Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 47 - 807 KAR 5:001 Section 16(7)(q)
Sponsoring Witness: Andrea Schroeder

Description of Filing Requirement:

The independent auditor's annual opinion report, with any written communication from the auditor to the utility that indicates the existence of a material weakness in internal controls.

Response:

See attached.

Delta last received an independent auditor’s annual opinion report in 2017, prior to being acquired. The most recent independent auditor’s annual opinion for Essential, Delta’s parent company, is included in the Forms 10-K provided as part of the response to Filing Requirement 807 KAR 5:001 Section 16(7)(p)[Tab No. 46]. There were no findings of material weakness in internal controls.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark one)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2017

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to ________
Commission File No. 0-8788

DELTA NATURAL GAS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Kentucky	61-0458329
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3617 Lexington Road, Winchester, Kentucky	40391
(Address of principal executive offices)	(Zip code)

859-744-6171
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock $1 Par Value	NASDAQ

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recent completed second fiscal quarter. $208,936,596.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of August 31, 2017, Delta Natural Gas Company, Inc. had outstanding 7,135,373 shares of common stock $1 par value.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive proxy statement, to be filed with the Commission not later than 120 days after June 30, 2017, is incorporated by reference in Part III of this Report.

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PART I

Item 1. Business

References to "Delta", "the Company", "we", "us" and "our" refer to Delta Natural Gas Company, Inc. and its consolidated subsidiaries, except as otherwise stated. We were incorporated under the laws of the Commonwealth of Kentucky on October 7, 1949. Unless otherwise stated, "2017", "2016" and "2015" refers to the respective twelve month periods ending June 30. Delta's NASDAQ symbol is DGAS.

General

Delta distributes or transports natural gas to approximately 36,000 customers. Our distribution and transmission systems are located in central and southeastern Kentucky, and we own and operate an underground natural gas storage field in southeastern Kentucky. We transport natural gas to industrial customers who purchase their natural gas in the open market. We also transport natural gas on behalf of local producers and customers not on our distribution system and extract liquids from natural gas in our storage field and on our pipeline systems that are sold at market prices. We have three wholly-owned subsidiaries. Delta Resources, Inc. ("Delta Resources") buys natural gas and resells it to industrial or large-volume customers on Delta's system. Delgasco, Inc. ("Delgasco") buys natural gas and resells it to Delta Resources and to customers not on Delta's system. Enpro, Inc. ("Enpro") owns and operates natural gas production properties and undeveloped acreage.

We seek to provide dependable, high-quality service to our customers while steadily enhancing value for our shareholders. Our efforts have been focused on developing a balance of regulated and non-regulated businesses to contribute to our earnings by profitably selling, transporting, producing and processing natural gas in our service territory.

We strive to achieve operational excellence through economical, reliable service with an emphasis on responsiveness to customers. We continue to invest in facilities for the distribution, transportation and storage of natural gas. We believe that our responsiveness to customers and the dependability of the service we provide afford us additional opportunities for growth. While we seek those opportunities, we will continue a conservative strategy of managing market risk arising from fluctuations in the prices of natural gas and natural gas liquids.

We operate through two segments, a regulated segment and a non-regulated segment.

Our executive offices are located at 3617 Lexington Road, Winchester, Kentucky 40391. Our telephone number is (859) 744-6171. Our website is www.deltagas.com.

On February 20, 2017, we entered into an Agreement and Plan of Merger ("Merger Agreement") with PNG Companies, LLC ("PNG"), hereinafter referred to as the "Merger". For further information, see Note 18 of the Notes to Consolidated Financial Statements.

Regulated Operations

Distribution and Transportation

Through our regulated segment, we distribute natural gas to our retail customers in 23 predominantly rural counties. In addition, our regulated segment transports natural gas to large-volume customers on our system who purchase their natural gas in the open market. Our regulated segment also transports natural gas on behalf of local producers and other customers not on our distribution system.

The economy of our service area is based principally on coal mining, farming and light industry. The communities we serve typically contain populations of less than 20,000. Our three largest service areas are Nicholasville, Corbin and Berea, Kentucky. In Nicholasville we serve approximately 8,000 customers, in Corbin we serve approximately 6,000 customers and in Berea we serve approximately 4,000 customers. Some of the communities we serve continue to expand, resulting in growth opportunities for us. Industrial parks have been developed in our service areas, which could result in additional growth in industrial customers.

The Kentucky Public Service Commission exercises regulatory authority over our retail natural gas distribution and transportation services. Their regulation of our business includes approving the rates we are permitted to charge our regulated customers. The impact of this regulation is further discussed in Note 14 of the Notes to Consolidated Financial Statements in Item 8 and under "Regulatory Matters" in Item 1.

Factors that affect our regulated revenues include the rates we charge our customers, economic conditions in our service areas, competition, the cost of natural gas and weather. Our current rate design lessens the impact weather has on our regulated revenues as our rates include both fixed customer charges and volumetric rates which include a weather normalization tariff that adjusts rates due to variations in weather. Market risk arising from fluctuations in the price of natural gas is mitigated through the natural gas cost recovery rate mechanism which permits us to pass through to our regulated customers changes in the price we must pay for our natural gas supply. However, increases in our rates may cause our customers to conserve or to use alternative energy sources.

Our regulated sales are seasonal and temperature sensitive since the majority of the natural gas we sell is used for heating. During 2017, 74% of the regulated volumes were sold during the heating season (December through April). Variations in the average temperature during the winter impact our volumes sold. Our weather normalization tariff permits us to adjust the rates we charge our customers in response to winter weather that is warmer or colder than normal temperatures.

We compete with alternate sources of energy for our regulated distribution customers. These alternate sources include electricity, geo-thermal, coal, oil, propane, wood and solar.

Our large-volume regulated customers can obtain their natural gas supply by purchasing directly from interstate suppliers, local producers or marketers. Customers for whom we transport natural gas could by-pass our transportation system to directly connect to interstate pipelines or other transportation providers. Customers may undertake such a by-pass in order to seek lower prices for their natural gas transportation services. Our large-volume customers who are in close proximity to alternative supplies are likely to consider taking this action. Additionally, some of our industrial customers are able to switch to alternative sources of energy. These are competitive concerns that we continue to address by utilizing our non-regulated segment to offer these customers natural gas supply at competitive market-based rates.

Some natural gas producers in our service area can access pipeline systems other than ours, which generates competition for our transportation services. We continue our efforts to purchase or transport natural gas that is produced in reasonable proximity to our transportation facilities through our regulated segment.

As an active participant in many areas of the natural gas industry, we plan to continue efforts to expand our natural gas transmission and distribution system and customer base. We continue to consider acquisitions of other natural gas systems, some of which are contiguous to our existing service areas, as well as expansion within our existing service areas.

Natural Gas Supply

We maintain an active natural gas supply management program that emphasizes long-term reliability and the pursuit of cost-effective sources of natural gas for our customers. We purchase our natural gas from a combination of interstate and Kentucky sources. Our distribution and transportation system interconnects with interstate pipelines owned by Columbia Gas Transmission Corporation ("Columbia Gas"), Columbia Gulf Transmission Corporation ("Columbia Gulf"), Tennessee Gas Pipeline ("Tennessee") and Texas Eastern Transmission Corporation ("Texas Eastern"). In our fiscal year ended June 30, 2017, we purchased approximately 99% of our natural gas from interstate sources.

Interstate Natural Gas Supply

Our regulated segment acquires its interstate natural gas supply from natural gas marketers. We currently have commodity requirements agreements with CenterPoint Energy Services, Inc. ("CenterPoint") (formerly Atmos Energy Marketing) for our Columbia Gas, Columbia Gulf, Tennessee and Texas Eastern supplied areas. Under these commodity requirements agreements, CenterPoint is obligated to supply the volumes consumed by our regulated customers in defined sections of our service areas. We are not obligated to purchase any minimum quantities from CenterPoint or to purchase natural gas from them for any period longer than one month at a time. The natural gas we purchase under these agreements is priced at index-based prices, NYMEX or at mutually agreed-to fixed prices based on forward market prices. The index-based market prices are determined based on the prices published on the first of each month in Platts' Inside FERC's Gas Market Report, plus or minus an agreed-to fixed price adjustment per million British Thermal Units of natural gas purchased. Consequently, the price we pay for interstate natural gas is based on current market prices.

Our agreements with CenterPoint for the Columbia Gas, Columbia Gulf, Tennessee and Texas Eastern supplied service areas continue year-to-year unless canceled by either party by written notice at least sixty days prior to the annual anniversary date (April 30) of the agreement. In our fiscal year ended June 30, 2017, approximately 57% of our regulated natural gas supply was purchased under our agreements with CenterPoint.

Our regulated segment purchases natural gas from Midwest Energy Services, LLC ("Midwest") for injection into our underground natural gas storage field and to supply a portion of our system. We are not obligated to purchase any minimum quantities from Midwest, nor are we required to purchase natural gas for any periods longer than one month at a time. The natural gas is priced at index-based market prices or at mutually agreed-to fixed prices based on forward market prices. Our agreement with Midwest may be terminated upon 30 days prior written notice by either party. In our fiscal year ended June 30, 2017, approximately 42% of our regulated natural gas supply was purchased under our agreement with Midwest.

We also purchase interstate natural gas from other natural gas marketers as needed at current market prices, determined by industry publications.

Transportation of Interstate Natural Gas Supply

Our interstate natural gas supply is transported to us from market hubs, production fields and storage fields by Tennessee, Columbia Gas, Columbia Gulf and Texas Eastern.

Our agreements with Tennessee currently extend through October, 2019 and thereafter automatically renew for subsequent five-year terms unless Delta notifies Tennessee of its intent not to renew the agreements at least one year prior to the expiration of any renewal terms. At this time, we expect to renew our agreements with Tennessee. Subject to the terms of Tennessee's Federal Energy Regulatory Commission natural gas tariff, Tennessee is obligated under these agreements to transport up to 19,600 thousand cubic feet ("Mcf") per day for us. During fiscal 2017, Tennessee transported for us a total of 1,827,000 Mcf, or approximately 50% of our regulated supply requirements, under these agreements. We have natural gas storage agreements with Tennessee under the terms of which we reserve a defined storage space in Tennessee's storage fields, which we have assigned to CenterPoint, and we reserve the right to withdraw daily natural gas volumes up to certain specified fixed quantities. These natural gas storage agreements renew on the same schedule as our transportation agreements with Tennessee.

Under our agreements with Columbia Gas and Columbia Gulf, Columbia Gas is obligated to transport, including utilization of our defined storage space as required, up to 12,600 Mcf per day for us, and Columbia Gulf is obligated to transport up to a total of 4,300 Mcf per day for us. During fiscal 2017, Columbia Gas and Columbia Gulf transported for us a total of 266,000 Mcf, or approximately 7% of our regulated natural gas supply, under all of our agreements with them. Our transportation agreements with Columbia Gas continue on a year-to-year basis unless terminated by one of the parties. Our transportation agreements with Columbia Gulf extend through October, 2020 and may be extended by mutual agreement.

Columbia Gulf also transported additional volumes under agreements it has with Midwest to a point of interconnection between Columbia Gulf and us where we purchase the natural gas to inject into our storage field. The amounts transported and sold to us under the agreements Columbia Gulf has with Midwest for fiscal 2017 constituted 1,552,000 Mcf, or approximately 42% of our regulated natural gas supply. We are not a party to any of these separate transportation agreements on Columbia Gulf.

We have no direct agreement with Texas Eastern. However, CenterPoint has an arrangement with Texas Eastern to transport the natural gas to us that we purchase from CenterPoint to supply our customers' requirements in specific geographic areas. In our fiscal year ended June 30, 2017, Texas Eastern transported approximately 11,000 Mcf of natural gas to our system, which constituted less than 1% of our natural gas supply.

Kentucky Natural Gas Supply

We have an agreement with Vinland Energy Operations, LLC ("Vinland") to purchase natural gas on a year-to-year basis unless terminated by one of the parties. We purchased 31,000 Mcf from Vinland during fiscal 2017. The price for the natural gas we purchase from Vinland is based on the index price of spot natural gas delivered to Columbia Gas in the relevant region as reported in Platts' Inside FERC's Gas Market Report. Vinland delivers this natural gas to our customer meters directly from its own pipelines. In fiscal 2017, the natural gas we purchased from Vinland constituted approximately 1% of our regulated natural gas supply.

Natural Gas in Storage

We own and operate an underground natural gas storage field that we use to store a significant portion of our natural gas supply needs. This storage capability permits us to purchase and store natural gas during the non-heating months and then withdraw and sell the natural gas during the peak usage months. We have a legal obligation to retire wells located at this underground natural gas storage facility. However, since we expect to utilize the storage facility as long as we provide natural gas to our customers, we have determined the wells have an indeterminate life and have therefore not recorded a liability associated with the cost to retire the wells.

Regulatory Matters

The Kentucky Public Service Commission exercises regulatory authority over our retail natural gas distribution and transportation services, which includes approval of our regulated rates and tariffs. We monitor our need to file requests with them for a general rate increase for our natural gas distribution and transportation services. The Kentucky Public Service Commission has historically utilized cost-of-service ratemaking where our base rates are established to recover normal operating expenses, exclusive of natural gas costs, and a reasonable rate of return on our rate base. Rate base consists primarily of our regulated segment's property, plant and equipment, natural gas in storage and unamortized debt expense offset by accumulated depreciation and certain deferred income taxes. Our regulated rates were most recently adjusted in our 2010 rate case. We do not have any matters pending before the Kentucky Public Service Commission which would have a material impact on our results of operations, financial position or cash flows.

Our pipe replacement program tariff allows us to adjust our regulated rates annually to earn a return on capital expenditures incurred subsequent to our last rate case which are associated with the replacement of pipe and related facilities. The pipe replacement program tariff is designed to additionally recover the costs associated with the mandatory retirement or relocation of facilities.

