

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 2021-00185

FIRST ATTORNEY GENERAL DATA REQUEST

DATED JULY 14, 2021

17. **Provide Trial Balance (UPDATE).** Provide a separate Trial Balance for Delta and PKY of all income statement and balance sheet accounts (including subaccounts) in the following format for periods 2019, 2020, and 2021 (and provide monthly updates for the 2021 Trial Balance as they become available):
- a. For the calendar year Trial Balances for 2019, 2020, and 2021 year-to-date (provide monthly Trial Balance updates for 2021 as they become available), for each account number, provide columns showing:
 - i) the monthly balance for each account.
 - ii) the change in the monthly balance from the prior month (for each account).
 - iii) the change in the monthly balance from the same month of the prior year (for each account).
 - iv) the cumulative year-to-date balance for each account (for example, for September 2019, the cumulative balance from January 2019 to September 2019 for each account would be provided).
 - v) The change in the cumulative year-to-date balance from the cumulative year-to-date balances of the prior year (for each account).

Response:

- a. See attached for the response to subparts i) and ii). The information requested in subparts iii), iv) and v) can be calculated using the attachment provided.

Sponsoring Witness: Andrea Schroeder

September 21, 2021 Supplemental Response:

- a. See attached that includes monthly trial balance statements for Delta and PKY through August 2021.

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18. **Reconcile Trial Balance Amounts to Rate Case Base Period Amounts (UPDATE).**

Address the following regarding reconciling the Trial Balance to account balances in this rate case:

- a. Please reconcile the actual per book Trial Balance amounts of Delta and PKY for each month and cumulative year-to-date (for each account) to the monthly and cumulative amounts for each account included in the revenue requirement (for income statement operating accounts and amounts included in rate base and capital structure) for the Base Period September 1, 2020 to August 31, 2021 and for the Forecasted Test Period Ending December 31, 2022 (Witness Andrea Schroeder's direct testimony, page 7, line 1, states that for the Forecasted Test Period, all Delta and PKY data is combined). In all cases, explain the reasons for the differences in amounts for each account between the Trial Balance and the revenue requirement Base Period, and identify those amounts that are treated as below-the-line amounts for rate case purposes.
- b. Regarding (a) above, provide timely periodic updates as each actual month of the 2021 Trial Balance becomes available, and as the Company substitutes actual amounts for budgeted amounts in the Base Period.
- c. Because the Base Period of September 2020 to August 31, 2021 overlaps the calendar year ending period of December 31, 2020 explain why Delta has, or has not, made adjustments to its revenue requirements to remove year-end accruals that were included in the calendar year ending December 31, 2020 financial data – so that financial data for the Base Period ending August 31, 2021 is properly reflected. Identify and provide all adjustments by account number that are necessary to remove accruals (and make other adjustments) from calendar year ending December 31, 2020 financial data so that the Base Period financial data for the twelve months ending August 31, 2021 is reasonable and accurate.

Response:

- a. Delta utilized system trial balances and financial statements for populating the account balances in this rate case. No reconciliation should be necessary from the system generated monthly and cumulative amounts included in the revenue requirement (for income statement operating accounts and amounts included in rate base and capital structure). Any

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differences between the actual system balances and the amounts appropriate for the Base Period are identified as adjustments.

- b. The Company will substitute actual amounts for budgeted amounts in the Base Period.
- c. Delta has not made adjustments to its revenue requirements regarding year-end accruals due to the overlap of the base period and the calendar year ending December 31, 2020. Because Delta's indirect parent company, Essential Utilities, Inc., is a public company, most accruals are recorded on the books monthly. The accruals that are not recorded on a monthly basis are recorded quarterly to coincide with the closing of books and for SEC Form 10-Q reporting purposes. Thus, there are usually no year-end accruals that must be taken into account when evaluating overlapping periods.

Sponsoring Witness: Andrea Schroeder

September 21, 2021 Supplemental Response:

- b. See the Supplemental Response to AG 1-17 for monthly Trial Balance statements through August 2021.

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20. **Rate Base Comparison for Prior Years (UPDATE).** Tab 33 provides a high level comparison of the primary account balances in rate base for December 31, 2021 through 2024, provide similar comparative data for prior periods and provide periodic updates to actual for the Base Period (and months after the base period) as they occur per the following:
- a. Provide a similar schedule as Tab 33 that shows a high level comparison of primary rate base account balances for prior years ending December 31, 2017 through December 31, 2020, plus March 31, 2021, along with updates for each month in 2021 as they become available (it is not necessary to provide the balance for cashing working capital for prior periods ending December 31, 2017 to December 31, 2020). Provide columns showing the change in amounts from prior years.
 - b. For each of the periods in (a) above, provide a separate Delta and PKY Balance Sheet and reconcile the amounts from the Balance Sheet to the high level comparison of primary rate base account balances.
 - c. In addition to information in (a) and (b), provide a Trial Balance (or other similar supporting documentation) showing the detailed primary accounts included in Plant in Service for Delta and PKY for each year/period requested. Also, provide columns showing the change in plant additions by account from prior years.

Response:

- a. – c. Please see the Excel file accompanying this Word response.

Sponsoring Witness: John B. Brown

September 21, 2021 Supplemental Response:

- a. See the attached Excel file for actual information through August 31, 2021.

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26. **Updated Budget Variance Reports (UPDATE).** Tab 45 provides a monthly budget variance report for operating income statement accounts from September 2019 to March 2021. Address the following:
- a. Provide updated monthly budget variance reports (in the same format as Tab 45) for all months after March 2021 through the conclusion of this proceeding as they become available.
 - b. Provide monthly budget variance reports (in the same format as Tab 45 for all months from January 2017 to August 2019.
 - c. Per the monthly budget variance report at Tab 45, provide a year-to-date cumulative variance report (cumulative of all months by account number) for the calendar years 2017, 2018, 2019, 2020, and for the base period September 2020 to August 31, 2021 (provide cumulative balances through the most recent date in 2021, and provide updates as additional months become available).

Response:

- a. Updated monthly budget variance reports for months after March 2021 will be filed in compliance with the filing requirement for Tab 45. The monthly reports for the months of April and May 2021 will be filed forthwith.
- b. See attached.
- c. The information requested can be calculated by using attachment provided.

