

Delta Natural Gas Company, Inc.
Schedule of Deferred Tax Assets (Liabilities)
as of December 31, 2016
Case No. 2017-00125
AG1-41

Deferred Income Tax Account		12/31/2016 Balance	Underlying Timing Difference	Deductibility	
				Tax	Book
1.242.13	Def inc tax deferred gas cost	(784,249)	Regulated natural gas costs	Deductible as gas costs are incurred.	Recognized as gas costs are billed through the gas cost recovery tariff.
1.242.14	Def inc tax bad debt reserve	52,259	Bad debt expense	Deductible as the bad debt is written off.	Accrued based on current revenue levels and historical write-off experience, and specific identification of large unpaid balances.
1.242.16	Def inc tax prepaid insurance	(254,093)	Prepaid expenses	Deductible as paid, if the benefit of the prepaid item is less than one year.	Capitalized and expensed in the period when the benefit is received.
1.242.18	Def inc tax IBNR	14,812	Accrual for self-insured medical plan	Deductible to the extent a claim was incurred before period-end and paid by the due date of the tax return.	Accrued based on estimates of medical claims incurred but not submitted as of period end.
1.242.19	Def inc tax professional fees	66,050	Accrued audit fees	Deductible as paid.	Accrued ratably over the fiscal year.
1.242.22	Def inc tax accrued vacation	10,379	Vacation expense	Deductible to the extent vacation accrued as of year-end is utilized within 2 1/2 months of year-end.	Expense is accrued as vacation is earned.
1.282.01	Def inc tax accel depr	(39,086,057)	Depreciation expense	Accelerated depreciation calculated under MACRS depreciation rates, inclusive of bonus depreciation.	Calculated using depreciation rates approved by the Kentucky Public Service Commission.
1.282.02 1.283.00	Def inc tax pension plan	(3,973,688)	Pension expense	Deduction based upon cash contributions, subject to IRS limitations.	Net periodic benefit cost is actuarially determined and recognized ratably throughout the year.
1.282.03	Def inc tax incentive compensation	28,485	Share-based compensation expense	Deductible upon vesting of share-based compensation.	Recognized over the requisite service period of the award.
1.282.06	Def inc tax annual leave	254,536	Accrued annual leave	Deductible to the extent annual leave accrued is utilized within 2 1/2 months of year-end.	Accrued as annual leave is earned.
1.282.07	Def inc tax construction contributions	15,702	Extension agreements	Taxable when received.	Income recognized if the agreement has expired and the customer has not met the terms of the agreement.
1.282.10	Def inc tax debt expense	(978,327)	Loss on extinguishment of debt	Loss is deductible when the underlying debt is refinanced.	Loss is amortized over the life of the new debt.
1.282.12	Def inc tax storage gas	29,466	Capitalization of inventory costs	A portion of operating costs related to Delta's storage facility are capitalized as inventory under IRC 263A.	Deducted as operating expenses.

1.282.14					
1.283.06	Def inc tax asset retirement obligation	(47,417)	Asset retirement obligations	Expenses related to ARO's are deductible as removal costs are incurred.	ARO's are recognized when the underlying asset is placed in service and accreted over the life of the underlying asset.
1.283.07					
1.282.18	Def inc tax cost of removal	(843,307)	Cost of removal	Cost of removal is deducted as incurred.	Recognized through cost of removal depreciation rates approved by the Kentucky Public Service Commission.
1.283.03	Def inc tax supplemental ret plan	430,450	Supplemental retirement plan	Deductible as the trust pays retirement benefits.	Deductible as contributions are made to the trust.
1.283.10	Def inc tax excess DIT KY rate change	234,833	Regulatory liability related to 2005-2007 changes in KY's income tax rate	Amortization of excess deferred income taxes are not deductible.	Amortized over 21.5 years