Our natural gas cost recovery tariff permits us to adjust the rates charged to our customers to reflect changes in our natural gas supply costs and any bad debt expense related to natural gas cost. Although we are not required to file a general rate case to adjust rates pursuant to the natural gas cost recovery tariff, we are required to make quarterly filings with the Kentucky Public Service Commission. Under and over-recovered natural gas costs are collected or refunded through adjustments to customer bills beginning three months after the end of the quarter in which the actual natural gas costs were incurred.

Our weather normalization provision tariff provides for the adjustment of our rates to residential and small non-residential customers to reflect variations from thirty-year average weather for our December through April billing cycles. These adjustments to customer bills are made on a real time basis such that there is no lag in collecting from or refunding to customers the related dollar amounts.

Additionally, we have a conservation and efficiency program tariff for our residential customers, which allows us to adjust our rates for activities performed through the program. Through this program, we perform energy audits, promote conservation awareness and provide rebates on the purchase of certain high efficiency appliances. The program helps to align our interests with our residential customers' interests by reimbursing us for the gross margins on lost sales due to operating the program and providing incentives for us to promote customer conservation. Our rates are adjusted annually to recover the costs incurred under these programs, the reimbursement of margins on lost sales and the incentives provided to us.

In addition to regulation by the Kentucky Public Service Commission, we may obtain non-exclusive franchises from the cities in which we operate authorizing us to place our facilities in the streets and public grounds. No utility may obtain a franchise until it has obtained approval from the Kentucky Public Service Commission to bid on such franchise. We hold franchises in seven of the cities we serve, and we continue to operate under the conditions of expired franchises in fifteen other cities we serve. In the other cities and areas we serve, there are no governmental organizations authorized to grant franchises or the city governments do not require a franchise. We attempt to acquire or reacquire franchises whenever feasible. Without a franchise, a city could require us to cease our occupation of the streets and public grounds or prohibit us from extending our facilities into any new area of that city. To date, the absence of a franchise has not adversely affected our operations.

On March 17, 2017, we and PNG filed a joint application with the Kentucky Public Service Commission seeking regulatory approval of the Merger, as further discussed in Note 18 of the Notes to Consolidated Financial Statements. Under Kentucky Law, the Kentucky Public Service Commission had up to 120 days to approve the Merger and such approval is granted if the acquirer of a public utility demonstrates they possess the financial, technical, and managerial abilities to provide reasonable service. On August 15, 2017, the Kentucky Public Service Commission issued an order granting unconditional approval of the Merger and we anticipate closing to occur by September 30, 2017.

Non-Regulated Operations

Natural Gas Marketing

Our non-regulated segment includes three wholly-owned subsidiaries. Two of these subsidiaries, Delta Resources and Delgasco, purchase natural gas in the open market, including natural gas from Kentucky producers. We resell this natural gas to industrial customers on our distribution system and to others not on our system.

Factors that affect our non-regulated revenues include the rates we charge our customers, our supply cost for the natural gas we purchase for resale, economic conditions in our service areas, weather and competition.

Our non-regulated customers can obtain their natural gas supply by purchasing directly from interstate suppliers, local producers or marketers and arranging for alternate transportation of the natural gas to their plants or facilities. Additionally, some of our industrial customers are able to switch economically to alternative sources of energy. We continue to address these competitive concerns by offering these customers natural gas supply at competitive, market-based rates.

In our fiscal year ended June 30, 2017, approximately 98% of our non-regulated revenue was derived from our natural gas marketing activities. In our non-regulated segment, two customers each provided more than 5% of our operating revenues for 2017. CenterPoint provided approximately $4,744,000, $5,656,000 and $7,127,000 of non-regulated revenues during 2017, 2016 and 2015, respectively. Greystone, LLC provided approximately $15,889,000, $11,555,000 and $17,852,000 of non-regulated revenues during 2017, 2016 and 2015, respectively. There is no assurance that revenues from these customers will continue at these levels.

Natural Gas Production

Our subsidiary, Enpro, produces natural gas that is sold to Delgasco for resale in the open market when favorable market conditions arise. Item 2 further describes Enpro's oil and natural gas leases and production properties. Enpro produced a total of 111,000 Mcf of natural gas during 2017, which was approximately 2% of our non-regulated volumes sold.

Natural Gas Liquids

We process a portion of the natural gas in our distribution, transmission and storage system to extract liquids, enhancing the reliability and efficiency of our system. The profitability from the sales of the natural gas liquids is dependent on the amount of liquids extracted, the pricing for any such liquids as determined by a national non-regulated market and the volumes of natural gas liquids sold. In our fiscal year ended June 30, 2017, approximately 2% of our non-regulated revenue was derived from the sale of natural gas liquids.

Natural Gas Supply

Our non-regulated segment purchases natural gas from Midwest. Our underlying agreement with Midwest does not obligate us to purchase any minimum quantities, nor to purchase natural gas for any periods longer than one month at a time. The natural gas is priced at index-based market prices or at mutually agreed-to fixed prices based on forward market prices. Our agreement with Midwest may be terminated upon 30 days prior written notice by either party. Any purchase agreements to supply our non-regulated sales activities may have longer terms or multiple month purchase commitments. In our fiscal year ended June 30, 2017, 91% of our non-regulated natural gas supply was purchased under our agreement with Midwest.

Additionally, our non-regulated segment purchases natural gas from CenterPoint as needed. This spot purchasing arrangement is pursuant to an agreement with CenterPoint containing an evergreen clause which permits either party to terminate the agreement by providing not less than sixty days written notice. Our purchases from CenterPoint under this spot purchase agreement are generally month-to-month. However, we have the option of forward-pricing natural gas for one or more months. The price of natural gas under this agreement is based on current market prices. In our fiscal year ended June 30, 2017, approximately 4% of our non-regulated natural gas supply was purchased under our agreement with CenterPoint.

We also purchase intrastate natural gas from Kentucky producers as needed at either current market prices, determined by industry publications, or at forward market prices.

We anticipate continuing our non-regulated activities and intend to pursue and increase these activities wherever practicable. We continue to consider acquisitions of additional production properties which are contiguous to our regulated distribution and transmission system as well as opportunities to process additional volumes of natural gas.

Merger with PNG Companies, LLC

On February 20, 2017, we entered into a Merger Agreement with PNG and Drake Merger Sub Inc. ("Merger Sub"), a new wholly owned subsidiary of PNG. The Merger Agreement provides for the merger of Merger Sub with and into Delta, with Delta surviving as a wholly owned subsidiary of PNG. A special meeting of shareholders was held on June 1, 2017 where shareholders voted and approved the Merger and on August 15, 2017, the Kentucky Public Service Commission issued an order granting unconditional approval of the Merger. At the effective time of the Merger, subject to customary closing conditions, each share of Delta common stock issued and outstanding immediately prior to the closing will be converted automatically into the right to receive $30.50 in cash per share, without interest, less any applicable withholding taxes. Upon consummation of the Merger, Delta common stock will be delisted from NASDAQ and the bank line of credit will be terminated. We anticipate closing to occur by September 30, 2017.

Subsequent to closing, a stub period dividend will be paid to Delta's shareholders of record immediately prior to closing which is a prorated quarterly dividend calculated in accordance with the terms of the Merger Agreement.

In connection with this transaction, in 2017 we incurred $1,612,000 of Merger-related expenses for costs paid to outside parties, which are reflected in operation and maintenance in the Consolidated Statement of Income. This amount does not include the cost of company personnel participating in Merger-related activities. Refer to Note 13 of the Notes to Consolidated Financial Statements for a discussion of litigation related to the Merger.

Capital Expenditures

Capital expenditures during 2017 were $8.7 million and for 2018 are estimated to be $7.8 million. Our expenditures include system extensions, the replacement and improvement of existing transmission, distribution, gathering, production and storage systems as well as general facilities.

Financing

Our capital expenditures and operating cash requirements are primarily met through the use of internally generated funds. Our short-term bank line of credit is $40 million, all of which was available at June 30, 2017.

Our current bank line of credit extends through June 30, 2019, but will be terminated upon closing of the Merger. If the Merger does not close, the bank line of credit would be available to meet capital expenditure and operating cash requirements. Additionally, the amounts and types of future long-term debt and equity financings would depend upon our capital needs and market conditions.

We currently have long-term debt with contractual maturities of $50,500,000 in the form of our Series A Notes. The Series A Notes are unsecured, bear interest at 4.26% per annum and mature on December 20, 2031. Accrued interest on the Series A Notes is payable quarterly and we are required to make a $1,500,000 principal reduction payment on the Series A Notes each December.

Employees

On June 30, 2017, we had 148 full-time employees. We consider our relationship with our employees to be satisfactory. Our employees are not represented by unions nor are they subject to any collective bargaining agreements.

Available Information

We make available free of charge on our Internet website http://www.deltagas.com under our "Investor Relations" tab, our Business Code of Conduct and Ethics, Vendor Code of Conduct and Ethics, annual report on Form 10-K, quarterly reports on Form 10-Q, extensible business reporting language (XBRL) interactive data files, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). The SEC also maintains an Internet site http://www.sec.gov that contains reports, proxy and information statements and other information regarding Delta. The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The SEC's phone number is 1-800-732-0330.

Consolidated Statistics

For the Years Ended June 30,	2017	2016	2015	2014	2013
Average Regulated Customers Served	34,532	34,415	34,384	34,490	34,701
Operating Revenues ($000) (a)					
Regulated revenues					
Natural gas sales	36,040	35,319	46,828	51,542	41,202
Natural gas transportation	8,901	9,225	9,366	9,163	9,037
Other	300	289	356	390	333
Total regulated revenues	45,241	44,833	56,550	61,095	50,572
Non-regulated revenues	27,045	22,888	33,507	38,792	34,238
Intersegment eliminations (b)	(3,446)	(3,591)	(3,869)	(4,041)	(4,145)
Total	68,840	64,130	86,188	95,846	80,665
System Throughput (Million Cu. Ft.) (a)					
Regulated					
Natural gas sales	2,531	2,623	3,261	3,351	3,057
Natural gas transportation	17,066	17,413	16,855	16,423	16,783
Total regulated throughput	19,597	20,036	20,116	19,774	19,840
Non-regulated	7,210	7,436	7,357	7,241	7,650
Intersegment eliminations (b)	(7,066)	(7,288)	(7,210)	(7,096)	(7,497)
Total	19,741	20,184	20,263	19,919	19,993
Average Annual Consumption Per Average Residential Customer (Thousand Cu. Ft.)	44	47	59	61	56
Lexington, Kentucky Degree Days					
Actual	3,476	3,765	4,964	4,855	4,667
Percent of 30 year average	77	83	110	107	104

(a) Additional financial information related to our segments can be found in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 15 of the Notes to Consolidated Financial Statements.

(b) Intersegment eliminations represent the natural gas transportation costs from the regulated segment to the non-regulated segment.

Item 1A. Risk Factors

The risk factors below should be carefully considered.

OUR BUSINESS, EARNINGS AND CASH REQUIREMENTS ARE HIGHLY WEATHER-SENSITIVE AND SEASONAL.

Our revenues vary from year-to-year, depending on weather conditions. We estimate that approximately 74% of our annual natural gas sales are temperature sensitive. As a result, mild winter temperatures can decrease the amount of natural gas we sell in any year, which would reduce our revenues and profits. Our weather normalization tariff, approved by the Kentucky Public Service Commission, only partially mitigates this risk. Under our weather normalization provision in our tariff, we adjust our rates for our residential and small non-residential customers to reflect variations from thirty-year average weather for our December through April billing cycles. Deviations from normal weather conditions and the seasonal nature of our business can create fluctuations in earnings and short-term cash requirements.

OUR ABILITY TO MEET CUSTOMERS' NATURAL GAS REQUIREMENTS MAY BE IMPAIRED IF CONTRACTED NATURAL GAS SUPPLIES AND INTERSTATE PIPELINE SERVICES ARE NOT AVAILABLE, ARE NOT DELIVERED IN A TIMELY MANNER OR IF FEDERAL REGULATIONS DECREASE OUR AVAILABLE CAPACITY.

We are responsible for acquiring sufficient natural gas supplies, interstate pipeline capacity and storage capacity to meet current and future customers' annual and seasonal natural gas requirements. We purchase almost all of our natural gas supply from interstate sources and rely on interstate pipelines to transport natural gas to our system. The Federal Energy Regulatory Commission regulates the transportation of the natural gas we receive from interstate sources, and it could increase our transportation costs or decrease our available pipeline capacity by changing its regulatory policies. Additionally, federal legislation could restrict or limit drilling which could decrease the supply of available natural gas. A decrease in interstate pipeline capacity available to us or an increase in competition for interstate pipeline transportation service could reduce our normal interstate supply of natural gas. If we are not able to maintain a reliable and adequate natural gas supply and sufficient pipeline capacity to deliver that supply, we may be unable to meet our customers' requirements resulting in a loss of customers and decrease in profits.

OUR CUSTOMERS ARE ABLE TO BY-PASS OUR DISTRIBUTION AND TRANSMISSION SYSTEMS.

Our large-volume customers can obtain their natural gas supply by purchasing directly from interstate suppliers, local producers or marketers. Customers for whom we transport natural gas could by-pass our transportation system to directly connect to interstate pipelines or other transportation providers. Customers may by-pass us in order to achieve lower prices for their natural gas or transportation services. Our large-volume customers who are in close proximity to alternative supply would be most likely to consider taking this action. This potential to by-pass our distribution and transportation systems creates a risk of the loss of large-volume customers and thus could result in lower revenues and profits.

THE EFFECTS OF REGULATION ON OUR BUSINESS COULD DECREASE FUTURE PROFITABILITY.

