

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

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

**VERIFIED JOINT APPLICATION**

Pursuant to 807 KAR 5:026, Section 9<sup>1</sup> and 807 KAR 5:001, Section 19, Essential Utilities, Inc. (“Essential”), PNG Companies LLC (“PNG”), Peoples Gas KY LLC (“Peoples KY”), and Delta Natural Gas Company, Inc. (“Delta”) (collectively, the “Applicants”) jointly file this application (“Application”) for (1) confirmation that approval by the Kentucky Public Service Commission (the “Commission”) is not required under KRS 278.020 for the acquisition by Delta of Peoples KY, and for (2) a rate change that would permit Delta’s farm tap rates to apply to Peoples KY’s farm tap customers following consummation of the acquisition. In support of this Verified Joint Application, the Applicants state as follows:

**I. The Applicants**

1. **Essential Utilities, Inc.** The full name and mailing address of Essential are Essential Utilities, Inc., 762 West Lancaster Avenue, Bryn Mawr, PA 19010. Essential’s email

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<sup>1</sup> The Applicants have provided the information required by 807 KAR 5:026, Section 9(1)(b). The Applicants have submitted the information through the case filing system, as opposed to the tariff filing system, because of the request for a declaratory order.

address is KAJoyce@essential.com (the company's Vice President of Regulatory, Government & External Affairs). Essential is a corporation that was originally organized under the laws of Pennsylvania under the name Philadelphia Suburban Corporation on November 14, 1968, and changed its name to Aqua America, Inc. on January 16, 2004, and then to Essential Utilities, Inc. on February 3, 2020. Essential is currently in good standing under the laws of Pennsylvania and is not authorized to transact business in Kentucky. The common stock of Essential is publicly held and listed on the New York Stock Exchange. Essential is the indirect owner of PNG, Delta and Peoples KY.

2. **PNG Companies LLC.** The full name and mailing address of PNG are PNG Companies LLC, 375 North Shore Drive, Suite 600, Pittsburgh, PA 15212. PNG's electronic mail address is mike.turzai@peoples-gas.com. PNG is a limited liability company that was originally organized under the laws of Delaware under the name Peoples Hope Gas Companies LLC on September 9, 2008 and filed its amended and restated certificate of formation under the name PNG Companies LLC on February 25, 2010. PNG is currently in good standing under the laws of Delaware and is not authorized to transact business in Kentucky. PNG is the direct owner of Delta and Peoples KY.

3. **Delta Natural Gas Company, Inc.** The full name and mailing address of Delta are Delta Natural Gas Company, Inc., 3617 Lexington Road, Winchester, Kentucky 40391. Delta's electronic mail address is ratereg@deltagas.com. Delta is a Kentucky corporation that was incorporated on October 7, 1949. Delta is currently in good standing under the laws of Kentucky.

4. **Peoples Gas KY LLC.** The full name and mailing address of Peoples KY are Peoples Gas KY LLC, 375 North Shore Drive, Suite 600, Pittsburgh, PA 15212. Peoples KY's electronic mail address is mike.turzai@peoplesgas.com. Peoples KY is a Kentucky limited

liability company organized on July 8, 2013. Peoples KY is currently in good standing under the laws of Kentucky.

## **II. Overview of Requested Relief**

5. In Case No. 2018-00369, the Commission approved the direct acquisition of PNG and indirect acquisition of Delta by Aqua America, Inc.<sup>2</sup> Aqua America, Inc. also indirectly acquired Peoples KY as part of the same transaction. As a farm tap system, Peoples KY is not a utility as defined in KRS 278.010(3). Because KRS 278.020(6)-(7) only applies to utilities as defined in KRS 278.010(3), the Commission found that its approval was not required for Aqua America, Inc. to acquire indirect ownership of Peoples KY. As part of consummating this transaction, Aqua America, Inc. changed its name to Essential Utilities, Inc. to better reflect the services it provides.

6. Since consummating the acquisitions, the Applicants have been analyzing their structure and operations and have identified opportunities with respect to Peoples KY and Delta. At present, the day-to-day oversight of Peoples KY's farm tap operations is performed by Peoples' employees in Pennsylvania. Given that Delta operates a gas system in Kentucky that already provides retail and farm tap service, shifting the ownership and control of Peoples KY to Delta will provide local Kentucky-based leadership to Peoples KY's operations.

