 2019. The comparable number from the 2018 Schedule I is \$3,889,747 from Line 1 "Total annual expenditures under the PRP."

The PRP Adjustment on Schedule VIII is not directly comparable to the estimate on Schedule IX. The total on Schedule VIII is less than the "Low" estimate on Schedule IX due to the accumulation of the recoverable portion of the annual expenditures being less than the 2019 expenditures estimated on Schedule IX.

Sponsoring Witness:

Casey D. Mudd

**DELTA NATURAL GAS COMPANY, INC.**  
**CASE NO. 2019-00074**

**RESPONSES TO DATA REQUEST**  
**ORDER DATED MARCH 28, 2019**

4. Refer to the Application, Schedule IX, page 2 of 2.
- a. Provide the status of the request for proposal (RFP) for third-party resources issued in 2019. If an agreement has been reached, state the term of the contract and the approximate percentage increase above the contract that terminated in 2018.
  - b. Explain whether Delta subdivides its system when requesting bids for pipe replacement contractors. If Delta only accepts contractors that can service its entire system, explain why.
  - c. Provide the approximate percentage of Delta's PRP work that was performed by third parties for the past three calendar years.

**Response:**

- a. Delta received 4 competitive bids in response to the RFP and awarded the contract to the lowest proposal. The contract was executed on April 1, 2019 and is valid for one year. The 2019 billable rates per the new agreement are [REDACTED] higher than the 2018 rates. Previously, there had not been a rate increase since the 2016 construction season.
- b. While Delta uses contractors primarily for distribution piping replacements, it does not subdivide its system for the contractor bidding process. Delta has elected to request bids from contractors that are capable of servicing its entire system, should the need arise for assistance on any construction related operational situation.
- c. 2016 – 66%  
2017 – 45%  
2018 – 56%

**Sponsoring Witness:**

**John B. Brown**