The Kentucky Public Service Commission approves the rates we charge our regulated customers and has historically utilized cost-of-service ratemaking where our base rates are established based on normal operating expenses, exclusive of natural gas costs, and a reasonable rate of return on our rate base. We routinely evaluate our need to file for a general rate increase and in doing so weigh the need to increase rates with the potential risks associated with a rate case. The Kentucky Public Service Commission has ultimate discretion in determining what constitutes a reasonable return, what constitutes reasonable rates for our customers, and in any proceeding may disallow or limit the recovery of certain costs.

The Kentucky Public Service Commission sets our base rates using a twelve month test period which assumes revenues are generated based on thirty-year average temperatures and normal operating expenses. While the Kentucky Public Service Commission approves our rates, we may not earn our allowed return if we experience warmer than normal temperatures, infrequent or non-recurring expenses, increased expenses above amounts included in the test period or capital (debt and equity) which exceeds our rate base.

Additionally, there is a lag from the time a request is made to adjust rates to when the rates are approved and implemented as the Kentucky Public Service Commission reviews the reasonableness of any rate adjustment. Therefore, the need to adjust rates may be identified in one reporting period and the new rates implemented in a subsequent period.

Our regulated segment has recognized regulatory assets representing costs incurred in prior periods that are probable of recovery from customers in future rates. Disallowance of such costs in future proceedings before the Kentucky Public Service Commission could require us to write-off regulatory assets, which could have a material impact on our results of operations.

Our tariff provides for recovery of certain costs outside of a rate case which includes costs incurred under our natural gas cost recovery tariff, our pipe replacement program tariff and our conservation and efficiency program. Recovery of costs through these mechanisms is subject to the same risks associated with adjustment to our base rates.

VOLATILITY IN PRICES COULD REDUCE OUR PROFITS.

Significant increases or lack of stability in the price of natural gas will likely cause our regulated retail customers to increase conservation or switch to alternate sources of energy. Any decrease in the volume of natural gas we sell that is caused by such actions will reduce our revenues and profits. Higher prices also make it more difficult to add new customers. Significant decreases in the price of natural gas will likely cause our non-regulated segment's gross margins to decrease. The price of natural gas liquids is determined by a national non-regulated market, and decreases in the price could result in a decrease in our non-regulated gross margins.

THIRD PARTY RESTRICTIONS ON INTERSTATE AND OTHER PIPELINES DELTA INTERCONNECTS WITH CAN ADVERSELY AFFECT OUR RESULTS OF OPERATIONS OR CASH FLOWS.

The pipelines interconnected to Delta's system are owned and operated by third parties who can impose restrictions on the quantity and quality of natural gas they will accept into their pipelines. To the extent natural gas on Delta's system does not conform to these restrictions, Delta could experience a decrease in volumes sold or transported to these pipelines, which could have a negative impact on our financial position, results of operations and cash flows.

FUTURE PROFITABILITY OF THE NON-REGULATED SEGMENT IS IMPACTED BY FLUCTUATIONS IN NATURAL GAS PRICES AND A FEW INDUSTRIAL AND OTHER LARGE-VOLUME CUSTOMERS.

Our non-regulated customers are primarily industrial and other large-volume customers. Fluctuations in natural gas prices and the natural gas requirements of these customers can have a significant impact on the profitability of the non-regulated segment.

A DECLINE IN THE LIQUIDS PRESENT IN OUR SYSTEM OR LIQUIDS SALES PRICES COULD REDUCE OUR NON-REGULATED REVENUES.

To improve the operations of our distribution, transmission and storage system, we operate a facility that is designed to extract liquids from the natural gas in our system. We are able to sell these liquids at a price determined by a national non-regulated market. A reduction in the quantity of liquids present in our system, or reductions in the prices we receive for such liquids sales, could result in a reduction of the earnings of our non-regulated segment.

WE RELY ON ACCESS TO CAPITAL TO MAINTAIN LIQUIDITY.

To the extent that internally generated cash coupled with short-term borrowings under our bank line of credit is not sufficient for our operating cash requirements and normal capital expenditures, we may need to obtain additional financing. Additionally, market disruptions may increase our cost of borrowing or adversely affect our access to capital markets. Such disruptions could include: economic downturns, the bankruptcy of an unrelated energy company, general capital market conditions, market prices for natural gas, terrorist attacks or the overall financial health of the energy industry. There is no guarantee we could obtain needed capital in the future.

POOR INVESTMENT PERFORMANCE OF OUR DEFINED BENEFIT RETIREMENT PLAN HOLDINGS AND OTHER FACTORS IMPACTING PENSION COSTS COULD UNFAVORABLY IMPACT OUR LIQUIDITY AND RESULTS OF OPERATIONS.

Our cost of providing a non-contributory defined benefit retirement plan is dependent upon a number of factors, such as the rates of return on plan assets, discount rates, the level of interest rates used to measure the required minimum funding level of the plan, future government regulation and our required or voluntary contributions made to the plan. Without sustained growth in the pension investments over time to increase the value of the plan assets and depending upon the other factors impacting our costs as listed above, we could be required to fund our plan with additional significant amounts of cash. Additionally, investment performance less than our expected return on plan assets increases our pension expense in subsequent years. Both cash funding obligations and increased expense could have a material impact on our financial position, results of operations or cash flows.

WE ARE EXPOSED TO CREDIT RISKS OF CUSTOMERS AND OTHERS WITH WHOM WE DO BUSINESS.

Adverse economic conditions affecting, or financial difficulties of, customers and others with whom we do business could impair the ability of these customers and others to pay for our services or fulfill their contractual obligations or cause them to delay such payments or obligations. We depend on these customers and others to remit payments on a timely basis. Any delay or default in payment could adversely affect our financial position, results of operations or cash flows.

SUBSTANTIAL OPERATIONAL RISKS ARE INVOLVED IN OPERATING A NATURAL GAS DISTRIBUTION, TRANSPORTATION, LIQUIDS EXTRACTION AND STORAGE SYSTEM AND SUCH OPERATIONAL EVENTS COULD REDUCE OUR REVENUES AND INCREASE EXPENSES.

There are substantial risks associated with the operation of a natural gas distribution, transportation, liquids extraction and storage system, such as operational hazards and unforeseen interruptions caused by events beyond our control. These include adverse weather conditions, accidents, leaks, the breakdown or failure of equipment or processes, the performance of pipeline and storage facilities below expected levels of capacity and efficiency, loss of natural gas from storage facilities, measurement issues and catastrophic events such as explosions, fires, earthquakes, floods, landslides or other similar events beyond our control. These risks could result in injury or loss of life, extensive property damage or environmental pollution, which in turn could lead to substantial financial losses to us. In accordance with customary industry practice, we maintain insurance against some, but not all, of these risks. Liabilities incurred that are not fully covered by insurance could adversely affect our results of operations and financial condition. Additionally, interruptions to the operation of our natural gas distribution, transmission, liquids extraction or storage system caused by such events could reduce our revenues and increase our expenses.

WE MAY FACE CERTAIN REGULATORY AND FINANCIAL RISKS RELATED TO PIPELINE SAFETY LEGISLATION.

Increased regulatory oversight over pipeline operations and increased investment to inspect pipeline facilities, upgrade pipeline facilities or control the impact of a breach of such facilities at the federal level could require additional operating expenses and capital expenditures to remain in compliance with any increased federal oversight. While we cannot predict with certainty the extent of these expenses and expenditures or when they might become effective, this could result in significant additional compliance costs to us and we may be unable to recover from our customers, through the regulatory process, all or some of these costs and an authorized rate of return on these costs.

HURRICANES, EXTREME WEATHER, WELL-HEAD OR PIPELINE DISASTERS COULD DISRUPT OUR NATURAL GAS SUPPLY AND INCREASE NATURAL GAS PRICES.

Hurricanes, extreme weather, well-head or pipeline disasters could damage production or transportation facilities, which could result in decreased supplies of natural gas, increased supply costs for us and higher prices for our customers.

OUR BORROWING ARRANGEMENTS INCLUDE VARIOUS FINANCIAL AND NEGATIVE COVENANTS AND A PREPAYMENT PENALTY THAT COULD RESTRICT OUR ACTIVITIES.

Our bank line of credit and Series A Notes contain financial covenants. A default on the performance of any single obligation incurred in connection with our borrowings, or a default on other indebtedness that exceeds $2,500,000, simultaneously creates an event of default with the bank line of credit and the Series A Notes. If we breach any of the financial covenants under these agreements, our debt repayment obligations under the bank line of credit and Series A Notes could be accelerated. For example, if we default we may not be able to refinance, repay all our indebtedness, pay dividends or have sufficient liquidity to meet our operating and capital expenditure requirements, all of which could result in a material adverse effect on our financial position, results of operations or cash flows.

OUR LONG-TERM DEBT ARRANGEMENTS LIMIT THE AMOUNT OF DIVIDENDS WE MAY PAY AND OUR ABILITY TO REPURCHASE OUR STOCK.

Under the terms of our 4.26% Series A Notes, the aggregate amount we may pay in dividends on our common stock and to repurchase our common stock is limited based on our cumulative net income and dividends paid. Consequently, as of June 30, 2017 our Series A Notes permit us to pay up to an additional $21,464,000 in dividends and for the repurchase of our common stock. However, if we fail to generate sufficient net income in the future, our ability to continue to pay our regular quarterly dividend may be impaired and the value of our common stock would likely decline.

A SECURITY BREACH COULD DISRUPT OUR INFORMATION TECHNOLOGY SYSTEMS, INTERRUPT THE NATURAL GAS SERVICE WE PROVIDE TO OUR CUSTOMERS, COMPROMISE THE SAFETY OF OUR NATURAL GAS DISTRIBUTION, TRANSMISSION, LIQUIDS EXTRACTION AND STORAGE SYSTEMS OR EXPOSE CONFIDENTIAL PERSONAL INFORMATION.

Security breaches of our information technology infrastructure, including cyber-attacks and cyber-terrorism, could lead to information system disruptions or shutdowns, result in the interruption of our ability to provide natural gas to our customers or compromise the safety of our distribution, transmission, liquids extraction and storage systems. If such an attack or security breach were to occur, our business, results of operations and financial condition could be materially adversely affected. In addition, such an attack could affect our ability to service our indebtedness, our ability to raise capital and our future growth opportunities.

Additionally, a breakdown or a breach in our systems that results in the unauthorized release of individually identifiable customer, employee, vendor, investor or other sensitive data could have a material adverse effect on our reputation, operating results and financial condition. We could also be exposed to claims by persons harmed by such a breakdown or breach. Such a breakdown or breach could also materially increase the costs we incur to protect against such risks. There is no guarantee that the procedures we have implemented to protect against unauthorized access to secured data are adequate to safeguard against all data security breaches.

FAILURE TO ATTRACT AND RETAIN AN APPROPRIATELY QUALIFIED WORKFORCE COULD UNFAVORABLY IMPACT OUR RESULTS OF OPERATIONS.

Certain situations, such as an aging workforce, mismatch of skill sets to complement future needs, or unavailability of a qualified workforce, may lead to increased operational risks and costs. As a result, we may be unable to hire an adequate number of individuals who are knowledgeable about public utilities and the natural gas industry or face a lengthy time period associated with skill development and knowledge transfer. Failure to address this risk may result in increased operational and safety risks as well as increased costs. Even if we have reasonable plans in place to address succession planning and workforce training, we cannot control the future availability of qualified labor. If we are unable to successfully attract and retain an appropriately qualified workforce, our financial position or results of operations could be negatively affected.

NEW LAWS OR REGULATIONS COULD HAVE A NEGATIVE IMPACT ON OUR FINANCIAL POSITION, RESULTS OF OPERATIONS OR CASH FLOWS.

Changes in laws and regulations, including new accounting standards and tax laws, could change the way in which we are required to record revenues, expenses, assets and liabilities. Additionally, governing bodies may choose to re-interpret laws and regulations. These changes could have a negative impact on our financial position, results of operations, cash flows or access to capital.

WE MAY FACE CERTAIN REGULATORY AND FINANCIAL RISKS RELATED TO CLIMATE CHANGE LEGISLATION.

Future proposals to limit greenhouse gas emissions, measured in carbon dioxide equivalent units, could adversely affect our operating and service costs and demand for our product. In the past, the United States Congress has considered legislative proposals to limit greenhouse gas emissions and the United States Environmental Protection Agency has adopted regulations to limit carbon emissions. Future legislation and the implementation of existing regulations could increase utility costs and prices charged to utility customers. Unless we are able to timely recover the costs of such impacts from customers through the regulatory process, costs associated with any such regulatory or legislative changes could adversely affect our financial position, results of operations or cash flows.

FAILURE TO COMPLETE THE MERGER COULD ADVERSELY AFFECT OUR STOCK PRICE AND FUTURE BUSINESS OPERATIONS AND FINANCIAL RESULTS.

Completion of the Merger is subject to risks, including the risks that certain closing conditions will not be satisfied. If we are unable to complete the Merger, holders of Delta common stock will not receive any payment for their shares pursuant to the Merger Agreement, our ongoing business may be adversely affected, and we would be subject to a number of risks, including the following:

- we will have paid certain significant transaction costs, including legal, financial advisory and filing, printing and mailing fees, and in certain circumstances, a termination fee to PNG Companies LLC of $4,340,000;

- the potential loss of key personnel during the pendency of the Merger as employees may experience uncertainty about their future roles with the combined company;

- we will have been subject to certain restrictions on the conduct of our business, which may prevent us from making certain acquisitions or dispositions, pursuing otherwise attractive business opportunities or making other changes to our business while the Merger is pending; and

- the trading price of our common stock may decline if the market believes the Merger may not be completed.

A failure to complete the Merger may also result in negative publicity, additional litigation against Delta or its directors and officers, and a negative impression of Delta in the investment community. The occurrence of any of these events, individually or in combination, could have a material adverse effect on our results of operations or the trading price of our common stock.

WE ARE SUBJECT TO CONTRACTUAL RESTRICTIONS IN THE MERGER AGREEMENT THAT MAY HINDER OPERATIONS PENDING THE MERGER.

