

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ESSENTIAL)	
UTILITIES, INC., PNG COMPANIES LLC,)	
PEOPLES GAS KY LLC, AND DELTA)	CASE NO.
NATURAL GAS COMPANY, INC. FOR (1) A)	2020-00346
DECLARATORY ORDER AND (2) INCREASE)	
IN RATES FOR PEOPLES GAS KY LLC)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO DELTA NATURAL GAS COMPANY, INC, PNG COMPANIES LLC,
AND PEOPLES GAS KY LLC.

Delta Natural Gas Company, Inc. (Delta), PNG Companies LLC (PNG) and Peoples Gas KY LLC (Peoples KY) (collectively, Joint Applicants), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due on January 29, 2021. The Commission directs Joint Applicants to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085¹ regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. All responses in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Joint Applicants shall make timely amendment to any prior response if Joint Applicants obtain information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Joint Applicants fail or refuse to furnish all or part of the requested information, Joint Applicants shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Joint Applicants shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide the rate currently being charged to Delta's farm-tap customers.
2. State the number of farm-tap customers currently served on Delta's system.

3. Refer to the filings in Case No. 2010-00116.² Provide a citation or citations to the cost to serve Delta's farm-tap customers in the case record.

4. State whether Delta has considered establishing a separate farm-tap tariff to serve all of its farm-tap customers including former customers of Peoples KY, with rates calculated and based on the costs to serve the farm-tap customers.

5. Identify the current gas supplier(s) of Delta and Peoples KY.

6. Confirm the gas purchased by Delta and Peoples KY and subsequently provided to each company's customers complies with the requirements of 807 KAR 5:026, Section 6(12).

7. State whether Peoples KY owns any gathering lines or producing wells in the Commonwealth of Kentucky.

8. State whether Peoples KY owns any distribution lines in the Commonwealth of Kentucky.

9. Explain whether the Peoples KY system presently serves any customers it is not required to serve pursuant to KRS 278.485.

10. Explain whether Peoples KY offers or provides gas distribution service to the public at large.

11. Refer to the Application, page 3, paragraph 6.

a. Identify these day-to-day operation oversights of Peoples KY's farm-tap operations performed by Peoples KY employees in Pennsylvania.

b. Identify the operations of Peoples KY handled by Peoples KY's employees that are located in Kentucky.

² Case No. 2010-00116, *Application of Delta Natural Gas Company Inc. for an Adjustment of Rates* (Ky. PSC Oct. 21, 2010).

12. Refer to the Application, pages 5–6, paragraph 14.
 - a. Confirm Delta plans to maintain the Peoples KY Pikeville, Kentucky, office for use after the acquisition.
 - b. Explain whether Delta plans to retain the field technicians currently employed by Peoples KY.
 - c. Explain whether Delta plans to retain the Peoples KY employees currently located in the Pikeville, Kentucky, office.
 - d. Provide the location of any additional offices currently used by Delta. Also, state any of these additional locations that Delta uses to deploy its field technicians.
13. Refer to the Application, page 6, paragraph 17.
 - a. State what assets from Peoples KY will be kept after the transaction is consummated.
 - b. Provide a current corporate structure for the Joint Applicants; Essential Utilities, Inc. (Essential Utilities); and PNG, including defined relations between Delta, Peoples KY, Essential Utilities, and PNG.
 - c. Provide an updated corporate structure with defined relations between the Joint Applicants, including the Joint Applicants, Essential Utilities, and PNG after the transaction is consummated.
14. Refer to the Application, page 7, paragraph 18. Explain why Peoples KY has not revised its rates since April 2004 despite being unprofitable for some time.
15. Refer to the Application, page 7, paragraph 19.

a. Explain whether Delta has any future plans to change the rate charged to Peoples KY customers from Mcf to Ccf to be more consistent with Delta's tariff.

b. Explain whether the customers served under the new Peoples KY proposed Tariff sheet will be billed in Mcf or Ccf after the transaction is consummated

c. State when Delta plans to file its next rate case.

16. Refer to the Application, page 7, paragraph 19. Explain whether Delta has any future plans to consolidate the Gas Cost Recovery rate charged to Peoples KY's customers and Delta's customers. If so, provide a timeline in which Delta plans to accomplish this and the method used to consolidate the costs.

17. Refer to the Application, Exhibit 2, Bill Increase based on Revenue Requirement.

a. Confirm that the test year used by Joint Applicants in the calculation of People KY's pro forma rate is the 12-month period ending August 31, 2020. If a different 12-month period was used, identify the period.

b. Joint Applicants use a Net Investment Rate Base (Rate Base) for Peoples KY of \$2,421,000. Provide an itemized Rate Base Schedule to support Peoples KY's pro forma Rate Base using the table below.