Sponsoring Witness: Andrea Schroeder

September 21, 2021 Supplemental Response:

- a. See the Supplemental Response to the PSC Filing Requirement for Tab 45 filed on September 17, 2021 for the monthly reports for the months on July and August 2021. The monthly report for June 2021 was filed with the previous update.

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27. **Variance Reports for Construction Costs (UPDATE).** Tab 45 provides a monthly budget variance report for operating income statement accounts. Address the following:
- a. Provide an annual budget variance report (for the entire year, not on a monthly basis) in a similar format as Tab 45 (including the amount and percent variance, along with an explanation for the variance) for the capital/construction budget for calendar years 2015 through 2020. Also, provide this same information on a year-to-date basis through 2021 (and provide monthly updates through the conclusion of this proceeding).
 - b. Explain if Delta prepares a monthly or annual capital/construction budget variance report as part of its management reports, and if not, then explain how construction projects are periodically monitored and provide copies of other reports and documentation that were reviewed regarding the capital/construction budget for calendar years 2015 through 2021 year-to-date.

Response:

- a. Delta predominately prepares annual budgets by FERC account, not at the individual project level. Accordingly, Delta is unable to evaluate variances of individual projects and to provide an annual budget variance for any specific duration.
- b. Delta prepares monthly capital spending variance reports by FERC account, not by individual project. Every month, Operations reviews a monthly capital budget report providing the current amount spent in FERC capital accounts. Upon the start date of capital construction projects, capital dollars expended can be monitored in a specific account until completion of the project, but not monitored at the project level.

Sponsoring Witness: Jonathan Morphey

September 21, 2021 Supplemental Response:

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b. As explained in the original response, Delta prepares monthly capital spending variance reports by FERC account, not by individual project. In response to a follow up request from the Attorney General, Delta provided the reports by FERC account through July 2021. These reports were filed with the Commission on August 12, 2021. Please see attached the variance report for August 2021.

**ALL DELTA COMPANIES - CAPITAL COSTS ACTUAL TO BUDGET COMPARISON FOR 2021**

Budget ID	Preparer	Mark Number	Description	CM CY Actual 08/2021	CM CY Budget 08/2021	CM Variance	CYTD Actual 2021	CYTD Budget 2021	YTD Variance	Annual Budget 2021	% Expended	Amount Remaining
DCC	CARTWRIGHT	3950	Laboratory Equipment			\$0	\$7,293	\$5,000	(\$2,293)	\$10,000	72.9%	\$2,707.20
DCC						\$0	\$7,293	\$5,000	(\$2,293)	\$10,000		\$2,707

Budget ID	Preparer	Mark Number	Description	CM CY Actual 08/2021	CM CY Budget 08/2021	CM Variance	CYTD Actual 2021	CYTD Budget 2021	YTD Variance	Annual Budget 2021	% Expended	Amount Remaining
JBB	STEELE	3900	General Structures and Improvements	\$10,900	\$40,000	\$29,100	\$23,852	\$250,000	\$226,148	\$400,000	6.0%	\$376,148.00
	STEELE	3910	Office Furniture and Equipment		\$5,000	\$5,000	\$24,509	\$42,000	\$17,491	\$64,000	38.3%	\$39,490.68
	STEELE	3920	Transportation Equipment	\$7,671	\$50,000	\$42,329	\$43,961	\$236,000	\$192,039	\$650,000	6.8%	\$606,039.30
	STEELE	3920	Transportation Equipment		\$1,746	\$1,746		\$122,507	\$122,507	\$175,001		\$175,001.00
	STEELE	3970	Communication Equipment		\$0	\$0		\$4,000	\$4,000	\$6,000		\$6,000.00
	STEELE	3980	Miscellaneous Equipment		\$500	\$500	\$27,478	\$3,000	(\$24,478)	\$5,000	549.6%	-\$22,478.15
	TURPIN	3030	Computer Software	\$570	\$680	\$110	\$876	\$5,320	\$4,444	\$8,000	11.0%	\$7,123.70
	TURPIN	3030	Computer Software		\$1,000	\$1,000	\$1,730	\$7,600	\$5,870	\$11,600	14.9%	\$9,870.32
	TURPIN	3030	Computer Software	\$482	\$1,115	\$633	\$3,015	\$7,534	\$4,519	\$9,974	30.2%	\$6,958.79
	TURPIN	3030	Computer Software	\$820	\$340	(\$480)	\$7,265	\$2,660	(\$4,605)	\$4,000	181.6%	-\$3,265.08
	TURPIN	3030	Computer Software	\$393,883	\$51,900	(\$341,983)	\$1,547,323	\$424,700	(\$1,122,623)	\$632,300	244.7%	-\$915,023.19
	TURPIN	3030	Computer Software	\$5,214	\$1,700	(\$3,514)	\$27,491	\$9,350	(\$18,141)	\$11,950		-\$15,541.39
	TURPIN	3912	Computer Hardware		\$15,400	\$15,400	\$6,360	\$127,600	\$121,240	\$182,300	3.5%	\$175,940.00
	TURPIN	3912	Computer Hardware		\$3,399	\$3,399	\$2,012	\$23,508	\$21,496	\$34,877		\$32,864.83
	BROWN	3999	Contingency	(\$42,539)	\$64,800	\$107,339	\$151,105	\$496,700	\$345,595	\$735,600	20.5%	\$584,495.30
JBB				\$377,001	\$237,580	(\$139,421)	\$1,866,978	\$1,762,479	(\$104,499)	\$2,930,602		\$1,063,624

Budget ID	Preparer	Mark Number	Description	CM CY Actual 08/2021	CM CY Budget 08/2021	CM Variance	CYTD Actual 2021	CYTD Budget 2021	YTD Variance	Annual Budget 2021	% Expended	Amount Remaining
JWM	BEE	3710	Transmission Other Equipment (Telemetry)		\$4,600	\$4,600		\$4,600	\$4,600	\$9,200		\$9,200.00
	BEE	3780	Distribution General Regulator Stations	\$790	\$6,000	\$5,210	\$21,460	\$48,000	\$26,540	\$72,000	29.8%	\$50,540.49
	BEE	3790	Distribution City Gate Regulator Stations		\$2,000	\$2,000		\$16,000	\$16,000	\$25,000		\$25,000.00
	BEE	3810	Distribution Meters	\$1,867	\$0	(\$1,867)	\$35,258	\$55,000	\$19,742	\$75,000	47.0%	\$39,742.04
	BEE	3810	Distribution Meters	\$64,272	\$9,100	(\$55,172)	\$454,987	\$441,700	(\$13,287)	\$477,400	95.3%	\$22,412.69
	BEE	3810	Distribution Meters				\$18,371		(\$18,371)			-\$18,370.80