The Merger Agreement restricts Delta, without PNG's consent, from certain specified actions until the Merger occurs or the Merger Agreement terminates. These restrictions may prevent us from pursuing otherwise attractive business opportunities and making other changes to our business prior to completion of the Merger or termination of the Merger Agreement.

WE WILL BE SUBJECT TO VARIOUS UNCERTAINTIES WHILE THE MERGER IS PENDING THAT MAY CAUSE DISRUPTION AND MAY MAKE IT MORE DIFFICULT TO MAINTAIN RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS OR CUSTOMERS.

Uncertainty about the effect of the Merger on employees, suppliers and customers may have an adverse effect on us. Although we have taken, and intend to continue to take, steps designed to reduce any adverse effects, these uncertainties may impair our abilities to attract, retain and motivate key personnel until the Merger is completed and for a period of time thereafter, and could cause customers, suppliers and others that deal with us to seek to change or terminate existing business relationships with us or not enter into new relationships or transactions.

LITIGATION AGAINST DELTA AND ITS DIRECTORS CHALLENGING THE MERGER MAY PREVENT THE MERGER FROM BEING COMPLETED WITHIN THE AGREED-UPON TERMS AND THE ANTICIPATED TIMEFRAME.

Delta and its directors are named as defendants in class action lawsuits filed on behalf of shareholders challenging the Merger and potentially seeking, among other things, to enjoin the defendants from consummating the Merger on the agreed-upon terms. Although Delta has entered into a Memorandum of Understanding with the plaintiffs in the current litigation, which is subject to court approval, other litigation may be filed seeking an injunction prohibiting the parties from completing the Merger on the terms contemplated by the Merger Agreement, and such injunction may prevent the completion of the Merger in the expected timeframe or altogether.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own our corporate headquarters in Winchester, Kentucky. We own eleven buildings used for field operations in the cities we serve.

We own approximately 2,600 miles of natural gas gathering, transmission, distribution and storage lines. These lines range in size up to twelve inches in diameter.

We hold leases for the storage of natural gas under 8,000 acres located in Bell County, Kentucky. We developed this property for the underground storage of natural gas.

We use all the properties described in the three paragraphs immediately above principally in connection with our regulated segment, as further discussed in Item 1.

Through our wholly-owned subsidiary, Enpro, we produce natural gas as part of the non-regulated segment of our business. Enpro owns interests in oil and natural gas leases on 10,300 acres located in southeastern Kentucky. Thirty-five natural gas wells are producing from these properties. The remaining proved, developed natural gas reserves on these properties are estimated at 1.9 million Mcf. Also, Enpro owns the natural gas underlying 15,400 additional acres in southeastern Kentucky. These properties have been leased to others for further drilling and development and Enpro reserves the option to participate in any wells drilled and also retains certain working and royalty interests in any production from future wells. We have performed no reserve studies on these properties. Enpro produced a total of 111,000 Mcf of natural gas during fiscal 2017 from all the properties described in this paragraph.

Our assets have no significant encumbrances.

Item 3. Legal Proceedings

(a) *Jacob Halberstam, et al v. Delta Natural Gas Company, Inc., et al*. Clark Circuit Court, Kentucky. The plaintiff filed this complaint on April 13, 2017, on behalf of himself and all Delta shareholders against Delta, its directors and PNG and Merger Sub. The plaintiff alleges that the defendants breached fiduciary duties to the Delta shareholders and aided and abetted breaches of fiduciary duties in connection with the Merger Agreement, under the terms of which Delta would be merged with and into Merger Sub, with Delta being the surviving corporation and becoming a wholly owned subsidiary of PNG. The plaintiff seeks to enjoin the consummation of the proposed transaction or, if the proposed transaction is closed, damages from Delta's directors.

(b) *Paul Parshall, et al. v. Delta Natural Gas Company, Inc.*, et al, United States District Court for the Eastern District of Kentucky at Lexington. The plaintiff filed this complaint on April 28, 2017, on behalf of himself and all Delta shareholders against Delta, its directors, PNG, Merger Sub and SteelRiver Infrastructure Fund North America, LP. The plaintiff alleges that the defendants violated Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 in connection with the Merger Agreement. The complaint has been dismissed without prejudice.

(c) *Judy Cole, et al. v. Delta Natural Gas Company, Inc., et al*. Clark Circuit Court, Kentucky. The plaintiff filed this complaint on May 5, 2017, on behalf of herself and all Delta shareholders against Delta and its directors. The plaintiff alleges that the defendants breached fiduciary duties to the Delta shareholders in connection with the Merger Agreement and the proxy statement sent to Delta shareholders describing the transaction. The plaintiff seeks to enjoin the consummation of the proposed transaction.

Counsel for Delta, counsel for PNG, Merger Sub and SteelRiver Infrastructure Fund North America, LP and counsel for the plaintiffs in the three lawsuits described above have entered a confidential memorandum of understanding dated May 25, 2017, under the terms of which the litigation will be settled, subject to court approval, with Delta making additional disclosures to its shareholders, which has been done. It is anticipated that the plaintiffs will seek an order from the Clark Circuit Court requiring Delta to pay attorneys' fees and expenses of the plaintiffs. The amount of the anticipated fee request and any amount of settlement is unknown. During 2017, no expense has been recognized related to the fee request or settlement in the Consolidated Statement of Income. Delta is insured for such litigation, subject to a $1 million deductible.

We are not currently a party to any other legal proceedings that are expected to have a materially adverse impact on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

We have paid cash dividends on our common stock each year since 1964. The frequency and amount of future dividends will depend upon our earnings, financial requirements and other relevant factors, including limitations imposed by our Series A Notes as described in Note 10 of the Notes to Consolidated Financial Statements.

Our common stock is listed on NASDAQ and trades under the symbol "DGAS". There were 1,283 record holders of our common stock as of August 31, 2017. The accompanying table sets forth, for the periods indicated, the high and low sales prices for the common stock on the NASDAQ stock market and the cash dividends declared per share.

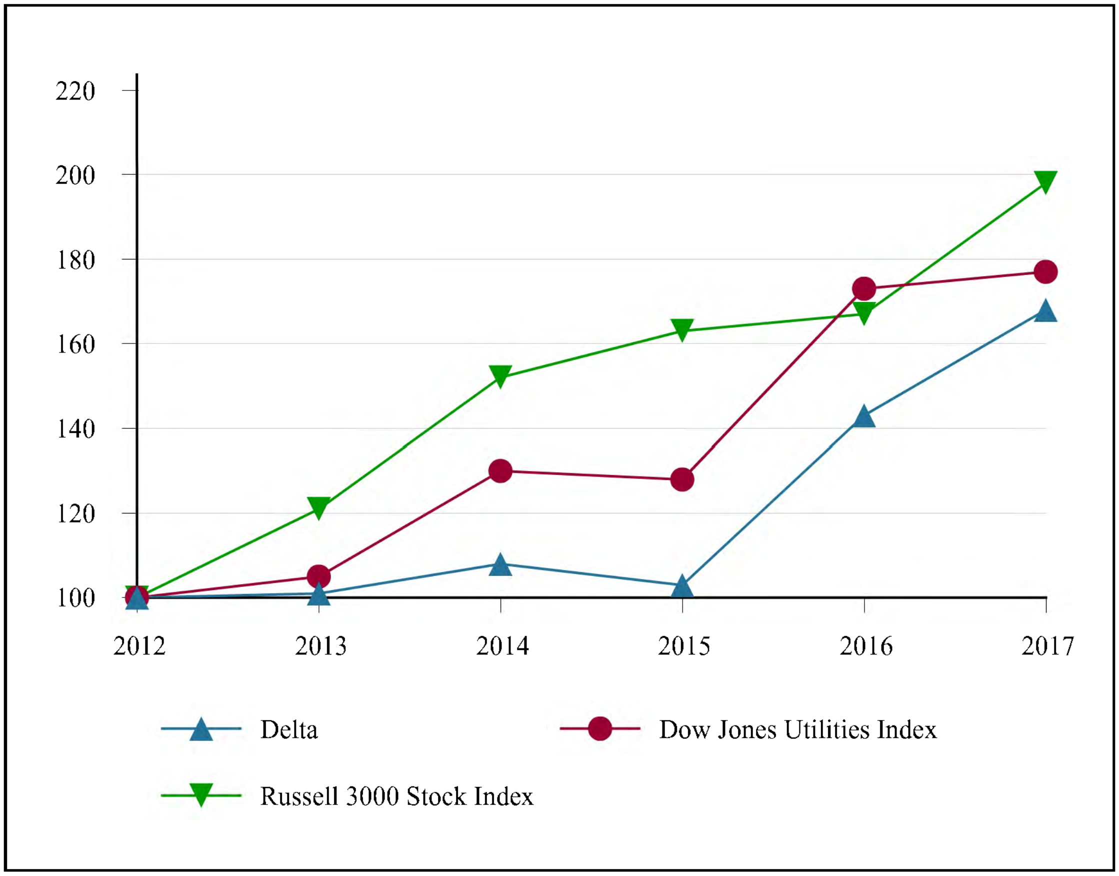
	Range of Stock Prices ($)		Dividends
	High	Low	Per Share ($)
Quarter			
Fiscal 2017			
First	27.36	23.19	.2075
Second	31.29	22.06	.2075
Third	30.85	25.00	.2075
Fourth	30.82	29.70	.415 (a)
Fiscal 2016			
First	20.75	19.96	.205
Second	21.38	20.26	.205
Third	23.70	20.83	.205
Fourth	28.22	22.11	.205

The sales prices shown above reflect prices between dealers and do not include markups or markdowns or commissions and may not necessarily represent actual transactions.

(a) In contemplation of the Merger closing, Delta's Board of Directors declared the quarterly dividend for June's financial results on June 30, 2017. Historically, the dividend based on June's financial results is declared each August.

Comparison of Five-Year Cumulative Total Shareholder Return

The following graph sets forth a comparison of five-year cumulative total shareholder returns (equal to dividends plus stock price appreciation) among our common shares, the Dow Jones Utilities Index and the Russell 3000 Stock Index during the past five fiscal years. Information reflected on the graph assumes an investment of $100 on June 30, 2012 in each of our common shares, the Dow Jones Utilities Index and the Russell 3000 Stock Index. Cumulative total return assumes quarterly reinvestment of dividends. The total shareholder returns shown are not necessarily indicative of future returns.



	2012	2013	2014	2015	2016	2017
Delta	100	101	108	103	143	168
Dow Jones Utilities Index	100	105	130	128	173	177
Russell 3000 Stock Index	100	121	152	163	167	198

Item 6. Selected Financial Data

The following selected financial data is derived from the Company's audited consolidated financial statements and should be read in conjunction with those financial statements and notes thereto.

For the Years Ended June 30,	2017	2016	2015	2014	2013
Summary of Operations ($)					
Operating revenues	68,840,169	64,130,220	86,188,238	95,845,871	80,664,837
Operating income	11,003,516	11,433,992	12,963,861	15,603,439	13,188,679
Net income	5,516,343	5,529,378	6,496,081	8,275,128	7,200,776
Earnings per common share Basic and diluted	.77	.78	.92	1.19	1.05
Cash dividends declared per common share (a)	1.0375	.82	.80	.76	.72
Weighted Average Number of Common Shares Basic and Diluted	7,118,170	7,066,925	7,002,694	6,918,725	6,843,455
Total Assets ($)	189,956,927	188,879,129	187,711,166	185,934,857	183,832,911
Capitalization ($)					
Common shareholders' equity	76,494,995	77,726,969	77,221,654	74,728,352	70,005,415
Long-term debt	48,929,196	50,422,796	51,916,296	53,409,696	54,902,896
Total capitalization	125,424,191	128,149,765	129,137,950	128,138,048	124,908,311
Current Portion of Long-Term Debt ($)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Other Items ($)					
Capital expenditures	8,725,635	6,302,666	9,010,876	8,077,642	7,179,473
Property, plant and equipment	249,611,353	241,833,771	236,780,490	229,367,319	223,545,925

(a) In contemplation of the Merger closing, Delta's Board of Directors declared the quarterly dividend for June's financial results on June 30, 2017. Historically, the dividend based on June's financial results is declared each August.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview of 2017 and Future Outlook

Overview

The following is a discussion of the segments we operate, our corporate strategy for the conduct of our business within these segments and significant events that have occurred during 2017. Our Company has two segments: a regulated segment, and a non-regulated segment. Our regulated segment includes our natural gas distribution and transportation services, which are regulated by the Kentucky Public Service Commission. Our non-regulated segment includes our natural gas marketing activities and the sales of natural gas liquids.

Earnings from the regulated segment are primarily influenced by sales and transportation volumes, the rates we charge our customers and the expenses we incur. In order for us to achieve our strategy of maintaining reasonable long-term earnings, cash flow and stock value, we must successfully manage each of these factors. Regulated sales volumes are temperature sensitive and in any period reflect the impact of weather, with colder temperatures generally resulting in increased sales volumes. The impact of winter temperatures on our revenues is partially reduced by our ability to adjust our winter rates for residential and small non-residential customers based on the degree to which actual winter temperatures deviate from historical average temperatures.

Our non-regulated segment markets natural gas to large-volume customers. We endeavor to enter sales agreements matching supply with estimated demand while providing an acceptable gross margin. The non-regulated segment produces a portion of its natural gas supply, which is stored and sold when favorable market conditions arise. The non-regulated segment also sells liquids extracted from natural gas.

Consolidated income per common share of $0.77 for 2017 decreased, as compared to our consolidated income of $0.78 for 2016, due to incurring $1,612,000 of Merger-related costs which were partially offset by increased non-regulated revenues, net of natural gas costs (as further discussed in Results of Operations). Our non-regulated segment experienced increased revenues, net of natural gas costs, due to increased sales prices for natural gas and natural gas liquids and the sale of our production inventory. Our non-regulated segment produces and stores natural gas which it sells when favorable market conditions arise.

