

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2021-00098

RESPONSES TO DATA REQUEST
ORDER DATED MAY 7, 2021

1. Refer to the Application, Schedule 1, line 8. Explain why the tax expansion factor for years 2010-2017 should not also be 1.33245.

Response:

The tax expansion factor for years 2010-2017, in the amount of 1.60658, is based on a federal income tax rate of 34% (this is the rate for corporations with taxable income between \$355,001 and \$10,000,000) which is the rate that was in effect prior to the passage of the Tax Cuts and Jobs Act ("TCJA") of 2017. The TCJA decreased the federal income tax rate to 21% effective January 1, 2018 which is why the tax expansion factor for years after 2017 is 1.33245.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2021-00098

RESPONSES TO DATA REQUEST
ORDER DATED MAY 7, 2021

2. Refer to the Application, Schedule II – 2020. Explain why the depreciation expense is calculated using the half year convention, given that Delta’s Pipeline Replacement Program (PRP) is based on a historic test period.

Response:

Tax depreciation expense is calculated using the half year convention, whether or not the test period is a historic test period. Under the half year convention an asset gets the same amount of tax depreciation expense whether it is deemed to be placed in service in the month of January, July or December.

The half year convention is a tax depreciation convention for assets placed in service after 1986 under MACRS (such as the PRP property). Under Internal Revenue Code section 168(d), the half-year convention applies to depreciable property (except for buildings) placed in service during a taxable year, unless the mid-quarter convention applies to the property. The mid-quarter convention is only required when over 40% of property was placed in service in the last quarter of the year.

For book depreciation purposes, Delta’s system does not break down book depreciation expense by PRP assets added in a specific year. By applying half of the annual depreciation rate to the additions during 2020, Delta assumes additions are added ratably throughout the year to estimate historic depreciation expense.

Sponsoring Witness:

John B. Brown

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ADJUSTMENT OF THE)	
PIPE REPLACEMENT PROGRAM OF)	CASE NO.
DELTA NATURAL GAS COMPANY, INC.)	2021-00098

VERIFICATION

The undersigned, **John B. Brown**, being duly sworn, deposes and states that he is President of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


_____)
John B. Brown

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 17th day of May, 2021.

 (SEAL)
_____)
Notary Public

My Commission Expires:
6/20/24