**ALL DELTA COMPANIES - CAPITAL COSTS ACTUAL TO BUDGET COMPARISON FOR 2021**

Budget ID	Preparer	Mark Number	Description	CM CY Actual 08/2021	CM CY Budget 08/2021	CM Variance	CYTD Actual 2021	CYTD Budget 2021	YTD Variance	Annual Budget 2021	% Expended	Amount Remaining
	BEE	3820	Distribution Meter and Regulator Installations	\$1,267	\$8,333	\$7,067	\$7,979	\$66,666	\$58,687	\$100,000	8.0%	\$92,021.07
	BEE	3820	Distribution Meter and Regulator Installations	\$9,121	\$17,000	\$7,879	\$63,297	\$136,000	\$72,703	\$204,000	31.0%	\$140,703.15
	BEE	3820	Distribution Meter and Regulator Installations	\$10,197	\$2,500	(\$7,697)	\$58,644	\$17,250	(\$41,394)	\$25,000	234.6%	-\$33,644.05
	BEE	3830	Distribution Regulators	\$23,330	\$12,600	(\$10,730)	\$108,751	\$100,800	(\$7,951)	\$150,800	72.1%	\$42,049.42
	BEE	3850	Distribution Industrial Meter Set	\$927	\$4,300	\$3,373	\$7,348	\$34,400	\$27,052	\$52,000	14.1%	\$44,652.13
	NELLIPOWITZ	3650	Transmission Rights of Way		\$32,000	\$32,000		\$256,000	\$256,000	\$384,600		\$384,600.00
	NELLIPOWITZ	3740	Distribution Land and Right of Way		\$500	\$500		\$4,000	\$4,000	\$6,000		\$6,000.00
	MILLER	3760	Distribution Mains	\$671,838	\$900,000	\$228,162	\$3,707,821	\$5,100,000	\$1,392,179	\$8,100,000	45.8%	\$4,392,178.77
	MILLER	3800	Distribution Services	\$215,410	\$150,000	(\$65,410)	\$1,456,058	\$850,000	(\$606,058)	\$1,400,000	104.0%	-\$56,057.76
	MILLER	3940	Tools	\$15,110	\$2,500	(\$12,610)	\$30,110	\$41,200	\$11,090	\$51,200	58.8%	\$21,090.39
	MILLER	3960	Power Operated Equipment	\$551,218	\$4,600	(\$546,618)	\$1,126,534	\$128,800	(\$997,734)	\$252,200	446.7%	-\$874,333.89
	SWAFFORD	3750	Distribution Structures and Improvements		\$1,200	\$1,200		\$3,600	\$3,600	\$5,000		\$5,000.00
	SHELLEY	3320	Gathering Lines		\$0	\$0		\$31,500	\$31,500	\$42,000		\$42,000.00
	SHELLEY	3330	Gathering Compressor Station Equipment	\$755	\$5,200	\$4,445	\$6,104	\$19,600	\$13,496	\$28,100	21.7%	\$21,996.01
	SHELLEY	3340	Gathering Measuring and Regulating Station Equip		\$0	\$0	\$2,648	\$12,000	\$9,352	\$18,000	14.7%	\$15,352.06
	SHELLEY	3520	Storage Wells		\$0	\$0	\$8,763	\$10,800	\$2,037	\$10,800	81.1%	\$2,036.96
	SHELLEY	3530	Storage Lines		\$0	\$0		\$5,300	\$5,300	\$10,500		\$10,500.00
	SHELLEY	3540	Storage Compressor Station Equipment	\$7,261	\$0	(\$7,261)	\$68,256	\$78,600	\$10,344	\$82,500	82.7%	\$14,244.22
	SHELLEY	3550	Storage Measuring and Regulating Equipment	\$11,235	\$0	(\$11,235)	\$11,235	\$7,900	(\$3,335)	\$7,900	142.2%	-\$3,334.62
	SHELLEY	3560	Purification Equipment	\$411	\$5,900	\$5,489	\$14,875	\$101,600	\$86,726	\$107,500	13.8%	\$92,625.50
	SHELLEY	3670	Transmission Mains	\$221,028	\$420,000	\$198,972	\$697,730	\$2,272,400	\$1,574,670	\$3,691,000	18.9%	\$2,993,270.28
	SHELLEY	3680	Transmission Compressor Station Equipment		\$0	\$0		\$10,500	\$10,500	\$22,600		\$22,600.00
	SHELLEY	3690	Transmission Measuring and Regulating Equipmer	\$10,062	\$3,500	(\$6,562)	\$298,496	\$603,000	\$304,504	\$616,200	48.4%	\$317,703.81
JWM				\$1,816,100	\$1,591,833	(\$224,267)	\$8,204,722	\$10,457,216	\$2,252,494	\$16,026,500		\$7,821,778
			Sum:	\$2,193,101	\$1,829,413	(\$363,688)	\$10,078,993	\$12,224,695	\$2,145,702	\$18,967,102		\$8,888,109