Future Outlook

Future profitability of the regulated segment is contingent on the adequate and timely adjustment of the rates we charge our regulated customers and our ability to earn our allowed return. The Kentucky Public Service Commission approves these rates. We monitor our need to file for a general rate increase for our regulated services with the Kentucky Public Service Commission who has historically utilized cost-of-service ratemaking where our base rates are established to recover normal operating expenses, exclusive of natural gas costs, and a reasonable rate of return on our rate base. Rate base consists primarily of our regulated segment's property, plant and equipment, natural gas in storage and unamortized debt expense offset by accumulated depreciation and certain deferred income taxes. The Kentucky Public Service Commission determines what constitutes reasonable rates for our customers and in any proceeding may disallow or limit the recovery of certain costs and has ultimate discretion determining what constitutes a reasonable return. We may not earn our allowed return if we experience warmer than normal temperatures, infrequent or non-recurring expenses, increased expenses above amounts included in the test period or capital (debt and equity) which exceeds our rate base. The regulated segment's largest expense is natural gas supply, which we are permitted to pass through to our customers. We manage remaining expenses through budgeting, approval and review.

Future profitability of the non-regulated segment is dependent on the business plans of some of our industrial and other large-volume customers and the market prices of natural gas and natural gas liquids, all of which are out of our control. We anticipate our non-regulated segment will continue to contribute to our consolidated net income in fiscal 2018. If natural gas prices increase, we would expect to experience a corresponding increase in our non-regulated revenues, net of natural gas costs, related to our natural gas marketing activities. However, if natural gas prices decrease, we would expect a decrease in our non-regulated revenues, net of natural gas costs, related to our natural gas marketing activities. We process a portion of the natural gas in our distribution, transmission and storage system to extract liquids, enhancing the reliability and efficiency of our system. The profitability from the sales of the natural gas liquids is dependent on the amounts of liquids extracted and the prices for any such liquids as determined by a national non-regulated market.

Proposed Merger

On February 20, 2017, we entered into an Agreement and Plan of Merger ("Merger Agreement") with PNG Companies, LLC ("PNG"), hereinafter referred to as the "Merger". For further information, see Note 18 of the Notes to Consolidated Financial Statements.

Liquidity and Capital Resources

Sources and Uses of Cash

Operating activities provide our primary source of cash. Cash provided by operating activities consists of net income adjusted for non-cash items, including depreciation, amortization, deferred income taxes, share-based compensation and changes in working capital. Our sales and cash requirements are seasonal. The largest portion of our sales occurs during the heating months (December - April), whereas significant cash requirements for the purchase of natural gas for injection into our storage field and capital expenditures occur during non-heating months. Therefore, when cash provided by operating activities is not sufficient to meet our capital requirements, our ability to maintain liquidity depends on our bank line of credit. The current bank line of credit with Branch Banking and Trust Company extends through June 30, 2019 and permits borrowings up to $40,000,000. There were no borrowings outstanding on the bank line of credit as of June 30, 2017 or June 30, 2016.

Cash and cash equivalents were $13,279,000 at June 30, 2017 compared with $18,607,000 at June 30, 2016 and $16,924,000 at June 30, 2015. These changes in cash and cash equivalents are summarized in the following table:

$(000)	2017	2016	2015
Provided by operating activities	10,253	14,740	18,765
Used in investing activities	(8,521)	(6,087)	(8,910)
Used in financing activities	(7,060)	(6,971)	(6,607)
(Decrease) increase in cash and cash equivalents	(5,328)	1,682	3,248

In 2017, cash provided by operating activities decreased $4,487,000 (30%), as compared to 2016, due to a $4,597,000 increase in cash paid for natural gas partially offset by a $2,234,000 increase in cash received from customers, as further discussed in Results of Operations. Additionally, discretionary contributions to our deferred benefit retirement plan increased $1,000,000, as compared to the prior year, and we incurred $1,612,000 in Merger-related costs.

In 2016, cash provided by operating activities decreased $4,025,000 (21%), as compared to 2015, due to a $22,074,000 decrease in cash received from customers partially offset by a $16,192,000 decrease in cash paid for natural gas, as further discussed in Results of Operations. Additionally, cash paid for income taxes decreased $1,249,000 as a result of decreased earnings.

Changes in cash used in investing activities result primarily from changes in the level of capital expenditures between years.

In 2017 and 2016 there were no significant changes in cash used in financing activities, as compared to 2016 and 2015, respectively.

Cash Requirements

Our capital expenditures result in a continued need for cash. These capital expenditures are being made for system extensions and for the replacement and improvement of existing transmission, distribution, gathering, production and storage systems, as well as general facilities. We expect our capital expenditures for fiscal 2018 to be approximately $7.8 million.

The following is provided to summarize our contractual cash obligations for indicated periods after June 30, 2017:

	Payments Due by Fiscal Year				
$(000)	2018	2019 - 2020	2021 - 2022	After 2022	Total
Interest payments (a)	2,172	4,043	3,788	14,471	24,474
Long-term debt (b)	1,500	3,000	3,000	43,000	50,500
Pension contributions (c)	500	1,000	1,000	4,500	7,000
Natural gas purchases (d)	350	199	—	—	549
Total contractual obligations (e)	4,522	8,242	7,788	61,971	82,523

(a) Our long-term debt, notes payable and customers' deposits all require interest payments. Interest payments are projected based on fiscal 2017 interest payments until the underlying obligation is satisfied.

(b) See Note 10 of the Notes to Consolidated Financial Statements for a description of this debt.

(c) This represents currently projected contributions to the defined benefit retirement plan through 2031, as recommended by our actuary.

(d) As of June 30, 2017, our non-regulated segment had forward purchase contracts for natural gas which had minimum purchase obligations that expire in June, 2019. The remainder of our natural gas purchase contracts are either requirements-based contracts, or contracts with a minimum purchase obligation extending for a time period not exceeding one month.

(e) We have other long-term liabilities which include deferred income taxes ($44,815,000), regulatory liabilities ($1,135,000), asset retirement obligations ($4,031,000) and deferred compensation ($1,219,000). Based on the nature of these items their expected settlement dates cannot be estimated.

All of our operating leases are year-to-year and cancelable at our option.

See Note 13 of the Notes to Consolidated Financial Statements for other commitments and contingencies.

Sufficiency of Future Cash Flows

Our ability to maintain liquidity, finance capital expenditures and pay dividends is contingent on the adequate and timely adjustment of the regulated rates we charge our customers. The Kentucky Public Service Commission approves these rates and we monitor our need to file for rate increases for our regulated segment. Our regulated base rates were most recently adjusted in our 2010 rate case and became effective in October, 2010. We expect that cash provided by operations combined with our bank line of credit will be sufficient to satisfy our operating and normal capital expenditure requirements and to pay dividends for the next twelve months.

Our Series A Notes are unsecured, bear interest at a rate of 4.26% per annum, which is payable quarterly, and mature on December 20, 2031. We are required to make an annual $1,500,000 principal payment on the Series A Notes each December. Any refinance of the Series A Notes, or any additional prepayments of principal, may be subject to a prepayment penalty.

With our bank line of credit agreement and Series A Notes, we have agreed to certain financial covenants. Noncompliance with these covenants can make the obligations immediately due and payable. We have agreed to the following financial covenants:

- The Company must at all times maintain a tangible net worth of at least $25,800,000.

- The Company must at the end of each fiscal quarter maintain a total debt to capitalization ratio of no more than 70%. The total debt to capitalization ratio is calculated as the ratio of (i) the Company's total debt to (ii) the sum of the Company's shareholders' equity plus total debt.

- The Company must maintain a fixed charge coverage ratio for the twelve months ending each quarter of not less than 1.20x. The fixed charge coverage ratio is calculated as the ratio of (i) the Company's earnings adjusted for certain unusual or non-recurring items, before interest, taxes, depreciation and amortization plus rental expense to (ii) the Company's interest and rental expense.

- The Company may not pay aggregate dividends on its capital stock (plus amounts paid in redemption of its capital stock) in excess of the sum of $15,000,000 plus the Company's cumulative earnings after September 30, 2011 adjusted for certain unusual or non-recurring items.

The following table shows the required and actual financial covenants under our Series A Notes as of June 30, 2017:

	Requirement	Actual
Tangible net worth	no less than $25,800,000	$75,852,000
Debt to capitalization ratio	no more than 70%	40%
Fixed charge coverage ratio	no less than 1.20x	7.68x
Dividends paid	no more than $48,619,000	$32,672,000

Our 4.26% Series A Notes restrict us from:

- with limited exceptions, granting or permitting liens on or security interests in our properties,

- selling a subsidiary, except in limited circumstances,

- incurring secured debt, or permitting a subsidiary to incur debt or issue preferred stock to any third party, in an aggregate amount that exceeds 10% of our tangible net worth,

- changing the general nature of our business,

- merging with another company, unless (i) we are the survivor of the merger or the survivor of the merger is another domestic company that assumes the 4.26% Series A Notes, (ii) there is no event of default under the 4.26% Series A Notes and (iii) the continuing company has a tangible net worth at least as high as our tangible net worth immediately prior to such merger, or

- selling or transferring assets, other than (i) the sale of inventory in the ordinary course of business, (ii) the transfer of obsolete equipment and (iii) the transfer of other assets in any 12 month period where such assets constitute no more than 5% of the value of our tangible assets and, over any period of time, the cumulative value of all assets transferred may not exceed 15% of our tangible assets.

Without the consent of the bank that has extended to us our bank line of credit or terminating our bank line of credit, we may not:

- merge with another entity;

- sell a material portion of our assets other than in the ordinary course of business,

- issue stock which in the aggregate exceeds thirty-five percent (35%) of our outstanding shares of common stock, or

- permit any person or group of related persons to hold more than twenty percent (20%) of the Company's outstanding shares of stock.

Furthermore, the agreement governing our 4.26% Series A Notes contains a cross-default provision which provides that we will be in default under the 4.26% Series A Notes if we are in default on any other outstanding indebtedness that exceeds $2,500,000. Similarly, the loan agreement governing the bank line of credit contains a cross-default provision which provides that we will be in default under the bank line of credit if we are in default under our 4.26% Series A Notes and fail to cure the default within ten days of notice from the bank. We were in compliance with the covenants under our bank line of credit and 4.26% Series A Notes for all periods presented in the Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Preparation of financial statements and related disclosures in compliance with generally accepted accounting principles requires the use of assumptions and estimates regarding future events, including the likelihood of success of particular investments or initiatives, estimates of future prices or rates, legal and regulatory challenges and anticipated recovery of costs. Therefore, the possibility exists for materially different reported amounts under different conditions or assumptions. We consider an accounting estimate to be critical if (i) the accounting estimate requires us to make assumptions about matters that were reasonably uncertain at the time the accounting estimate was made and (ii) changes in the estimate are reasonably likely to occur from period to period.

These critical accounting estimates should be read in conjunction with the Notes to Consolidated Financial Statements. We have other accounting policies that we consider to be significant; however, these policies do not meet the definition of critical accounting estimates, because they generally do not require us to make estimates or judgments that are particularly difficult or subjective.

Regulatory Accounting

Our accounting policies reflect the effects of the ratemaking process in accordance with regulatory accounting standards. Our regulated segment continues to be cost-of-service rate regulated, and we believe the application of regulatory accounting standards to that segment is appropriate. If, as a result of a change in circumstances, it is determined that the regulated segment no longer meets the criteria to apply regulatory accounting, the regulated segment would have to discontinue regulatory accounting and write-off the respective regulatory assets and liabilities. Such a write-off could have a material impact on our consolidated financial statements.

The application of regulatory accounting standards results in recording regulatory assets and liabilities. Regulatory assets represent the deferral of incurred costs that are probable of future recovery in customer rates. In some cases, we record regulatory assets before approval for recovery has been received from the Kentucky Public Service Commission. We must use judgment to conclude that costs deferred as regulatory assets are probable of future recovery. We base this conclusion on certain factors, including changes in the regulatory environment, recent rate orders issued by the Kentucky Public Service Commission and the status of any potential new legislation. Regulatory liabilities represent revenues received from customers to fund expected costs that have not yet been incurred, or they represent probable future refunds to customers.

We use our best judgment when recording regulatory assets and liabilities; however, regulatory commissions can reach different conclusions about the recovery of costs, and those conclusions could have a material impact on our consolidated financial statements. We believe it is probable that we will recover the regulatory assets that have been recorded.

Defined Benefit Retirement Plan

We have a non-contributory, defined benefit retirement plan covering all eligible employees hired prior to May 9, 2008. The net periodic benefit costs ("pension costs") for our defined benefit retirement plan as described in Note 6 of the Notes to Consolidated Financial Statements are dependent upon numerous factors resulting from actual plan experience and assumptions concerning future experience. These costs, for example, are impacted by employee demographics (including age, compensation levels and employment periods), the level of contributions we make to the plan and earnings on plan assets. Additionally, changes made to the provisions of the plan may impact current and future pension costs. Pension costs may also be significantly affected by changes in key actuarial assumptions, including anticipated rates of return on plan assets and the discount rates used in determining the projected benefit obligation and pension costs. For the years ended June 30, 2017, 2016 and 2015, we recorded pension costs for our defined benefit retirement plan of $1,312,000, $812,000 and $493,000, respectively.

Changes in pension obligations associated with the above factors may not be immediately recognized as pension costs in the Consolidated Statements of Income, but may be deferred and amortized over the average remaining service period of the active plan participants. As of June 30, 2017, $7,126,000 of accumulated net losses have been deferred for amortization as pension costs into future periods.

Our defined benefit retirement plan's assets are principally comprised of equity and fixed income investments. Differences between actual portfolio returns and expected returns result in increased or decreased pension costs in future periods. Likewise, changes in assumptions regarding current discount rates and expected rates of return on plan assets could also increase or decrease pension costs in future periods.