7. Peoples KY's recent operations show that the farm tap system, which provides service to approximately 3,000 customers in 10 counties in Eastern Kentucky, operated for the twelve months ended August 31, 2020 with a deficit of approximately \$1.1 million on a pre-tax

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<sup>2</sup> *In the Matter of: 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.* (Case No. 2018-00369) (Ky. PSC March 13, 2019).

basis, with a retained deficit of \$4.4 million. Portions of Peoples KY's service territory abuts Delta's service territory. To address Peoples KY's insufficient revenues to the benefit of Peoples KY's and Delta's customers, the Applicants plan to transfer the ownership and control of Peoples KY to Delta.

8. To ensure that the transfer does not detrimentally impact Delta, the Applicants are conditioning the proposed transfer on Delta's current farm tap rates being applied to Peoples KY's farm tap rates after the acquisition is complete, which is consistent with Delta's prior practice of bringing new customers into a unified rate structure following an acquisition. Delta's farm tap rates were last changed in 2010 in Case No. 2010-00116.<sup>3</sup> This will provide an opportunity for Delta to eliminate the losses from the operations, and Peoples KY's rate increase will be lower than if Peoples KY sought a rate increase on a standalone basis, in addition to creating going forward efficiencies in being part of Delta's system.

### **III. Overview of the Peoples KY Farm Tap System**

9. Peoples KY is a Kentucky limited liability company that provides retail natural gas service to approximately 3,000 customers located in eastern Kentucky through taps on natural gas gathering pipelines. Peoples KY was formed in 2013 as part of a multiparty transaction by which PNG Companies LLC acquired ownership and control of the assets of Equitable Gas Company, LLC ("Equitable"), including assets in Kentucky used by Equitable to provide retail gas service to approximately 3,000 customers in eastern Kentucky from taps along a gathering system formerly operated by the Kentucky West Virginia Gas Company. Upon closing of the PNG transaction, Equitable Kentucky assets were contributed to the newly formed Peoples.

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<sup>3</sup> *In the Matter of: Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates* (Case No. 2010-00116) (Ky. PSC Oct. 21, 2010).

10. In March 2020, following this Commission's approval in Case No. 2018-00369, Essential became the indirect owner of PNG and Peoples KY. Since the transfer of these assets, Peoples KY has continued to provide farm tap gas service to the former customers of Equitable.

11. In Case No. 2018-00363, a former Peoples KY customer filed a complaint challenging Peoples KY's farm tap status. By order dated March 27, 2020, the Commission reaffirmed Peoples KY's status as a farm tap system pursuant to KRS 278.485, and stated that the "purpose of KRS 278.485 is to make gas service available to residents in rural parts of Kentucky who are not served by a gas distribution utility. The Commission finds that Peoples [KY] operation of the farm tap system on the Kentucky West Virginia pipeline system is consistent with and in furtherance of the public policy of this Commonwealth to increase access to natural gas service."

#### **IV. Delta's Commitments in Case No. 2018-00369 and Experience Operating a Farm Tap System**

12. Essential, PNG, and Delta made a number of commitments as part of Case No. 2018-00369 with regard to the post-acquisition operation of Delta. These include, in relevant part, that Delta ratepayers will not be asked to contribute to costs associated with operating any PNG utility, including Peoples KY.

13. Although the Commission has previously held that a certificate of public convenience and necessity is not required for the acquisition of Peoples KY, given Delta's prior commitment, the Applicants are seeking the Commission's confirmation through a declaratory order that no approvals are required from the Commission in order for Peoples KY to be transferred to Delta's ownership and control.

14. Delta has significant experience in providing natural gas service, as it provides gas service to 36,700 customers in 23 counties in Kentucky, including approximately 900 farm tap customers. Delta's and Peoples KY's service territories presently adjoin, as shown in the map

attached as Exhibit I. This will allow for the more efficient operation of Peoples KY's system than at present, Peoples KY's only office is in Pikeville, Kentucky. Delta has an office from which its field technicians deploy in Manchester, Kentucky, which is an area near where both Delta and Peoples KY already have farm tap customers. Having technicians located more broadly throughout Peoples KY's system will result in additional operating enhancements, as well.