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49. **Affiliate Costs Allocated/Direct Assigned to Delta and PKY (UPDATE) – See Attachment.** Delta’s response to Staff’s First Set of Data Requests, question 10 (Staff DR 1-10), refers to Service Agreements for allocating costs from PNG and Essential to Delta (and PKY), and for allocating costs from Delta to other affiliates. Also, Tab 51 states that affiliate activities are governed by Service Agreements and the CAM, and it provides some basic information regarding amounts allocated from PNG to Delta and PKY for the periods 2018 through the Forecasted test period. This OAG data request seeks more detailed information than is provided in Tab 51. Provide the following information for the calendar years 2017 to 2020, plus the Base Period August 31, 2021 (and provide periodic monthly updates throughout 2021) and the Forecasted Test Period December 2022:
- a. Provide information in a same or similar working Excel spreadsheet format as “OAG Attachment 4 – Expenses Allocated and Direct Assigned to Delta and PKY by PNG and Essential”, showing expenses allocated and direct assigned from PNG and Essential to Delta and PKY by service (Executive, Human Resources, Legal, etc.) and by related expense account number on the books of Delta and PKY books for each of above periods (including the Base Period in this filing with 7 months actual and 5 months budgeted, along with periodic monthly updates for actual amounts). Also, if Essential allocates and direct assigns other expenses to Delta and PKY (that are not first allocated or direct assigned to PNG), then provide this same information for expenses allocated and direct assigned from Essential to Delta and PKY. For each service and/or related expense account number, identify the related allocation method/factor (and detailed formula) that is used to allocate expenses to Delta and PKY for each of the related periods.
 - b. Regarding (a) above, provide the amount of the cost pool (by service or other grouping) that is allocated from PNG and Essential to Delta and PKY, and provide the related specific allocation method/factor, and explain why the related allocation method/factor is reasonable and an appropriate cost driver and cost-causer for each cost pool.
 - c. Provide the amount of the cost pool (by service or other grouping) that is used for allocating costs from Essential to PNG (which are then subject to being allocated from PNG to Delta and PKY) and the related specific allocation method/factor, and explain why the related allocation method/factor is reasonable and an appropriate cost driver and cost-causer for each cost pool.
 - d. Regarding (a) above, provide an explanation and documentation supporting the reason for the change from year to year, in the amounts: 1) allocated to Delta and PKY for each service; and 2) direct assigned to Delta and PKY for each service. Also, address each of the following possible reasons for change in allocated and direct assigned costs from year-to-year to Delta and PKY (along with other relevant reasons):

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- i) Change in the allocation method/factor.
 - ii) Change in the costs included in various cost pools.
 - iii) Change in the number or types of services.
 - iv) Change (increase or decrease) in the PNG expenses subject to being allocated or direct assigned to Delta and PKY (this could include a change in the amount of expenses being allocated from Essential to PNG, which are then subject to being allocated to Delta and PKY).
 - v) Delta and PKY payroll costs (and employees) shifted to PNG or Essential (or vice versa with payroll costs shifted to Delta or PKY) and are now being allocated back to Delta and PKY (by PNG or Essential) under a Service Agreement/CAM (and are no longer being treated as Delta or PKY payroll costs). For example, this might relate to services previously provided at the affiliate level by Delta, but now being provided on a more centralized basis by PNG or Essential.
 - vi) Reorganization and/or acquisition by another entity.
 - vii) Other reasons (explain).
- e. Regarding (a) above, for each of the allocation methods/factors used to allocate expenses from PNG and Essential to Delta and PKY, provide the specific formula, inputs (numerator and denominator, etc.) and all underlying calculations. For example, if the “number of customers” are used as an allocation factor for certain service costs or a cost pool, then provide the amount of Delta’s (and PKY) customers used as a numerator (with supporting sources and calculations), and the total number of customers (by each affiliate) used as the denominator (with supporting sources and calculations), along with the total service cost or cost pool amount (with supporting sources and calculations for each affiliate’s service cost/cost pool amounts) that are multiplied by the related allocation factor

Response:

A:

Essential Allocations:

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All allocations from Essential are posted to account 9923000 Adm & Gen-Outsd Svcs and are expensed (not capitalized), but are subject to indirect capitalization through General & Administrative (G&A) Surcharge. This surcharge is designed to capitalize a portion of Corporate or Administrative support costs, both labor and non-labor. The surcharge is applied to all capital expenses charged directly to a project.

All Essential Allocations are allocated, not direct assigned.

See files “Attachment to AG 1-46 - 1300 Essential Allocations.xlsx” (PGKY) and “Attachment to AG 1-46 - 1600 Essential Allocations.xlsx” (Delta) for Essential Allocations that began in April 2020.

PNG Allocations:

Allocations from PNG are posted to the following expense accounts:

- 9903000 Customer Accounts - Customer Records & Collections
- 9920000 Admin & General – Salaries
- 9921000 Admin & Gen-Off Supplies
- 9923000 Admin & General - Outside Services Employed
- 9926000 Admin & General - Employee Benefits
- 9930200 Admin & Gen-Misc Exp
- 9408100 Taxes Other than Income Taxes - Utility Operating

Capital items post to the account 9101000 Plant in Service once placed in service.

See files “Attachment to AG 1-49 - 1300 PNG Allocations_Direct.xlsx” and “Attachment to AG 1-49 - 1600 PNG Allocations_Direct.xlsx” for PNG Allocations that began in 2018 for PGKY (1300) and began in 2019 for Delta (1600) and show which are direct and which are allocated.

See file “Attachment to AG 1-46 - 2017 Service Company Allocations.xlsx” for 2017 allocations to 1300 PGKY.

B:

See files in A related to the amounts allocated to 1300 and 1600.

The related specific allocation method/factors are reasonable and appropriate cost drivers for the various cost pool allocated as they are what drives or are associated with the level of effort for the companies that are supported by the services provided.

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See files “Attachment to AG 1-47 - 2020 Allocation Factors - 2019 YE Data_Final”, “Attachment to AG 1-47 - 2019 Allocation Factors - 2018 YE Data_Final.xlsx”, and “Attachment to AG 1-47 - 2018 Allocation Factors - 2017 YE Data_Final for CAM.xlsx” for the allocation methods/factors used to allocate expenses from PNG and Essential to Delta and PKY.

A description of the services and allocation basis for the services is described in the file “Attachment to AG 1-47 - PNG Companies LLC Cost Allocation Manual.docx”

For total cost pools, see files “Attachment to AG 1-47 - Essential Allocations by Service by Company by Year.xlsx” and “Attachment to AG 1-47 - PNG Allocations by Service by Company by Year.xlsx” showing the costs allocated from annually across companies.

C:

For total cost pools, see files “Attachment to AG 1-47 - Essential Allocations by Service by Company by Year.xlsx” and “Attachment to AG 1-47 - PNG Allocations by Service by Company by Year.xlsx” showing the costs allocated from Essential and PNG annually across companies. See answer and files in B for descriptions of allocation methods and reasonableness.