In selecting our discount rate assumption we considered rates of return on high-quality fixed-income investments that are expected to be available through the maturity dates of the pension benefits. Our expected long-term rate of return on the defined benefit retirement plan's assets was 5.5% for 2017 and was based on our targeted asset allocation assumption for 2017 of approximately 65% equity investments and approximately 35% fixed income investments. Our targeted investment allocation for equity investments includes allocations to domestic, global and real estate markets. For additional diversification, we also invest in absolute return strategy mutual funds, which include both equity and fixed income securities. Our asset allocation is designed to achieve a moderate level of overall portfolio risk in keeping with our desired risk objective. The plan has amended its investment policy to allow for liability driven investments which, over time, will match a portion of the plan's liability with the underlying assets. We regularly review our asset allocation and periodically rebalance our investments to our targeted allocation as appropriate.

The funded status of our plan reflects investment gains or losses in the year in which they occur based on the market value of assets at the measurement date.

Based on an assumed long-term rate of return of 5.5%, discount rate of 3.75%, and various other assumptions, we estimate that our pension costs associated with our defined benefit retirement plan will decrease from $1,312,000 in 2017 to $729,000 in 2018. Modifying the expected long-term rate of return on our defined benefit retirement plan assets by .25% would change pension costs for 2018 by approximately $81,000. Increasing the discount rate assumption by .25% would decrease pension costs by approximately $143,000. Decreasing the discount rate assumption by .25% would increase pension costs by approximately $151,000.

Unbilled Revenues and Natural Gas Costs

At each month-end, we estimate the volumes of natural gas that have been used from the date the customer's meter was last read to month-end. This estimate of unbilled usage is based on projected base load (non-weather-sensitive) usage for each day unbilled plus projected weather-sensitive usage for each degree day during the unbilled period. Unbilled revenues and natural gas costs are calculated from the estimate of unbilled usage multiplied by the rates in effect at month-end. Actual usage patterns may vary from these assumptions and may impact operating income.

New Accounting Pronouncements

Significant management judgment is generally required during the process of adopting new accounting pronouncements. See Note 2 of the Notes to Consolidated Financial Statements for a discussion of these pronouncements.

Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations and the other sections of this report contain forward-looking statements that relate to future events or our future performance. We have attempted to identify these statements by using words such as “estimates”, “attempts”, “expects”, “monitors”, “plans”, “anticipates”, “intends”, “continues”, “could”, “strives” ,”seeks”, “will rely”, “believes” and similar expressions.

These forward-looking statements include, but are not limited to, statements about:

- operational plans,
- the cost and availability of our natural gas supplies,
- capital expenditures,
- sources and availability of funding for our operations and expansion,
- anticipated growth and growth opportunities through system expansion and acquisition,
- competitive conditions that we face,
- production, storage, gathering, transportation, marketing and natural gas liquids activities,
- acquisition of service franchises from local governments,
- retirement plan costs and management,
- contractual obligations and cash requirements,
- management of natural gas in our system and risks due to potential fluctuation in the price of natural gas and natural gas liquids,
- revenues, income, margins and profitability,
- efforts to purchase and transport locally produced natural gas,
- recovery of regulatory assets,
- litigation and other contingencies,
- regulatory and legislative matters, and
- dividends.

Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking statements are not guarantees of future performance and are based upon currently available competitive, financial and economic data along with our operating plans.

Item 1A lists factors that, among others, could cause future results to differ materially from those expressed in or implied by the forward-looking statements or historical results.

Results of Operations

Gross Margins

Our operating revenues are derived primarily from the sale and delivery of natural gas, the sale of natural gas liquids and the provision of natural gas transportation services. Our operating revenues are significantly impacted by the prices we pay for natural gas. Therefore, we view gross margins as an important performance measure of the core profitability of our operations and believe investors benefit from having access to the same financial measures that our management uses. We define "gross margins" as natural gas sales less the corresponding purchased natural gas expenses, plus transportation, natural gas liquids and other revenues. Gross margins can be derived directly from our Consolidated Statements of Income included in Item 8, as follows:

($000)	2017	2016	2015
Operating revenues	68,840	64,130	86,188
Regulated purchased natural gas	(12,562)	(11,704)	(22,729)
Non-regulated purchased natural gas	(19,981)	(17,621)	(26,713)
Consolidated gross margins	36,297	34,805	36,746

Operating Income, as presented in the Consolidated Statements of Income, is the most directly comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States ("GAAP"). Gross margin is a "non-GAAP financial measure", as defined in accordance with SEC rules.

Natural gas prices are determined by a non-regulated national market. Therefore, the prices that we pay for natural gas fluctuate with national supply and demand. See Item 7A for a discussion of our forward contracts.

In the following table we set forth variations in our gross margins for the last two years compared with the same periods in the preceding year. The variation amounts and percentages presented in the following tables for regulated and non-regulated gross margins include intersegment transactions. These intersegment revenues and expenses are eliminated in the Consolidated Statements of Income.

($000)	2017 compared to 2016	2016 compared to 2015
Increase (decrease) in gross margins		
Regulated segment		
Natural gas sales	(137)	(484)
Natural gas transportation	(324)	(141)
Other	11	(67)
Intersegment elimination (a)	145	278
Total	(305)	(414)
Non-regulated segment		
Natural gas sales	1,659	(616)
Natural gas liquids	274	(578)
Other	9	(55)
Intersegment elimination (a)	(145)	(278)
Total	1,797	(1,527)
Increase (decrease) in consolidated gross margins	1,492	(1,941)
(%)		
Percentage increase (decrease) in volumes		
Regulated segment		
Natural gas sales (Mcf)	(3)	(20)
Natural gas transportation (Mcf)	(2)	3
Non-regulated segment		
Natural gas sales (Mcf)	(3)	1
Natural gas liquids (gallons)	(7)	(22)

(a) Intersegment eliminations represent the natural gas transportation costs from the regulated segment to the non-regulated segment.

Heating degree days were 77% of the normal thirty-year average temperatures for fiscal 2017, as compared with 83% and 110% of normal temperatures for 2016 and 2015, respectively. A heating degree day is each degree that the average of the high and the low temperatures for a day is below 65 degrees in a specific geographic location. Heating degree days are used in the natural gas industry to measure the relative coldness of weather and to estimate the demand for natural gas. Normal temperatures are based on historical thirty-year average heating degree days, as calculated from data provided by the National Weather Service for the same geographic location.

In 2017, consolidated gross margins increased $1,492,000 (4%), as compared to 2016, primarily due to increased non-regulated gross margins on natural gas sales and natural gas liquids. Gross margins on non-regulated gas sales increased due to the sale of our non-regulated segment's production inventory and increased sales prices. Gross margins on the sale of natural gas liquids increased due to a 128% increase in the average sales price.

In 2016, consolidated gross margins decreased $1,941,000 (5%), as compared to 2015, due to decreased non-regulated gross margins on natural gas sales and decreased sales prices of natural gas liquids. Gross margins on non-regulated natural gas sales decreased due to the prior year sale of our non-regulated segment's production inventory and decreased sales prices, partially offset by an increase in volumes sold. During 2015, we experienced a 46% decline in the average sales price of natural gas liquids. We process a portion of the natural gas in our distribution, transmission and storage system to extract liquids, enhancing the reliability and efficiency of our system. The profitability from the sales of the natural gas liquids is dependent on the amounts of liquids extracted and the prices for any such liquids as determined by a national non-regulated market.

Operating Expenses

In 2017, operation and maintenance increased $1,998,000 (14%), as compared to 2016, due to incurring $1,612,000 of Merger-related expenses for costs paid to outside parties related to the proposed Merger, as further discussed in Note 18 of the Notes to Consolidated Financial Statements, and a $500,000 increase in the net periodic benefit cost for our defined benefit retirement plan.

In 2017 and 2016, there were no significant changes in depreciation and amortization and taxes other than income taxes as compared to 2016 and 2015, respectively.

In 2016, there were no significant changes to operation and maintenance, as compared to 2015.

Other Income

In 2017, other income increased $202,000 (5,050%), as compared to 2016, due to an increase in the earnings from the supplemental retirement trust and an increase in interest received on the cash surrender value of our life insurance policies. The increase in the earnings from the supplemental retirement trust was offset by an increase in operating expense resulting from a corresponding change in the liability of the trust.

In 2016, there were no significant changes in other income, as compared to 2015.

Interest Charges

In 2017 and 2016, there were no significant changes in interest on long-term debt, amortization of debt expense and other interest expense, as compared to 2016 and 2015, respectively.

Income Tax Expense

In 2017, there were no significant changes in income tax expense, as compared to 2016.

In 2016, income tax expense decreased $515,000 (13%) due to decreases in net income before income taxes, as compared to 2015. There were no significant changes in our effective tax rate for 2017 and 2016, as compared to 2016 and 2015, respectively.

Basic and Diluted Earnings Per Common Share

For 2017 and 2016, our basic and diluted earnings per common share changed, as compared to 2016 and 2015, respectively, as a result of changes in net income and an increase in the number of our common shares outstanding. We increased our number of common shares outstanding as a result of shares issued through our Dividend Reinvestment and Stock Purchase Plan as well as those awarded through our Incentive Compensation Plan. Our computation of basic and diluted earnings per share is set forth in Note 11 of the Notes to Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We purchase our natural gas supply primarily through a combination of requirements contracts with no minimum purchase obligations, monthly spot purchase contracts and forward purchase contracts. The price we pay for natural gas acquired under forward purchase contracts is fixed prior to the delivery of the natural gas. Additionally, we inject some of our natural gas purchases into our underground natural gas storage facility in the non-heating months and withdraw this natural gas from storage for delivery to customers during the heating months. For our regulated segment, we utilize requirements contracts, spot purchase contracts and our underground storage to meet our regulated customers' natural gas requirements, all of which have minimal price risk because we are permitted to pass these natural gas costs on to our regulated customers through our natural gas cost recovery tariff.

Price risk for the non-regulated segment is mitigated by efforts to balance supply and demand. However, there are greater risks in the non-regulated segment because of the practical limitations on the ability to perfectly predict demand. In addition, we are exposed to changes in the market price of natural gas on uncommitted natural gas inventory of our non-regulated segment. The pricing of the natural gas liquids sold by our non-regulated segment is determined in the national non-regulated market.

None of our natural gas contracts are accounted for using the fair value method of accounting. While some of our natural gas purchase and natural gas sales contracts meet the definition of a derivative, we have designated these contracts as normal purchases and normal sales. As of June 30, 2017, we had forward purchase contracts through June, 2019 totaling $549,000 which are at a fixed price and not impacted by changes in the market price of natural gas.

When we have a balance outstanding on our variable rate bank line of credit, we are exposed to risk resulting from changes in interest rates. The interest rate on our bank line of credit with Branch Banking and Trust Company is benchmarked to the monthly London Interbank Offered Rate. There were no borrowings outstanding on our bank line of credit as of June 30, 2017 or June 30, 2016. As of June 30, 2017 and June 30, 2016, the weighted average interest rate on our bank line of credit was 2.3% and 1.5%, respectively. During 2017 and 2016, we did not have any borrowings on our bank line of credit. A one percent (one hundred basis point) increase in our average interest rate would not have impacted our annual pre-tax net income.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE	PAGE

Schedules other than those listed above are omitted because they are not required, are not applicable or the required information is shown in the financial statements or notes thereto.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are our controls and other procedures that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2017 and based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal year ended June 30, 2017 and found no change that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles.

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2017 based on the framework in *Internal Control - Integrated Framework* issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that our internal control over financial reporting was effective as of June 30, 2017.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Deloitte & Touche LLP, our independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting. That report immediately follows:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Delta Natural Gas Company, Inc.
Winchester, Kentucky

We have audited the internal control over financial reporting of Delta Natural Gas Company, Inc. and subsidiaries (the “Company”) as of June 30, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2017, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended June 30, 2017 of the Company and our report dated September 1, 2017 expressed an unqualified opinion on those consolidated financial statements and the financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Cincinnati, Ohio

September 1, 2017

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

We have a Business Code of Conduct and Ethics that applies to all directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. Our Business Code of Conduct and Ethics, which includes our Insider Trading Policy, can be found on our website by going to the following address: http://www.deltagas.com/governance. We will post any amendments to the Business Code of Conduct and Ethics, as well as any waivers that are required to be disclosed by the rules of either the Securities and Exchange Commission or the NASDAQ OMX Group, on our website.

Our Board of Directors has adopted charters for the Audit, Corporate Governance and Compensation and Executive Committees of the Board of Directors as well as Corporate Governance Guidelines. These documents can be found on our website by going to the following address: http://www.deltagas.com/governance.

A printed copy of any of the materials referred to above can be obtained by contacting us at the following address:

Delta Natural Gas Company, Inc.
Attn: John B. Brown
3617 Lexington Road
Winchester, KY 40391
(859) 744-6171

The Audit Committee of our Board of Directors is an "audit committee" for purposes of Section 3(a)(58) of the Securities Exchange Act of 1934.

The other information required by this Item is contained under the captions "Election of Directors", "Board Leadership, Committees and Meetings", "Executive Officers", "Certain Relationships and Related Transactions" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement for the 2017 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission no later than 120 days after June 30, 2017. We incorporate that information in this document by reference.

Item 11. Executive Compensation

Information in response to this item is contained under the captions "Director Compensation", "Corporate Governance and Compensation Committee Interlocks and Insider Participation", "Compensation Discussion and Analysis", "Compensation Risks", "Corporate Governance and Compensation Committee Report", "Summary Compensation Table", "Grants of Plan Based Awards", "Outstanding Equity Awards at Fiscal Year-End", "Retirement Benefits", "Potential Payments Upon Termination Or Change in Control" and "Termination Table" in our definitive Proxy Statement for the 2017 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission no later than 120 days after June 30, 2017. We incorporate that information in this document by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plans

Pursuant to our shareholder approved incentive compensation plan, we have the ability to grant stock, performance shares and restricted stock to employees, officers and directors. The plan does not provide for the awarding of options, warrants or rights. We do not have any equity compensation plans which have not been approved by our shareholders.

