

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA)	CASE NO.
NATURAL GAS COMPANY, INC. FOR APPROVAL)	2022-00095
OF COST ALLOCATION MANUAL)	

ORDER

On March 23, 2023, Delta Natural Gas Company, Inc. (Delta), pursuant to 807 KAR 5:001, Section 14, and the commitments made in Case No. 2018-00369,¹ filed an application requesting Commission approval of revisions to Delta's Cost Allocation Manual along with corresponding revisions to its chart of accounts.

LEGAL STANDARD

In Case No. 2018-00369, the Commission approved the indirect acquisition of Delta by Aqua America, Inc. (Aqua), subject to certain agreements, including the requirement that Delta seek approval from the Commission before modifying Delta's Cost Allocation Manual.

KRS 278.2203 provides that a utility that engages in a nonregulated activity shall identify all costs of the nonregulated activity and report the costs in accordance with the guidelines in the Uniform System of Accounts (USoA) and the following cost allocation methods. In allocating costs between regulated and nonregulated activities, a utility shall

¹ Case No. 2018-00369, *Electronic Joint Application Of Aqua America, Inc., Steelriver Infrastructure Fund North America LP, Steelriver LDC Investments LP, LDC Parent LLC, LDC Funding LLC, LDC Holdings LLC, PNG Companies LLC, Peoples Gas KY LLC, and Delta Natural Gas Company, Inc. for Approval of an Acquisition of Ownership and Control of PNG Companies LLC and Delta Natural Gas Company, Inc.* (Ky. PSC Mar. 13, 2019), Order at 6.

utilize one of the following cost allocation methods: (a) the fully distributed cost method; or (b) a cost allocation method recognized or mandated by the rules of the Securities Exchange Commission promulgated pursuant to 15 U.S.C. Section 79, et seq., or promulgated by the Federal Energy Regulatory Commission or by the U. S. Department of Agriculture. KRS 278.2205 provides that any utility that engages in a nonregulated activity whose revenue exceeds the amount provided for incidental nonregulated activities under KRS 278.2203(4)(a), shall develop and maintain a cost allocation manual as follows. A cost allocation manual shall contain the following information for a utility's jurisdictional operations in the Commonwealth: (a) a list of regulated and nonregulated divisions within the utility; (b) a list of all regulated and nonregulated affiliates of the utility to which the utility provides services or products and where the affiliates provide nonregulated activities as defined in KRS 278.010(21); (c) a list of services and products provided by the utility, an identification of each as regulated or nonregulated, and the cost allocation method generally applicable to each category; (d) a list of incidental, nonregulated activities that are subject to the provisions of KRS 278.2203(4); (e) a description of the nature of transactions between the utility and the affiliate; and (f) for each USoA account and subaccount, a report that identifies whether the account contains costs attributable to regulated operations and nonregulated operations. The report shall also identify whether the costs are joint costs that cannot be directly identified. A description of the methodology used to apportion each of these cost shall be included.

Kentucky regulation 807 KAR 5:080, Section (3), provides that an affected utility shall file a copy of a new cost allocation manual or a new amendment to its cost allocation

manual within 60 days of a material change in matters required to be included in the cost allocation manual.

REVISIONS TO COST ALLOCATION MANUAL

In its application, Delta explained that Aqua changed its name to reflect the expansion into natural gas utility ownership and is now known as Essential Utilities, Inc. (Essential). Delta stated that the corporate structure has not changed; only the legal name of its indirect parent change. Delta further explained that minor revisions to its Cost Allocation Manual are necessary to reflect the name change from Aqua to Essential, along with corresponding minor revisions to Delta's chart of accounts. Delta filed the proposed revisions as an exhibit to its application.

DISCUSSION AND FINDINGS

Having reviewed the application and case record, and being otherwise sufficiently advised, the Commission finds that the modification of Delta's Cost Allocation Manual as set forth in the application is reasonable because it reflects the change to the legal name of Delta's indirect parent company and corresponding minor revisions to Delta's chart of accounts, and therefore should be approved.

IT IS THEREFORE ORDERED that:

1. Delta's request to modify its Cost Allocation Manual is granted.
2. Delta shall file an updated Cost Allocation Manual with Appendix containing the new account numbers for the general ledger chart of accounts.
3. Documents filed pursuant to ordering paragraph 2 shall reference this case number and shall be retained in the post-case correspondence file.
4. This case is now closed and removed from the Commission's Docket.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
SEP 27 2023 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

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

*Mary Ellen Wimberly
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*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