D:

For total cost pools, see files “Attachment to AG 1-47 - Essential Allocations by Service by Company by Year.xlsx” and “Attachment to AG 1-47 - PNG Allocations by Service by Company by Year.xlsx” showing the costs allocated from Essential and PNG annually across companies. See answer and files in B for descriptions of allocation methods and reasonableness.

Changes from year to year in these services are due to fluctuations of total costs allocated as well as the changing underlying statistical allocation factors that drive the percentage of costs allocated. The calculation of the factors do not change, only the underlying volume per company can increase/decrease, thus driving the percentage change for each entity.

See files “Attachment to AG 1-47 - 2020 Allocation Factors - 2019 YE Data_Final”, “Attachment to AG 1-47 - 2019 Allocation Factors - 2018 YE Data_Final.xlsx”, and “Attachment to AG 1-47 - 2018 Allocation Factors - 2017 YE Data_Final for CAM.xlsx” for the allocation methods/factors used to allocate expenses from PNG and Essential to Delta and PKY.

E:

See files “Attachment to AG 1-47 - 2020 Allocation Factors - 2019 YE Data_Final”, “Attachment to AG 1-47 - 2019 Allocation Factors - 2018 YE Data_Final.xlsx”, and “Attachment to AG 1-47

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- 2018 Allocation Factors - 2017 YE Data_Final for CAM.xlsx” for the allocation methods/factors used to allocate expenses from PNG and Essential to Delta and PKY.

See answers and files referenced in A-D for costs pools, specific allocations to companies, descriptions of services and reasonableness of allocation factors and methods.

Sponsoring Witness: William Packer

September 21, 2021 Supplemental Response:

See the Supplemental Response to AG 2-35 for the requested information. The update is provided to AG 2-35 to ensure version consistency since the attachments were updated in that response but the actuals for April through August 2021 were not provided at that time.

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52. **Expenses Allocated to Each Affiliate by PNG and Essential (UPDATE) – See Attachment.** Delta’s response to Staff’s First Set of Data Requests, question 10 (Staff DR 1-10), refers to Service Agreements for allocating costs from PNG and Essential to Delta (and PKY). Also, Tab 51 provides some basic information regarding amounts allocated from PNG/Essential to Delta and PKY for the periods 2018 through the Forecasted test period. This OAG data request seeks more detailed information than is provided in Tab 51. Provide the following information for the calendar years 2017 to 2020, plus the Base Period August 31, 2021 (and provide periodic monthly updates throughout 2021) and the Forecasted test period December 2022:
- a. Provide information in a same or similar working Excel spreadsheet format as the two Attachments “OAG Attachment 5.1 - Expenses Allocated to Each Affiliate by PNG” and “OAG Attachment 5.2 - Expenses Allocated to Each Affiliate by Essential” showing expenses allocated (and percent allocated) from PNG and Essential to Delta, PKY, and all other affiliates by service (Executive, Human Resources, etc.) for each of the related periods. The OAG Attachments requests information in a format to show total PNG and Essential expenses, the amount of PNG and Essential expenses not allocated to affiliates, the total amount of PNG and Essential expenses allocated to affiliates, and the individual columns showing allocation to each affiliate by PNG and Essential.
 - b. If not previously addressed, provide an explanation and documentation supporting the reason for the change from year-to-year in the PNG and Essential expenses allocated to each affiliate by service, and address each of the following reasons for the change (along with other relevant reasons):
 - i) Change in the allocation method/factor.
 - ii) Change in the costs included in various cost pools or services.
 - iii) Change in the number of services or types of services subject to allocation.
 - iv) Change in the amount of PNG or Essential expenses subject to allocation to Delta and other affiliates.
 - v) Affiliate payroll expenses (and employees) shifted to PNG or Essential payroll costs and are now being allocated to affiliates under a Service Agreement/CAM (and are no longer being treated as affiliate payroll costs). For example, this might relate to services previously provided at the affiliate level, but now being provided on a more centralized basis by PNG or Essential.
 - vi) Reorganization and/or acquisition by another entity.

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vii) Other reasons (explain).

- c. For each of the related periods, if there are any affiliates that are not being allocated a portion of service costs of PNG and Essential, then explain why and provide supporting documentation.

Response:

Essential Allocations:

All allocations from Essential are posted to account 9923000 Adm & Gen-Outsd Svcs and are expensed (not capitalized), but are subject to indirect capitalization through General & Administrative (G&A) Surcharge. This surcharge is designed to capitalize a portion of Corporate or Administrative support costs, both labor and non-labor. The surcharge is applied to all capital expenses charged directly to a project.

See files "Attachment to AG 1-46 - 1300 Essential Allocations.xlsx" (PGKY) and "Attachment to AG 1-46 - 1600 Essential Allocations.xlsx" (Delta) for Essential Allocations that began in April 2020.

Less than 1% of all Essential allocations to PNG remain on PNG; greater than 99% of the Essential allocations are allocated to the Peoples utility companies.

PNG Allocations:

Allocations from PNG are posted to the following expense accounts:

- 9903000 Customer Accounts - Customer Records & Collections
- 9920000 Admin & General – Salaries
- 9921000 Admin & Gen-Off Supplies
- 9923000 Admin & General - Outside Services Employed
- 9926000 Admin & General - Employee Benefits
- 9930200 Admin & Gen-Misc Exp
- 9408100 Taxes Other than Income Taxes - Utility Operating

Capital items post to the account 9101000 Plant in Service once placed in service.

See file "Attachment to AG 1-46 - 2017 Service Company Allocations.xlsx" for 2017 allocations to 1300 PGKY.

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See files “Attachment to AG 1-46 - 1300 PNG Allocations.xlsx” and “Attachment to AG 1-46 - 1600 PNG Allocations.xlsx” for PNG Allocations that began in 2018 for PGKY (1300) and began in 2019 for Delta (1600).

See file “Attachment to AG 1-47 - Essential Allocations by Service by Company by Year.xlsx” showing the percentage of costs allocated from Essential annually. (*2021 uses June 2021 actuals for April - December 2021)

See file “Attachment to AG 1-52 - PNG Allocations by Service by Company by Year.xlsx” showing the costs allocated across all companies and percentages allocated. Except where previously noted in previous responses, where Delta began receiving significantly more services in 2020, any slight increase or decrease between years can be attributed to either fluctuating total costs being allocated or changes to the allocation factors on an annual basis.