15. Delta's experience and skill in automated meter reading will result in further operational benefits to Peoples KY's customers. Peoples KY already has the meter reading technologies in place, and Delta can assist and further train Peoples KY's technicians with respect to calibration and collection methods. Delta can also integrate the Peoples KY's collection data into its billing system, which will reduce the amount of manual work in each billing cycle. Peoples KY has already converted to the SAP Customer Relationship & Billing System that Delta is transitioning to in 2021, so there will be no additional system implementation costs in merging the systems in this aspect.

16. Consistent with the commitments made by Essential, PNG and Delta in Case No, 2018-00369, the Applicants are conditioning the transaction on rate relief for Peoples KY, so that Delta's customers do not subsidize Peoples KY's operations or are otherwise financially harmed by the acquisition of Peoples KY. Peoples KY's operational costs are not expected to increase as a result of the transfer, as the costs that are presently allocated to Peoples KY would be allocated to Delta.

17. The Applicants plan to dissolve Peoples KY as a standalone entity once the transaction is consummated. This will further streamline the corporate structure.

## **V. Peoples KY's Requested Rate Relief**

18. Peoples KY, pursuant to 807 KAR 5:026, Section 9, seeks to increase the rate it charges for farm tap service. Except for gas cost adjustments, Peoples KY has not revised its rates since April 2004. At present, the rates are deficient to the point that the company is unprofitable and losing over \$1.0 million per year on a pre-tax basis. Continuing to operate at this level of losses is not sustainable.

19. Peoples KY's current customer charge is \$7.50, and its base rate is \$2.1322 per Mcf.<sup>4</sup> Peoples KY is requesting the Commission to increase its rates to Delta's current rate for farm tap service, which is a customer charge of \$21.00, a Tax Cuts and Jobs Act Surcredit of (\$3.83), and a base rate of \$4.3185 per Mcf.<sup>5</sup> The Joint Applicants propose not assessing Delta's Gas Cost Adjustment Clause and Pipe Replacement Program tariffed charges to Peoples KY's customers because, at least initially, this portion of the system will be operated in a physically discrete manner. Peoples KY's GCR would continue to apply to Peoples KY's customers and would be incorporated in Delta's tariff. The applicability of these charges to Peoples KY's customers could be reexamined in Delta's next rate case. Delta's Weather Normalization Adjustment (WNA) would apply to Peoples KY's base rates.

20. While the proposed rate change will increase the average bill for a Peoples KY's customer from \$37.77 to \$59.93, this is considerably less than the increase Peoples KY would be requesting if it was not being acquired by Delta. Cost data for Peoples' would support an average bill increase from \$37.77 to \$74.38 as shown in Exhibit II. The primary drivers for the rate increase are increased operating expenses over the last 16 years without seeking an increase in base rates.

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<sup>4</sup> See Peoples KY's Tariff at Twenty Seventh Revised Sheet No. 2.

<sup>5</sup> Delta's farm tap customers are charged the same rates as residential customers as set forth in P.S.C. No. 12, Sixty-fourth Revised Sheet No.2. Sheet Nos. 31 to 33 provide Delta's terms and conditions for farm tap service.

21. In accordance with 807 KAR 5:026, Section 9(2)(b), Peoples KY's proposed rate remains below the highest prevailing gas rate approved by the Commission.<sup>6</sup> In support of this request, Peoples KY is providing Exhibits III and IV, which consist of (1) the proposed rate schedules applicable to customers currently served by Peoples KY which would be incorporated into Delta's tariff and (2) cost data which support the proposed increase. The cost data sets forth the costs to provide service from September 2018 to August 2020, as well as the revenues for the same time period.

22. Peoples KY mailed notice to its customers on October 6, 2020, which is more than 20 days before the filing of this Application. The notice sets forth the proposed rate and the estimated amount of monthly increase per customer and states that any customer may file comments or a request to intervene by mail. A copy of the notice is attached as Exhibit V.

WHEREFORE, the Applicants respectfully request a declaratory order from the Commission (1) that approval by the Commission is not required under KRS 278.020 for the acquisition by Delta of Peoples KY, and for (2) approval of the rate increase for Peoples KY's as requested herein.

Dated: October 27, 2020

Respectfully submitted,



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Monica H. Braun  
Mary Ellen Wimberly  
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Maryellen.wimberly@skofirm.com  
Stoll Keenon Ogden PLLC  
300 West Vine Street  
Suite 2100

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<sup>6</sup> In reviewing the tariffs on file with the Commission, G.S. Knox, Interstate Natural Gas, and Troublesome Creek have rates higher than Peoples KY's proposed rates.