Category	Amount
Total Utility Plant In Service	
Add:	
Materials and Supplies	
Gas In Storage	
Unamortized Debt Discount	
Cash Working Capital Allowance	
Subtotal	
Deduct:	
Accumulated Depreciation	
Customer Advances for Construction	
Accumulated Deferred Income Taxes	
Subtotal	
Rate Base	<u>\$ 2,421,000</u>

c. In the calculation of Peoples KY's Revenue Deficiency, Joint Applicants use a capital structure of 50 percent debt and 50 percent equity. Provide documentation to support Peoples KY's pro forma capital structure.

d. In Case No. 2010-00116 the Commission authorized a Return on Equity (ROE) of 10.4 percent for Delta. Confirm that this is the basis for Joint Applicants use of a 10.4 percent ROE for Peoples KY. If this is not the basis of the 10.4 percent ROE used by Joint Applicants, provide documentation to support the 10.4 ROE for Peoples KY.

e. Explain how an ROE authorized approximately 11 years ago remains reasonable given the current financial market conditions.

f. The Commission has recently granted Duke Energy Kentucky an ROE of 9.25 percent.³ Provide documentation to demonstrate that a 10.4 percent ROE is reasonable for Peoples KY.

g. Provide copies of all workpapers and assumptions used by Joint Applicant's to calculate the cost of debt rate of 4.00 percent and the statutory income tax rate of 24.95 percent.

h. Provide an itemized schedule that lists each expense account included in total Expenses of \$1,653,000.

i. Provide an itemized schedule listing each revenue account included in total Revenues of \$694,000.

18. Refer to the Application, Exhibit 2, Bill Increase based on Revenue Requirement and Exhibit 4, Statements of Income.

a. Provide a schedule that reconciles the expenses reported in Exhibit 2 to the expenses reported in Exhibit 4.

b. Provide a schedule that reconciles the revenue reported in Exhibit 2 to the revenues reported in Exhibit 4.

19. Refer to the Application, Exhibit 3, proposed Tariff sheets.

a. Confirm any text changes made to the proposed Tariff sheets compared to Peoples KY's current Classification of Service Tariff sheet and Purchase Gas Cost Adjustment Tariff Sheet.

³ See Case No. 2019-00271, *Electronic Application of Duke Energy Kentucky, Inc. for 1) An Adjustment of The Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief* (Ky. PSC Apr. 27, 2020) at 47.

20. Refer to the Application, Exhibit 3, proposed Tariff sheets, Classification of Service – Rate Schedules for Former Peoples Gas KY LLC’s Territory.

a. Refer to the triple asterisks superscripted to “All Mcf”; state the purpose of those asterisks.

21. Refer to the Application, Exhibit 4, Statements of Income.

a. Provide a copy of Peoples KY detailed Income Statement for the 12-month period ending August 31, 2020, that is broken down by individual revenue and expense accounts.

b. Provide a copy of the general ledger or other documentation to support the Per Books balance for each operating revenue and expense account listed in the detailed Income Statement provided in the response to Item 21.a. The general ledger should include detailed transaction information such as amount, transaction date, vendor name, description, and any other pertinent information.

c. Provide Peoples KY’s adjusted trial balance showing unaudited account balances, audit adjustments, and audited balances to support the Per Books balance for each operating revenue and expense account listed in the detailed Income Statement provided in the response to Item 21.a.

d. Provide a copy of Peoples KY detailed Balance Sheet for the 12-month period ending August 31, 2020.

22. Provide a copy of Peoples KY’s billing analysis in Excel spreadsheet format with all formulas intact and unprotected and all rows and columns fully accessible in such detail that revenues at current rates and at proposed rates based on actual gas usage can be readily determined, for the 12-month period ending August 31, 2020.

23. According to the requirements of 807 KAR 5:026, Section 9 (b), if a gas utility providing service pursuant to KRS 278.485 proposes a percentage rate increase in excess of the price index but the proposed rate remains below the highest prevailing gas rate approved by the Commission, the gas company shall submit, with its proposed tariff, cost data which support the proposed increase. The cost data shall include the gas company's costs to provide the service during each of the previous two years and shall be current within 90 days of the date the proposed tariff is filed.

a. Provide a schedule comparing Peoples KY's cost data for the calendar years 2018 and 2019 as required by 807 KAR 5:026, Section 9 (b).

b. To support Peoples KY's proposed farm-tap rate increase, provide Delta's projected cost to provide farm-tap service to Peoples KY's customers. Include copies of all workpapers, calculations and assumptions used by Joint Applicants to calculate Peoples KY's projected operating revenues and expenses.

c. Provide copies of Joint Applicants' response to Item 23.b in an Excel spreadsheet format with all columns and rows accessible and all formulas unprotected.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED JAN 15 2021

cc: Parties of Record

*Peoples Gas KY, LLC
375 North Shore Drive
Suite 600
Pittsburgh, PA 15212

*John B Brown
Chief Financial Officer
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391

*Kimberly Joyce
Essential Utilities, Inc. 762 W Lancaster Ave.
Bryn Mawr, PENNSYLVANIA 19010

*Monica Braun
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391