The following table sets forth certain information with respect to our equity compensation plan at June 30, 2017:

Column A	Column B	Column C
Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column A)
—	—	750,902

The other information required by this Item is contained under the captions "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" in our definitive Proxy Statement for the 2017 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission no later than 120 days after June 30, 2017. We incorporate that information in this document by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is contained under the captions "Election of Directors", "Board Leadership, Committees and Meetings" and "Certain Relationships and Related Transactions" in our definitive Proxy Statement for the 2017 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission no later than 120 days after June 30, 2017. We incorporate that information in this document by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item is contained under the caption "Audit Committee Report" in our definitive Proxy Statement for the 2017 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission no later than 120 days after June 30, 2017. We incorporate that information in this document by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedule

(a) Financial Statements, Schedule and Exhibits

(1) Financial Statements
See Index at Item 8

(2) Financial Statement Schedule
See Index at Item 8

(3) Exhibits

Exhibit No.	
3.1	Registrant's Amended and Restated Articles of Incorporation (dated November 16, 2006) are incorporated herein by reference to Exhibit 3(i) to Registrant's Form 10-K/A (File No. 000-08788) for the period ended June 30, 2007.
3.2	Registrant's Amended and Restated By-Laws (dated August 14, 2015) are incorporated herein by reference to Exhibit 3.1 to Registrant's Form 8-K (File No. 000-8788) dated August 17, 2015.
4	Note Purchase and Private Shelf Agreement dated December 8, 2011 in respect of 4.26% Senior Notes, Series A, due December 20, 2031 is incorporated herein by reference to Exhibit 10.01 to Registrant's Form 8-K (File No. 000-08788) dated December 13, 2011.
10.01	Natural Gas Sales Agreement, dated May 1, 2000 by and between Atmos Energy Marketing, LLC and Registrant is incorporated herein by reference to Exhibit 10(c) to Registrant's Form S-2/A (Reg. No. 333-100852) dated December 13, 2002. Atmos Energy Marketing, LLC is now CenterPoint Energy Services, Inc.
10.02	Base Contract for Short-Term Sale and Purchase of Natural Gas, dated January 1, 2002, by and between M & B Gas Services, Inc. and Registrant is incorporated herein by reference to Exhibit 10(n) to Registrant's Form S-2 (Reg. No. 333-104301) dated April 4, 2003.
10.03	Natural Gas Sales Agreement, dated May 1, 2003, by and between Atmos Energy Marketing, LLC and Registrant is incorporated herein by reference to Exhibit 10(d) to Registrant's Form 10-K (File No. 000-08788) for the period ended June 30, 2003. Atmos Energy Marketing, LLC is now CenterPoint Energy Services, Inc.
10.04	Base contract for the Sale and Purchase of Natural Gas, dated May 1, 2005 and Exhibit A, dated May 1, 2010 by and between Atmos Energy Marketing, LLC and Registrant are incorporated herein by reference to Exhibit 10.04 to Registrant's Form 10-K (File No. 000-08788) for the period ended June 30, 2012. Atmos Energy Marketing, LLC is now CenterPoint Energy Services, Inc.
10.05	Base contracts for the Sale and Purchase of Natural Gas, dated May 1, 2013, by and between Midwest Energy L.L.C. and Registrant are incorporated herein by reference to Registrant's Form 10-K (File No. 000-08788) for the period ended June 30, 2013.
10.06	Natural Gas Transportation Agreement (Service Package 9069), dated December 19, 1994, by and between Tennessee Gas Pipeline Company and Registrant is incorporated herein by reference to Exhibit 10(e) to Registrant's Form S-2/A (Reg. No. 333-100852) dated December 13, 2002.
10.07	Agreement to transport natural gas between Nami Resources Company L.L.C. and Registrant, dated March 10, 2005 is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 8-K (File No. 000-08788) dated March 23, 2005.
10.08	Amendment, dated July 22, 2010, of agreement to transport natural gas between Nami Resources Company, L.L.C. and Registrant is incorporated herein by reference to Exhibit 10(f) to Registrant's Form 10-K (File No. 000-08788) for the period ended June 30, 2010.
10.09	GTS Service Agreements, dated October 29, 2015 (Service Agreement Nos. 37,813, 37,814 and 37,815) and Appendix A to respective Service Agreements, effective November 1, 2015, by and between Columbia Gulf Transmission, LLC and Registrant are incorporated herein by reference to Exhibit 10.01 to Registrant's Form 10-Q (File No. 000-08788) for the period ended September 30, 2015.
10.10	FTS-1 Service Agreements, dated October 29, 2015, (Service Agreement Nos. 43,827, 43,828 and 43,829) and Appendix A to respective Service Agreements, effective November, 2010, by and between Columbia Gulf Transmission, LLC and Registrant are incorporated herein by reference to Exhibit 10.02 to Registrant's Form 10-Q (File No. 000-08788) for the period ended September 30, 2015.
10.11	Underground Natural Gas Storage Lease and Agreement, dated March 9, 1994, by and between Equitable Resources Exploration, a division of Equitable Resources Energy Company, and Lonnie D. Ferrin and Amendment No. 1 and Novation to Underground Natural Gas Storage Lease and Agreement, dated March 22, 1995, by and between Equitable Resources Exploration, Lonnie D. Ferrin and Registrant is incorporated herein by reference to Exhibit 10(m) to Registrant's Form S-2 (Reg. No. 333-104301) dated April 4, 2003.

10.12 Oil and Natural Gas Lease, dated July 19, 1995, by and between Meredith J. Evans and Helen Evans and Paddock Oil and Gas, Inc.; Assignment, dated June 15, 1995, by Paddock Oil and Gas, Inc., as assignor, to Lonnie D. Ferrin, as assignee; Assignment, dated August 31, 1995, by Paddock Oil and Gas, Inc., as assignor, to Lonnie D. Ferrin, as assignee; and Assignment and Assumption Agreement, dated November 10, 1995, by and between Lonnie D. Ferrin and Registrant is incorporated herein by reference to Exhibit 10(o) to Registrant's Form S-2 (Reg. No. 333-104301) dated April 4, 2003.

10.13 Natural Gas Storage Lease, dated October 4, 1995, by and between Judy L. Fuson, Guardian of Jamie Nicole Fuson, a minor, and Lonnie D. Ferrin and Assignment and Assumption Agreement, dated November 10, 1995, by and between Lonnie D. Ferrin and Registrant is incorporated herein by reference to Exhibit 10(j) to Registrant's Form S-2 (Reg. No. 333-104301) dated April 4, 2003.

10.14 Natural Gas Storage Lease, dated November 6, 1995, by and between Thomas J. Carnes, individually and as Attorney-in-fact and Trustee for the individuals named therein, and Registrant is incorporated herein by reference to Exhibit 10(k) to Registrant's Form S-2 (Reg. No. 333-104301) dated April 4, 2003.

10.15 Deed and Perpetual Natural Gas Storage Easement, dated December 21, 1995, by and between Katherine M. Cornelius, William Cornelius, Frances Carolyn Fitzpatrick, Isabelle Fitzpatrick Smith and Kenneth W. Smith and Registrant is incorporated herein by reference to Exhibit 10(l) to Registrant's Form S-2 (Reg. No. 333-104301) dated April 4, 2003.

10.16 Loan Agreement, dated October 31, 2002, by and between Branch Banking and Trust Company and Registrant is incorporated herein by reference to Exhibit 10(i) to Registrant's Form S-2/A (Reg. No. 333-100852) dated December 13, 2002.

10.17 Promissory Note, in the original principal amount of $40,000,000, made by Registrant to the order of Branch Banking and Trust Company is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 10-Q (File No. 000-08788) for the period ended September 30, 2002.

10.18 Modification Agreement extending to October 31, 2004 the Promissory Note and Loan Agreement dated October 31, 2002 between Branch Banking and Trust Company and Registrant is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 10-Q (File No. 000-08788) for the period ended September 30, 2003.

10.19 Modification Agreement extending to October 31, 2005 the Promissory Note and Loan Agreement dated October 31, 2002 between Branch Banking and Trust Company and Registrant is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 10-Q (File No. 000-08788) for the period ended September 30, 2004.

10.20 Modification Agreement extending to October 31, 2007 the Promissory Note and Loan Agreement dated October 31, 2002 between Branch Banking and Trust Company and Registrant is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 8-K (File No. 000-08788) dated August 19, 2005.

10.21 Modification Agreement extending to October 31, 2009 the Promissory Note and Loan Agreement dated October 31, 2002 between Branch Banking and Trust Company and Registrant is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 10-Q (File No. 000-08788) for the period ended September 30, 2007.

10.22 Modification Agreement extending to June 30, 2011 the Promissory Note and Loan Agreement dated October 31, 2002 between Branch Banking and Trust Company and Registrant is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 8-K (File No. 000-08788) dated June 30, 2009.

10.23 Modification Agreement extending to June 30, 2013 the Promissory Note and Loan Agreement dated October 31, 2002 between Branch Banking and Trust Company and Registrant is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 8-K (File No. 000-08788) dated June 30, 2011.

10.24 Modification Agreement extending to June 30, 2015 the Promissory Note and Loan Agreement dated October 31, 2002 between Branch Banking and Trust Company and Registrant is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 8-K (File No. 000-08788) dated June 30, 2013.

10.25 Modification Agreement extending to June 30, 2017 the Promissory Note and Loan Agreement dated October 31, 2002 between Branch Banking and Trust Company and Registrant is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 8-K (File No. 000-08788) dated June 30, 2015.

10.26 Modification Agreement extending to June 30, 2019 the Promissory Note and Loan Agreement dated October 31, 2002 between Branch Banking and Trust Company and Registrant is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 8-K (File No. 000-08788) dated June 30, 2017.

10.27 Employment agreement dated March 1, 2000, between Glenn R. Jennings, Registrant's Chairman of the Board, President and Chief Executive Officer, and Registrant is incorporated herein by reference to Exhibit (k) to Registrant's Form 10-Q (File No. 000-08788) dated March 31, 2000.

10.28 Officer agreements dated March 1, 2000, between two officers, those being John B. Brown and Johnny L. Caudill, and Registrant are incorporated herein by reference to Exhibit 10(k) to Registrant's Form 10-Q (File No. 000-08788) for the period ended March 31, 2000.

10.29	Officer agreement dated November 20, 2008, between Brian S. Ramsey and Registrant is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 8-K (File No. 000-08788) dated November 21, 2008.
10.30	Officer agreement dated November 19, 2010, between Matthew D. Wesolosky and Registrant is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 8-K (File No. 000-08788) dated November 24, 2010.
10.31	Amendment to Employment Agreement dated November 17, 2016, between Glenn R. Jennings and Registrant is incorporated herein by reference to Exhibit 10.2 to Registrant's Form 8-K (File No. 000-08788) dated November 17, 2016.
10.32	Amendment to Officer Agreement, dated November 17, 2016, between John B. Brown and Registrant is incorporated herein by reference to Exhibit 10.4 to Registrant’s Form 8-K (File No. 000-08788) dated November 17, 2016.
10.33	Amendment to Officer Agreement, dated November 17, 2016, between Johnny L. Caudill and Registrant is incorporated herein by reference to Exhibit 10.6 to Registrant’s Form 8-K (File No. 000-08788) dated November 17, 2016.
10.34	Amendment to Officer Agreement, dated November 17, 2016, between Brian S. Ramsey and Registrant is incorporated herein by reference to Exhibit 10.8 to Registrant’s Form 8-K (File No. 000-08788) dated November 17, 2016.
10.35	Amendment to Officer Agreement, dated November 17, 2016, between Matthew D. Wesolosky and Registrant is incorporated herein by reference to Exhibit 10.10 to Registrant’s Form 8-K (File No. 000-08788) dated November 17, 2016.
10.36	Supplemental retirement benefit agreement and trust agreement between Glenn R. Jennings and Registrant is incorporated herein by reference to Exhibit 10(a) to Registrant's Form 8-K (File No. 000-08788) dated February 25, 2005.
10.37	Registrant's Amended and Restated Dividend Reinvestment and Stock Purchase Plan, dated November 17, 2005 is incorporated herein by reference to Exhibit 99(b) to Registrant's S-3D (Reg. No. 333-130301) dated December 14, 2005 and Post-Effective Amendment No. 1 to Registrant's S-3 (Reg. No. 333-130301) dated August 29, 2012.
10.38	Registrant's Incentive Compensation Plan, dated January 1, 2008 is incorporated herein by reference to Exhibit 4.1 to Registrant's S-8 (Reg. No. 333-165210) dated March 4, 2010.
10.39	Notices of Performance Shares Award between five officers, those being John B. Brown, Johnny L. Caudill, Glenn R. Jennings, Brian S. Ramsey and Matthew D. Wesolosky, and Registrant are incorporated herein by reference to Exhibit 10.1, 10.2, 10.3, 10.4 and 10.5, respectively, of Registrant's Form 8-K (File No. 000-08788) dated August 21, 2013.
10.40	Form of Notice of Performance Shares Award is incorporated herein by reference to Exhibit 10.03 to Registrant's Form 10-Q (File No. 000-08788) for the period ended September 30, 2015.
10.41	Agreement and Plan of Merger with PNG Companies, LLC and Drake Merger Sub, Inc. dated February 20, 2017 is incorporated herein by reference to Exhibit 2.1 to Registrant's Form 8-K (File No. 000-08788) dated February 21, 2017.
12	Computation of the Consolidated Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 Attached as Exhibit 101 to this Annual Report are the following documents formatted in extensible business reporting language (XBRL):

(i) Document and Entity Information;

(ii) Consolidated Statements of Income for the years ended June 30, 2017, 2016 and 2015;

(iii) Consolidated Statements of Cash Flows for the years ended June 30, 2017, 2016 and 2015;

(iv) Consolidated Balance Sheets as of June 30, 2017 and 2016;

(v) Consolidated Statements of Changes in Shareholders' Equity for the years ended June 30, 2017, 2016 and 2015;

(vii) Schedule II – Valuation and Qualifying Accounts for the years ended June 30, 2017, 2016 and 2015.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 1st day of September, 2017.