Lexington, KY 40507  
Telephone: (859) 231-3000  
Facsimile: (859) 259-3503  
Counsel for the Applicants

**CERTIFICATE OF COMPLIANCE**

This is to certify that this October 27, 2020, electronic filing is a true and accurate copy of the same documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on October 27, 2020; that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means; and that the original copy of this filing in paper medium will be filed by hand-delivery with the Commission in accordance with the Commission's emergency procedures.

*Maura H. Braun*

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Counsel for the Applicants

VERIFICATION

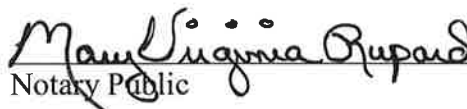
COMMONWEALTH OF KENTUCKY    )  
  )     SS:  
COUNTY OF CLARK                        )

The undersigned, John B. Brown, being duly sworn, deposes and says that he is President of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in this Application and the information contained therein is true and correct to the best of his information, knowledge and belief.



John B. Brown

Subscribed and sworn to before me, a Notary Public, in said County and State this 26<sup>th</sup> day of October 2020.



(SEAL)  
Notary Public

Notary Commission Number: 607370

My Commission Expires:

August 23, 2022

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA )  
 )  
 ) SS:  
COUNTY OF MONTGOMERY )

The undersigned, Kimberly Joyce, being duly sworn, deposes and says that she is Vice President of Regulatory, Government & External Affairs of Essential Utilities, Inc. and that she has personal knowledge of the matters set forth in this Application and the information contained therein is true and correct to the best of her information, knowledge and belief.

  
\_\_\_\_\_  
Kimberly Joyce

Subscribed and sworn to before me, a Notary Public, in said County and State this 26 day of October 2020.

 (SEAL)  
Notary Public

Notary Commission Number: 1213370

My Commission Expires:  
Feb 3, 2021

COMMONWEALTH OF PENNSYLVANIA  
NOTARIAL SEAL  
Heather S. D. Harrison, Notary Public  
Lower Merion Twp., Montgomery County  
My Commission Expires Feb. 3, 2021  
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES



VERIFICATION

COMMONWEALTH OF PENNSYLVANIA )  
 ) SS:  
COUNTY OF ALLEGHENY )

The undersigned, Mike Turzai, being duly sworn, deposes and says that he is General Counsel for Peoples Gas and that he has personal knowledge of the matters set forth in this Application and the information contained therein is true and correct to the best of his information, knowledge and belief.

Mike Turzai  
Mike Turzai

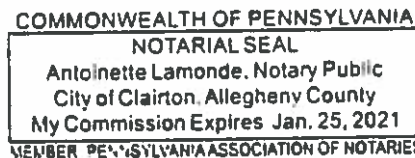
Subscribed and sworn to before me, a Notary Public, in said County and State this 22 day of October 2020.

Antoinette Lamonde (SEAL)  
Notary Public

Notary Commission Number: \_\_\_\_\_

My Commission Expires:

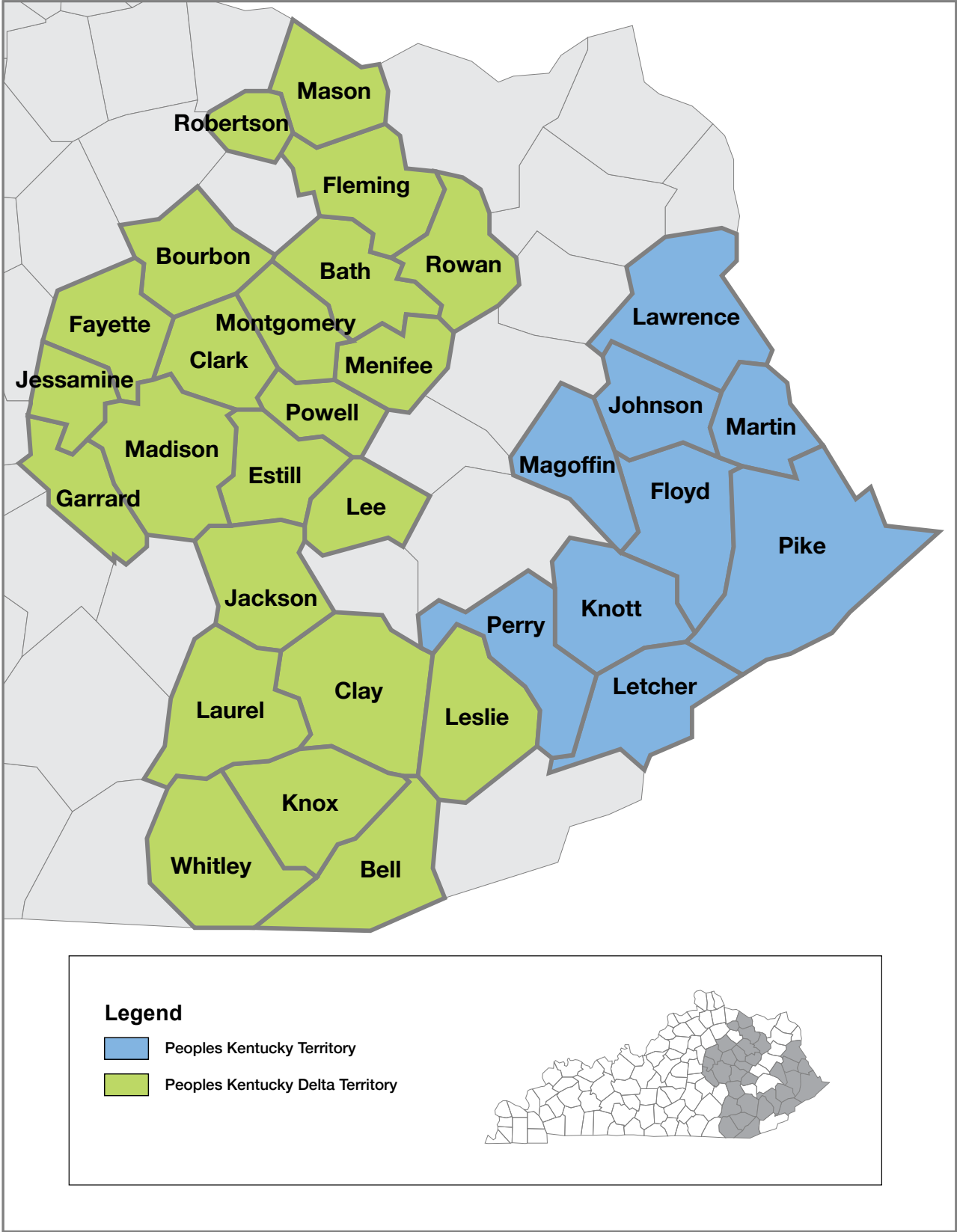
1-25-21





MAKING YOUR LIFE BETTER.

Service Territory



Peoples Kentucky  
 Bill Increase Based on Revenue Requirement  
 August 31, 2020

EXHIBIT II

**Revenue Requirement Increase %**

Rate base	2,421,000
Rate base equity	50.00%
Return on equity	10.40%
Rate base debt	50.00%
Cost of debt	4.00%
Statutory income tax	24.95%
Equity return	\$ 126,000
Cost of debt	\$ 48,000
Depreciation	\$ 119,000
Expenses	\$ 1,653,000
Income taxes	\$ 42,000
Revenue requirement	\$ 1,988,000
Existing revenue	\$ 694,000
Revenue deficiency	\$ 1,294,000
Rate increase	<u>186.46%</u>

**Average Bill Increase %**

	Present	Increase		Pro Forma
		%	\$\$	
Monthly customer charge	\$ 7.50	186.46%	\$ 13.98	\$ 21.48
Volumetric rate	\$ 2.13	186.46%	\$ 3.97	\$ 6.10
Gas recovery rate	\$ 3.18	-	\$ -	\$ 3.18
Average monthly usage (Mcf)	5.7	5.7		5.7
Monthly customer charge	\$ 7.50			\$ 21.48
Volumetric charge	\$ 12.14			\$ 34.77
Gas recovery charge	\$ 18.13			\$ 18.13
Total average bill	<u>\$ 37.77</u>			<u>\$ 74.38</u>
Increase percentage				<u>97%</u>

CLASSIFICATION OF SERVICE – RATE SCHEDULES  
FOR FORMER PEOPLES GAS KY LLC’S TERRITORY

APPLICABILITY

Applicable within areas formerly served by Peoples Gas KY LLC with a connection along Kentucky West Virginia Gas Company's well connection and gathering system in Eastern Kentucky included in Peoples Gas KY LLC’s former service area.