A description of the services and allocation basis for the services is described in the file “Attachment to AG 1-47 - PNG Companies LLC Cost Allocation Manual.docx”

See files “Attachment to AG 1-47 - 2020 Allocation Factors - 2019 YE Data_Final”, “Attachment to AG 1-47 - 2019 Allocation Factors - 2018 YE Data_Final.xlsx”, and “Attachment to AG 1-47 - 2018 Allocation Factors - 2017 YE Data_Final for CAM.xlsx” for the allocation methods/factors used to allocate expenses from PNG and Essential to Delta and PKY.

See file “Attachment to AG-1-52 - PNG Expense vs Allocations.xlsx” for comparison of PNG Total Utility Costs and Expenses vs. amounts allocated by year. The file includes the amounts allocated to each company and their overall percentage of the total for each year.

PNG Amounts Allocated	2017	2018	2019	2020	2021 (01-03)
Total Utility Costs and Expenses	\$19,551,844.24	\$57,083,450.72	\$57,480,450.78	\$56,330,325.66	\$12,585,498.68
Total Amounts Allocated	\$19,551,844.24	\$53,763,681.53	\$55,658,235.34	\$51,610,388.97	\$11,758,270.07
Expense Remaining on PNG	\$0.00	\$3,319,769.19	\$1,822,215.44	\$4,719,936.69	\$827,228.61
Percentage of Expenses Remaining on PNG	0.00%	5.82%	3.17%	8.38%	6.57%

See files “Attachment to AG 1-52 - SERVICE COMPANY - ALLOCATIONS APR 2020 - DEC 2020.xlsx” for Essential Service Company costs, all of which are allocated or direct charged.

Regarding Essential Service Company costs for the fully forecasted test year (2022) see file: “Attachment to AG 1-52 - 2021 5 Year Plan Management Fees.xlsx”. Essential expects the distribution of services cost by category to be in the same relation as to the data being provided as current actuals.

Sponsoring Witness: William Packer

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September 21, 2021 Supplemental Response:

See the Supplemental Response to AG 2-35 for the requested information. The update is provided to AG 2-35 to ensure version consistency since the attachments were updated in that response but the actuals for April through August 2021 were not provided at that time.

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80. **Additional Data per Confidential Staff DR 1-39 (UPDATE).** Witness Packer's direct testimony (page 11, lines 9 – 20) states that Delta is aware of the Commission's policy that incentive costs based on financial metrics are not allowed for recovery in a rate case, but Delta has included all incentive costs in this rate case. Also, Delta's response to Staff's First Series of Data Requests, Confidential question 39 (Confidential Staff DR 1-39), shows base salary, overtime, incentives, and other payroll costs by Officer/employee categories for the calendar years December 31, 2018 through December 31, 2020, and the Base Period August 31, 2021. Address the following:
- a. Provide updated compensation information in the same format as Staff DR 1-39 for the Base Period August 31, 2021 on a periodic monthly basis, substituting actual information for the budgeted information in the Base Period of the original filing for these payroll costs.
 - b. Provide the same compensation and payroll information (in the same format) included in Delta's response to Confidential Staff DR 1-39, for the additional calendar years of December 31, 2016 and December 31, 2017.
 - c. Explain if the compensation and payroll costs in response to Staff DR 1-39 for the Base Period August 31, 2021 reflects the same amount of compensation and payroll costs included in the Forecasted Test Period December 31, 2022, except for the payroll adjustment proposed by Delta (per Tab 57, Schedule D-2.6). Otherwise, explain all differences between the Base Period August 31, 2021 compensation and payroll costs in response to Staff DR 1-39 and the Forecasted Test Period compensation and payroll costs included in the revenue requirement of this rate case.

Response:

- a. See attached. The attachment is being provided pursuant to a petition for confidential protection.
- b. See attached. The attachment is being provided pursuant to a petition for confidential protection.
- c. Yes, the compensation and payroll costs in response Staff DR 1-39 for the Base Period reflect the same amount, in all material respects, of compensation and payroll costs included in the

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Forecasted Test Period, except for the payroll adjustment proposed. The total payroll amount in Staff DR 1-39 is \$10,217,305, while the total in the Base Period is \$10,219,163.

Sponsoring Witness: William Packer

September 21, 2021 Supplemental Response:

See attached. This response is confidential and is being filed pursuant to the Petition for Confidential Protection filed with Delta's original response on July 28, 2021.

**ATTACHMENT TO DELTA_R_AGDR1_SUPP_NUM080_092121
FILED UNDER SEAL PURSUANT TO THE PETITION FOR
CONFIDENTIAL TREATMENT FILED ON
JULY 28, 2021**

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84. **Increased Medical and Dental Costs (UPDATE).** Delta's Pension expense adjustment at Tab 57, Schedule D-2.5, shows an adjustment to increase Medical costs by \$523,276, and increase Dental costs by \$81,948, for the Forecasted Test Period (based on annualizing 3 months of data ending March 31, 2021). Address the following:
- a. Provide an update of amounts on a periodic basis (for the most recent actual data) of the Medical and Dental expense adjustment calculation, from using 3 months of expenses ending March 31, 2021, to using the most recent months of actual data for the Base Period.
 - b. Explain why Medical and Dental insurance benefit costs have increased significantly from the Base Period amounts to the Forecasted Test Year amounts, explain if this is due to improved benefits coverage provided to employees (and describe these improved benefits and related costs), increase in costs by Delta's insurance carrier (and provide documentation from the carrier to confirm this cost increase), or explain all other reasons for increase in costs along with supporting documentation.
 - c. Explain why Delta's adjustment has increased Medical and Dental costs by an additional expected increase of 5%, and provide all supporting documentation for this additional increase.
 - d. Provide Delta's Medical and Dental expense by account number, for each of the calendar years 2018 to 2020, and the Base Period (by month), and explain the reasons for changes in these expenses from year-to-year.