AVAILABILITY

Available to farm tap customers as defined by KRS 278.485 previously served by Peoples Gas KY LLC or any new farm tap customers served from a connection along Kentucky West Virginia Gas Company's well connection and gathering system in Peoples Gas KY LLC’s former service area, including farm tap customers previously served by Delta’s supplier. Pursuant to KRS 278.485, the point of service must be located within one-half (1/2) air-mile of Delta supplier’s producing gas well or gathering pipeline.

CHARACTER OF SERVICE

Gas delivered pursuant to this tariff is from pipelines owned and operated by Delta’s supplier and all gas sold hereunder is made available by said supplier. Other than the meter, service tap, saddle and first service shut off valve, which shall be owned and maintained by Delta, all other approved equipment and material required for service under this tariff shall be furnished, installed, and maintained by the customer at the customer’s expense and shall remain the customer’s property. At the customer’s option, Delta will furnish and install this other equipment, but this other equipment shall be paid for, owned and maintained by the customer. Such other equipment shall include, but is not limited to, the line from the service tap to the point of use, gas regulation equipment, and desiccant tanks or other moisture control equipment as approved and required by Delta. Delta shall have the right to abandon gas service to any customer served from any line which is no longer operated by its supplier for any reason whatsoever. All gas sold and delivered under this Tariff shall be delivered at the varying pressures of Delta’s supplier's pipeline, and it shall be the responsibility of the customer to supply, maintain, and operate the necessary regulator and related equipment for the customer's use.

RATES

	<u>Base Rate</u>	+	<u>Gas Cost Recovery Rate (Peoples KY GCR)**</u>	= <u>Total Rate</u>
Customer Charge *	\$ 21.00000			\$ 21.00000
All Mcf***	\$ 4.3185		\$ 2.1010	\$ 6.4195

DATE OF ISSUE: October 27, 2020  
EFFECTIVE DATE: November 27, 2020  
ISSUED BY: John B. Brown, President



**DELTA NATURAL GAS COMPANY, INC.**

P.S.C. No. 12, Original Sheet No. 6.2

\* The customer charge included \$0.30 collected under Delta's Energy Assistance Program Tariff Rider as set for on Sheet No. 38 of this tariff.

\*\* The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Peoples KY Purchased Gas Adjustment" as set forth on Sheets No. 14.1 and 14.2 of this tariff.

These rates are also subject to a Tax Cuts and Jobs Act Surcredit. Pursuant to the December 21, 2018 Order in Case No. 2018-00040, the surcredit is (\$3.83), subject to future change.

DATE OF ISSUE: October 27, 2020  
EFFECTIVE DATE: November 27, 2020  
ISSUED BY: John B. Brown, President

A handwritten signature in blue ink, appearing to read "John B. Brown", is located below the text of the issuer's name.



CLASSIFICATION OF SERVICE – RATE SCHEDULES  
PEOPLES KY PURCHASED GAS ADJUSTMENT

The rate authorized herein is based upon the wholesale cost of gas to Company for service to farm tap customers taking service from a connection along the Kentucky West Virginia Gas Company's well connection and gathering system in Eastern Kentucky as computed upon the rate of Kentucky West Virginia Gas Company then currently in effect under Federal Power Commission tariffs for interstate business. For the purpose of this purchased gas adjustment clause, this rate shall be considered as the base rate for purchased gas. In the event there is an increase in this base rate, Company shall within thirty days from the time it receives notice of the proposed change file with this Commission the following information:

- (1) A copy of the Federal Power Commission tariff, effecting the change in the base rate and a statement relative to the effective date of such proposed change.
- (2) A statement setting out the details of gas purchased under the provisions of the base rate for the previous twelve months showing billing under the base rate and under the proposed revised rate applicable to this service.
- (3) A balance sheet as of the end of the latest twelve-month period and a statement of operating expenses and revenues in the same detail as reported to this Commission in the Utility's Annual Report.
- (4) Such other information as this Commission may request for a proper determination of the purchased gas adjustment.