Response:

- a. See below for an update of medical and dental costs through June 30, 2021:

	Base Period (Budget)				Base Period (Actual)				Variance
	APR 2021	MAY 2021	JUN 2021		APR 2021	MAY 2021	JUN 2021		
5301010 Employee Benefits - Medical	126,005	120,741	126,005	372,751	180,462	221,383	179,344	581,189	208,438
5301020 Employee Benefits - Dental / Vision	4,200	4,031	4,200	12,431	9,024	9,063	8,897	26,984	14,553
5301192 Employee Benefits - Medical Dental Vision 2200	6,023	5,995	5,974	17,992	3,241	5,119	4,824	13,185	(4,807)
	10,223	10,026	10,174	30,423	12,266	14,182	13,721	40,169	9,746

- b. Delta disagrees that its insurance benefit costs have increased significantly, especially when evaluated over a longer time period. For example, Delta's medical insurance costs are anticipated to only increase by 13% from 2018 to 2022. This a reasonable increase in this expense, especially given that Delta has been able to provide improved benefits during this period.

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Dental insurance benefit costs have increased due to improved benefits coverage provided to employees, as well as the manner in which the benefits are administered. Below is an overview of the plan design differences between Delta’s 2020 plan with Delta Dental of Kentucky and the current 2021 plans with Delta Dental of Pennsylvania. The annual benefit maximum increased and limited orthodontia is covered under the new plans. In addition, Delta moved from an administrative services only (“ASO”) arrangement with Delta Dental KY to a fully-insured arrangement with Delta Dental of PA.

	Aqua: Delta Dental PA		Delta
	Base Plan	Buy-Up Plan	Delta Dental KY
INDIVIDUAL/FAMILY DEDUCTIBLE	None	None	\$0/\$0
ANNUAL BENEFIT MAXIMUM	\$2,000	\$2,000	\$500
PREVENTIVE (Type A Expenses)	100%	100%	80%
BASIC RESTORATIVE (Type B Expenses)	85%	90%	80%
MAJOR RESTORATIVE (Type C Expenses)	70%	70%	50%
ORTHODONTIA	Yes, 50% coinsurance (age 26 and under)	Yes, 50% coinsurance (adults & children)	Not Covered
ORTHODONTIA LIFETIME MAX.	\$1,500	\$1,500	Not Covered

Medical/Rx insurance benefit costs have increased due to improved benefits coverage provided to employees and increased carrier administrative costs. Medical administrative cost (ASO fees) increased with the switch from Humana to IBX (from \$43.23 per employee per month to \$57.75 per employee per month). However, employees have more plan options to choose from under IBX (3 plans vs 1 with Humana). Also, IBX administers an enhanced disease management program for Essential Utilities to help employees achieve their best state of health. Below is a side-by-side comparison of the 2020 Delta Humana plan and 2021 IBX plans. By being part of the larger Essential insurance offerings, the amounts paid by Delta are more consistent on a month-to-month basis. This also reduces the financial risk to Delta in a year with high medical claims. For a company with a relatively small participant pool, this is an important benefit.

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	Aqua: IBC		Delta: Humana
	PPO 1 (non-union)	PPO 2 (non-union)	PPO \$500
AVG. ACTUARIAL VALUE	84.4%	90.6%	86.2%
IND/FAM DEDUCTIBLE	\$1,500/\$3,000	\$500/\$1,500	\$500/\$1,000
INDIVIDUAL/FAMILY OOPM	\$3,000/\$9,000	\$1,000/\$3,000	\$2,500/\$5,000
COINSURANCE	20% after deductible	0% after deductible	20% after deductible
PCP VISIT	\$35 copay	\$20 copay	20% after deductible
SPECIALIST VISIT	\$50 copay	0% after deductible	20% after deductible
INPATIENT HOSPITAL STAY	\$200 copay/day, max of \$1,000/ admission	0% after deductible	20% after deductible
EMERGENCY ROOM	20% after deductible	0% after deductible	20% after deductible
PRESCRIPTION DRUGS (Generic/Brand Form/Brand Non Form/Specialty)	Retail: \$10/\$25/80% (\$50 min, \$100 max) Mail: \$20/\$50/80% (\$100 min, \$200 max)	Retail: \$5/\$25/\$50 Mail: \$10/\$50/\$100	Retail: \$10/\$20 Mail: \$10/\$30

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	Aqua
	HDHP \$1,500 (non-union)
AVG. ACTUARIAL VALUE	76.5%
HSA Seed	\$350 / \$700
IND/FAM DEDUCTIBLE	\$1,500/\$4,500
INDIVIDUAL/FAMILY OOPM	\$3,000/\$9,000
PCP / SPECIALIST VISIT	
INPATIENT HOSPITAL STAY	
EMERGENCY ROOM	20% after deductible
PRESCRIPTION DRUGS (Generic/Brand Form)	

- c. Delta had 141 enrolled employees in 2020 with no union population. Employees migrating to Essential’s medical benefits were able to choose between the PPO 1, PPO 2 and CDHP (“consumer directed health plan”) plans. Under Essential’s benefits, employees have the choice to elect similar coverage to the prior Delta PPO under Essential’s PPO 2 plan. Alternatively, the CDHP plan is available for employees seeking a lower cost option. Delta had a 3-tier contribution structure in 2020, and moved to a 5-tier structure in 2021 with salary bands allowing lower paid employees to pay less for greater benefits. The 2021 projected budget assumed 50% migration to PPO 1, 45% migration to PPO 2, and 5% migration to CDHP. Increased 2021 rates for medical and dental and the switch to align with Essential’s contribution structure led to the expected increase of 5% as Delta is now paying more in employer contributions under Essential Utilities, as employee contributions for Delta remained relatively in-line with 2020 contributions.

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d.