DATE OF ISSUE: October 27, 2020

DATE EFFECTIVE: November 27, 2020

ISSUED BY: John B. Brown, President



Definitions

For purposes of this tariff:

- a. "Average Expected Cost" is the cost of purchased gas which results from the application of supplier rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased gas volumes during the twelve-month period ending with the reporting period to which the GCR will apply, divided by the corresponding sales volume. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments to its calculations. Any adjustments of this type shall be described in the quarterly Gas Cost Recovery Report.
- b. "GCR" means the quarterly updated gas cost recovery rate and is the sum of the expected gas cost component plus the supplier refund adjustment plus the actual cost adjustment plus the balancing adjustment; i.e.,  $GCR = EGC + RA + ACA + BA$ .
- c. "Calendar Quarters" means each of the four three-month periods of (1) February, March, and April; (2) May, June, and July; (3) August, September, and October; (4) November, December, and January.
- d. "Reporting Period" means the three-month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas cost recovery rates; i.e., the calendar quarters ended April 30, July 31, October 31, and January 31 of each year.

Gas Cost Recovery Rate (GCR):

Expected Gas Supply Cost (EGC)	\$ 2.4533 /Mcf
Refund Adjustment (RA)	\$ 0.0000
Actual Cost Adjustment (ACA)	\$(0.4097)
Balance Adjustment (BA)	<u>\$ 0.0574</u>
Total Gas Cost Recovery Rate per Mcf	\$ 2.1010 /Mcf

DATE OF ISSUE: October 27, 2020

DATE EFFECTIVE: November 27, 2020

ISSUED BY: John B. Brown, President

Peoples Gas KY LLC  
 Statements of Income  
 (Unaudited)

EXHIBIT IV

	<b>Twelve Months Ended</b>	
	<u>9/1/2019 -</u> <u>8/31/2020</u>	<u>9/1/2018 -</u> <u>8/31/2019</u>
<b>Operating Revenues</b>	<b>\$ 1,370,494</b>	<b>\$ 1,981,020</b>
<b>Operating Expenses:</b>		
Purchased gas	660,609	1,261,432
Other operations & maintenance	1,430,040	1,592,573
Depreciation and amortization	119,443	111,868
Other taxes	109,885	101,045
<b>Total Operating Expenses</b>	<b>2,319,977</b>	<b>3,066,918</b>
<b>Loss From Operations</b>	<b>(949,483)</b>	<b>(1,085,898)</b>
<b>Other Expense, Net</b>	<b>6,625</b>	<b>15,133</b>
<b>Interest Expenses</b>	<b>164,875</b>	<b>202,380</b>
<b>Loss Before Income Taxes</b>	<b>(1,120,983)</b>	<b>(1,303,411)</b>
<b>Provision For Income Tax Benefit, Net</b>	<b>(375,374)</b>	<b>(325,170)</b>
<b>Net Loss</b>	<b>\$ (745,609)</b>	<b>\$ (978,241)</b>

## NOTICE OF PROPOSED RATE CHANGE

Date of Mailing: October 6, 2020

Peoples Gas KY LLC is filing a request with the Public Service Commission to increase its rates. This is the first request to increase base rates in over sixteen years. The rates contained in this notice are the rates proposed by Peoples Gas KY LLC. However, the Public Service Commission may order rates to be charged that differ from the rates in this notice. Any corporation, association, body politic, or person may file written comments or a written request for intervention within thirty (30) days of the date of this notice with the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602. Copies of the request for an increase in rates may be obtained by contacting the gas company at 463 Hambley Boulevard, Pikeville, Kentucky 41501. A copy of the request for an increase in rates will be available for public inspection at this address.

Present Rates	Proposed Rate	Estimated Monthly Bill
Customer Charge: \$7.50	Customer Charge: \$21.00*	Present Rates: \$37.77
Base Rate: \$2.1322 per Mcf	Base Rate: \$4.3185 per Mcf	Proposed Rates: \$59.93
		Percentage Increase: 59%

\*The proposed increase in the customer charge will be partially offset by a monthly surcredit of \$3.83 for the Tax Cuts and Jobs Act Surcredit.

Peoples Gas KY LLC is also notifying the Public Service Commission of its intent that Peoples Gas KY LLC's parent company, PNG Companies LLC, plans to transfer ownership of Peoples Gas KY LLC to Delta Natural Gas Company, Inc. after the rate proceeding concludes. Delta Natural Gas Company, Inc. is also owned by PNG Companies, LLC. Delta Natural Gas Company, Inc. currently provides natural gas service to customers in Kentucky near Peoples Gas KY LLC's service territory. Delta Natural Gas Company, Inc. will provide further information regarding its company, including contact information, should the transaction occur. Information regarding the planned transaction will be available in the same application as the proposed rate change.