		2018	2019	2020	Base Period
5301010	Employee Benefits - Medical	1,863,568	1,340,849	1,382,925	1,574,112
5301020	Employee Benefits - Dental / Vision	5,584	48,035	40,534	63,806
5301192	Employee Benefits - Medical Dental Vision 2200	17,652	25,821	55,758	65,415
		23,236	73,856	96,292	129,220

		SEP 2020	OCT 2020	NOV 2020	DEC 2020	JAN 2021	FEB 2021	MAR 2021	Actual 7 Mo Total	APR 2021	MAY 2021	JUN 2021	JUL 2021	AUG 2021	Budget 8 Mo Total	7 + 1
5301010	5301010 Employee Benefits - Medical	134,161	188,773	88,288	194,781	171,872	288,418	118,888	848,351	121,883	128,741	128,385	1,283,851	128,385	834,781	1,574,112
5301020	5301020 Employee Benefits - Dental / Vision	2,818	5,435	2,822	1,228	12,848	8,488	8,278	42,875	4,288	4,321	4,288	42,881	4,288	218,811	63,806
5301192	5301192 Employee Benefits - Medical Dental Vision 2200	4,511	4,551	3,883	3,442	7,935	7,828	4,948	35,487	8,823	5,885	5,874	53,881	5,888	218,815	65,415
129,220																

Medical/Rx/dental/vision insurance benefit costs have increased due to improved benefits coverage provided to employees and increased carrier administrative/premium costs. As noted above, however, the base period medical costs are 16% lower than in 2018.

Sponsoring Witness: William C. Packer / John B. Brown

September 21, 2021 Supplemental Response:

See below for updated information through August 31, 2021:

		APR 2021	MAY 2021	JUN 2021	JUL 2021	AUG 2021
5301010	Employee Benefits - Medical	\$180,462	\$221,383	\$179,344	\$168,760	\$178,507
5301020	Employee Benefits - Dental / Vision	\$9,024	\$9,063	\$8,897	\$7,446	\$9,107
5301192	Employee Benefits - Medical Dental Vision 2200	\$3,241	\$5,119	\$4,824	\$4,332	\$5,799

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86. **Property Tax Expense (UPDATE).** Delta's Tab 57, Schedule D-2.7 shows an adjustment to increase property tax expense by \$335,311 based on a factor of 1.095 that is an estimate of the increase in taxable property from December 31, 2019 to December 31, 2021. Also, Delta's Excel workpaper, "DELTA_R_PSCDR1_NUM054_061121_Rate_Model_CONF" per Schedules 5.1 and 5.2 show some supporting calculations. Address the following:
- a. Provide Delta's property tax expense (by account number) for each of the calendar years 2018 to 2020, plus the Base Period (by month) and the Forecasted Test Period, and explain the reasons for the changes in property tax expense for each year.
 - b. For each of the financial years/period in (a) above, explain the time period of the assessable plant per the property tax bill (for example, explain if the assessed plant for property tax purposes is always one year in arrears behind the related financial period).
 - c. Provide the date that the latest property tax statements will become available to Delta in 2021, and provide a copy of the property tax statement when it becomes available and explain the amount of property tax expense that will be recorded on Delta's books by account number.
 - d. Regarding (a) and (b) above, provide the net assessable plant (by account or categories) supporting the property tax expense of each year, and provide the corresponding net plant accounts recorded on the books related to the same assessable year and explain the reasons for the differences between assessable plant and actual plant per books for each year (for example, explain plant on the books that is not assessable or has a different value for assessment purposes). In all cases, provide the ratio (percent factor) of assessable plant to per book plant for the same year.
 - e. Explain and provide support for Delta's property tax expense adjustment showing December 31, 2019 Net Plant of \$144,629,535 multiplied by the property tax rate of 1.996426%. Explain and provide the supporting documentation and calculations for the 2019 property tax rate of 1.996426%, and explain how this reconciles to property tax values and the calculated tax per Delta Schedule 5.1, and explain if the 1.996426% factor reconciles to any factors provided at the property tax assessment statement.
 - f. Explain why 2019 plant and property tax factors were used in this property tax expense adjustment calculation, and explain why 2020 related plant and property tax factors were not used, and provide these calculations for the 2020 period.

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- g. Explain why Delta's Tab 57, Schedule D-2.7 property tax adjustment shows a factor increase of 1.095 from December 31, 2019 to December 31, 2021 plant balances, and explain why Delta cannot substitute actual December 31, 2020 plant balances for the December 31, 2019 plant amounts. Please substitute the 2020 actual data for the 2019 data, or explain why this calculation cannot be performed.

Response:

- a. See Attachment 1 – Property Tax Expense. Delta's property tax expense increased every year due to annual additions to plant. Fluctuations in annual property tax expense is due to the timing of when the tax bills are received and paid. This can also result in property taxes being paid for more than one tax year in any given calendar year.
- b. Assessed plant for property tax purposes is at least one year in arrears, behind the related financial period. As shown on the attachment to part a, the property tax expense may be more than one year in arrears since the timing of the assessments is controlled by the state and local tax jurisdictions.
- c. Property tax statements can become available anytime during calendar year 2021, but some may not be available until 2022 since the timing is dependent on the taxing jurisdiction that prepares and mails the tax documents. Delta expects to record an estimated \$138,420 in total to account number 5702100 for the months of August through December 2021.
- d. See Attachment 2 – Property Reported vs Assessment. As shown on the attachment, the final assessment from the state is based on their own calculations and does not provide Delta with detail by each plant account. The attachment also includes the Notice of Assessment from the state.
- e. Please see Attachment 3 provided in Excel format. Delta consistently monitors its property tax expense as a percentage of net plant with the aid of this spreadsheet. For 2020 property tax expense as a percentage of the 12/31/19 tax base period, 2020 actual / estimated taxes were divided by the 12/31/19 gross plant of \$255,809,905 net of \$111,180,370 accumulated depreciation – a net of \$144,629,535 – resulting in the 1.996426% average tax rate. This calculation is designed to help monitor property tax expense, and to facilitate property tax accounting and budgeting as well as ratemaking. It is not used to tie into any factors provided at the property tax assessment statement.
- f. At the time of the property tax adjustment preparation the 2019 plant and 2020 actual / estimated taxes were most readily available. Please see the attachment to part e provided in Excel format for the requested information.

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- g. Projected 2022 test year property taxes are expected to be based on 12/31/21 plant. The most readily available 2020 actual / estimated property tax expense was based on 12/31/19 plant. Thus, the 2020 actual / estimated property tax expense was increased by the 1.095 factor representing the projected gross plant at 12/31/21 over actual gross plant at 12/31/19. Please see the attachment to part e provided in Excel format for the requested information.

Sponsoring Witness: Andrea Schroeder

September 21, 2021 Supplemental Response:

- a. Please see the attachment provided in Excel format that includes the actual monthly property tax expense for the Base Period months of April to August 2021. The data on row 11 of the attachment was also updated to reflect actuals through August 2021.