DELTA NATURAL GAS COMPANY, INC.

By: /s/Glenn R. Jennings
Glenn R. Jennings
Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

(i) Principal Executive Officer:

/s/Glenn R. Jennings (Glenn R. Jennings)	Chairman of the Board, President and Chief Executive Officer	September 1, 2017

(ii) Principal Financial Officer:

/s/John B. Brown (John B. Brown)	Chief Operating Officer, Treasurer and Secretary	September 1, 2017

(iii) Principal Accounting Officer:

/s/Matthew D. Wesolosky (Matthew D. Wesolosky)	Vice President - Controller	September 1, 2017

(iv) A Majority of the Board of Directors:

/s/Glenn R. Jennings (Glenn R. Jennings)	Chairman of the Board, President and Chief Executive Officer	September 1, 2017
/s/Linda K. Breathitt (Linda K. Breathitt)	Director	September 1, 2017
/s/Jacob P. Cline, III (Jacob P. Cline, III)	Director	September 1, 2017
/s/Sandra C. Gray (Sandra C. Gray)	Director	September 1, 2017
/s/Edward J. Holmes (Edward J. Holmes)	Director	September 1, 2017
/s/Michael J. Kistner (Michael J. Kistner)	Director	September 1, 2017
/s/Fred N. Parker (Fred N. Parker)	Director	September 1, 2017
/s/Rodney L. Short (Rodney L. Short)	Director	September 1, 2017
/s/Arthur E. Walker, Jr. (Arthur E. Walker, Jr.)	Director	September 1, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Delta Natural Gas Company, Inc.
Winchester, Kentucky

We have audited the accompanying consolidated balance sheets of Delta Natural Gas Company, Inc. and subsidiaries (the "Company") as of June 30, 2017 and 2016, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2017. Our audits also included the financial statement schedule listed in the Index at Item 8. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Delta Natural Gas Company, Inc. and subsidiaries as of June 30, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2017, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 18 to the financial statements, the Company entered into a Merger Agreement with People's Natural Gas and Drake Merger Sub Inc., a new wholly-owned subsidiary of People's Natural Gas.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2017, based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 1, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Cincinnati, Ohio

September 1, 2017

Delta Natural Gas Company, Inc.

Consolidated Statements of Income

For the Year Ended June 30,	2017	2016	2015
Operating Revenues			
Regulated revenues	$ 41,795,560	$ 41,242,094	$ 52,681,120
Non-regulated revenues	27,044,609	22,888,126	33,507,118
Total operating revenues	$ 68,840,169	$ 64,130,220	$ 86,188,238
Operating Expenses			
Regulated purchased natural gas	$ 12,561,849	$ 11,704,178	$ 22,728,766
Non-regulated purchased natural gas	19,980,989	17,621,069	26,713,424
Operation and maintenance	15,988,178	13,989,510	14,608,835
Depreciation and amortization	6,415,660	6,416,221	6,377,743
Taxes other than income taxes	2,889,977	2,965,250	2,795,609
Total operating expenses	$ 57,836,653	$ 52,696,228	$ 73,224,377
Operating Income	$ 11,003,516	$ 11,433,992	$ 12,963,861
Other Income	$ 205,826	$ 4,124	$ 25,097
Interest Charges			
Interest on long-term debt	$ 2,181,324	$ 2,245,224	$ 2,309,124
Other interest expense	54,062	52,533	51,538
Amortization of debt expense	227,000	233,500	240,000
Total interest charges	$ 2,462,386	$ 2,531,257	$ 2,600,662
Net Income Before Income Taxes	$ 8,746,956	$ 8,906,859	$ 10,388,296
Income Tax Expense	3,230,613	3,377,481	3,892,215
Net Income	$ 5,516,343	$ 5,529,378	$ 6,496,081
Earnings Per Common Share (Note 11)			
Basic and Diluted	$ .77	$ .78	$ .92
Dividends Declared Per Common Share	$ 1.0375	$ .82	$ .80

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Delta Natural Gas Company, Inc.

Consolidated Statements of Cash Flows

For the Year Ended June 30,	2017	2016	2015
Cash Flows From Operating Activities			
Net income	$ 5,516,343	$ 5,529,378	$ 6,496,081
Adjustments to reconcile net income to net cash from operating activities			
Depreciation and amortization	6,642,660	6,649,721	6,617,743
Deferred income taxes and investment tax credits	1,346,242	1,193,793	1,449,471
Change in cash surrender value of officer's life insurance	(51,071)	6,198	(19,036)
Share-based compensation	292,174	452,230	1,095,051
Excess tax deficiency from share-based compensation	42,603	(5,508)	9,249
(Increase) decrease in assets			
Accounts receivable	(1,335,920)	1,091,517	871,270
Natural gas in storage	(2,152,990)	1,344,242	2,491,337
Deferred natural gas cost	(1,423,973)	(674,077)	724,923
Materials and supplies	(112,827)	(4,549)	(12,578)
Prepayments	1,437,116	(1,226,279)	(363,263)
Other assets	(283,540)	(288,867)	225,771
Increase (decrease) in liabilities			
Accounts payable	2,207,356	(1,181,356)	(1,135,821)
Accrued taxes	(47,140)	106,856	(80,925)
Asset retirement obligations	(59,085)	(85,068)	375,073
Other liabilities	(1,765,233)	1,832,112	20,658
Net cash provided by operating activities	$ 10,252,715	$ 14,740,343	$ 18,765,004
Cash Flows From Investing Activities			
Capital expenditures	$ (8,725,635)	$ (6,302,666)	$ (9,010,876)
Proceeds from sale of property, plant and equipment	265,239	275,397	161,311
Other	(60,000)	(60,000)	(60,000)
Net cash used in investing activities	$ (8,520,396)	$ (6,087,269)	$ (8,909,565)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Delta Natural Gas Company, Inc.

Consolidated Statements of Cash Flows (continued)

For the Year Ended June 30,	2017	2016	2015
Cash Flows From Financing Activities			
Dividends on common shares	$ (5,913,888)	$ (5,822,259)	$ (5,639,791)
Issuance of common shares	619,532	614,518	532,712
Payment of minimum tax withholdings on share-based compensation	(266,005)	(263,044)	—
Repayment of long-term debt	(1,500,000)	(1,500,000)	(1,500,000)
Borrowings on bank line of credit	—	—	126,430
Repayment of bank line of credit	—	—	(126,430)
Net cash used in financing activities	$ (7,060,361)	$ (6,970,785)	$ (6,607,079)
Net (Decrease) Increase in Cash and Cash Equivalents	$ (5,328,042)	$ 1,682,289	$ 3,248,360
Cash and Cash Equivalents, Beginning of Year	18,606,567	16,924,278	13,675,918
Cash and Cash Equivalents, End of Year	$ 13,278,525	$ 18,606,567	$ 16,924,278
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for			
Interest	$ 2,240,428	$ 2,298,228	$ 2,369,078
Income taxes (net of refunds)	$ 2,281,475	$ 2,064,005	$ 3,312,944
Significant non-cash transactions			
Accrued capital expenditures	$ 374,469	$ 157,808	$ 207,169
Accrued dividends on common shares	$ 1,480,130	$ —	$ —

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Delta Natural Gas Company, Inc.

Consolidated Balance Sheets

As of June 30,	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 13,278,525	$ 18,606,567
Accounts receivable, less accumulated allowances for doubtful accounts of $172,000 and $301,000 in 2017 and 2016, respectively	6,201,732	4,741,595
Natural gas in storage, at average cost (Note 1)	5,442,910	3,289,920
Deferred natural gas costs (Notes 1 and 14)	2,098,050	674,077
Materials and supplies, at average cost	676,919	544,342
Prepayments	3,217,770	3,051,665
Total current assets	$ 30,915,906	$ 30,908,166
Property, Plant and Equipment	$ 249,611,353	$ 241,833,771
Less - Accumulated provision for depreciation	(109,804,512)	(104,192,898)
Net property, plant and equipment	$ 139,806,841	$ 137,640,873
Other Assets		
Cash surrender value of life insurance (face amount of $957,000 and $954,000 in 2017 and 2016, respectively)	$ 466,056	$ 414,985
Prepaid Pension (Note 6)	2,113,785	—
Regulatory assets (Note 1)	15,435,233	18,881,126
Other non-current assets	1,219,106	1,033,979
Total other assets	$ 19,234,180	$ 20,330,090
Total assets	$ 189,956,927	$ 188,879,129

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Delta Natural Gas Company, Inc.

Consolidated Balance Sheets (continued)

As of June 30,	2017	2016
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 8,110,424	$ 4,200,298
Current portion of long-term debt (Note 10)	1,500,000	1,500,000
Accrued taxes	1,537,535	1,584,675
Customers' deposits	616,661	618,137
Accrued interest on debt	106,783	111,825
Accrued vacation	750,994	756,138
Other liabilities	665,551	585,342
Total current liabilities	$ 13,287,948	$ 9,356,415
Long-Term Debt (Notes 1 and 10)	$ 48,929,196	$ 50,422,796
Long-Term Liabilities		
Deferred income taxes (Note 5)	$ 44,815,170	$ 43,405,098
Regulatory liabilities (Note 1)	1,135,362	1,138,141
Accrued Pension (Note 6)	—	1,833,780
Asset retirement obligations (Note 4)	4,030,786	3,917,585
Other long-term liabilities	1,263,470	1,078,345
Total long-term liabilities	$ 51,244,788	$ 51,372,949
Commitments and Contingencies (Note 13)		
Total liabilities	$ 113,461,932	$ 111,152,160
Shareholders' Equity		
Common shares ($1.00 par value), 20,000,000 shares authorized; 7,133,148 and 7,087,762 shares outstanding at June 30, 2017 and June 30, 2016, respectively	$ 7,133,148	$ 7,087,762
Premium on common shares	50,072,857	49,472,542
Retained earnings	19,288,990	21,166,665
Total shareholders' equity	$ 76,494,995	$ 77,726,969
Total liabilities and shareholders' equity	$ 189,956,927	$ 188,879,129

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Delta Natural Gas Company, Inc.

Consolidated Statements of Changes in Shareholders' Equity

	Year Ended June 30, 2017			
	Common Shares	Premium on Common Shares	Retained Earnings	Shareholders' Equity
Balance, beginning of year	$ 7,087,762	$ 49,472,542	$ 21,166,665	$ 77,726,969
Net income	—	—	5,516,343	5,516,343
Issuance of common shares	22,682	596,850	—	619,532
Issuance of common shares under the incentive compensation plan, net of cancellations	22,704	(288,709)	—	(266,005)
Share-based compensation expense	—	292,174	—	292,174
Dividends on common shares	—	—	(7,394,018)	(7,394,018)
Balance, end of year	$ 7,133,148	$ 50,072,857	$ 19,288,990	$ 76,494,995

	Year Ended June 30, 2016			
	Common Shares	Premium on Common Shares	Retained Earnings	Shareholders' Equity
Balance, beginning of year	$ 7,026,500	$ 48,735,608	$ 21,459,546	$ 77,221,654
Net income	—	—	5,529,378	5,529,378
Issuance of common shares	28,437	586,081	—	614,518
Issuance of common shares under the incentive compensation plan, net of cancellations	32,825	(295,869)	—	(263,044)
Share-based compensation expense	—	452,230	—	452,230
Tax benefit from share-based compensation	—	(5,508)	—	(5,508)
Dividends on common shares	—	—	(5,822,259)	(5,822,259)
Balance, end of year	$ 7,087,762	$ 49,472,542	$ 21,166,665	$ 77,726,969

	Year Ended June 30, 2015			
	Common Shares	Premium on Common Shares	Retained Earnings	Shareholders' Equity
Balance, beginning of year	$ 6,942,758	$ 47,182,338	$ 20,603,256	$ 74,728,352
Net income	—	—	6,496,081	6,496,081
Issuance of common shares	26,412	506,300	—	532,712
Issuance of common shares under the incentive compensation plan	57,330	385,251	—	442,581
Share-based compensation expense	—	652,470	—	652,470
Tax benefit from share-based compensation	—	9,249	—	9,249
Dividends on common shares	—	—	(5,639,791)	(5,639,791)
Balance, end of year	$ 7,026,500	$ 48,735,608	$ 21,459,546	$ 77,221,654

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

DELTA NATURAL GAS COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Principles of Consolidation

Delta Natural Gas Company, Inc. (“Delta” or “the Company”) distributes or transports natural gas to approximately 36,000 customers. Our distribution and transportation systems are located in central and southeastern Kentucky and we own and operate an underground storage field in southeastern Kentucky. We transport natural gas to our industrial customers who purchase their natural gas in the open market. We also transport natural gas on behalf of local producers and customers not on our distribution system and extract liquids from natural gas in our storage field and our pipeline systems that are sold at market prices. We have three wholly-owned subsidiaries. Delta Resources, Inc. buys natural gas and resells it to industrial or other large use customers on Delta's system. Delgasco, Inc. buys natural gas and resells it to Delta Resources, Inc. and to customers not on Delta's system. Enpro, Inc. owns and operates natural gas production properties and undeveloped acreage. All subsidiaries of Delta are included in the consolidated financial statements. Intercompany balances and transactions have been eliminated.

On February 20, 2017, we entered into an Agreement and Plan of Merger (“Merger Agreement”) with PNG Companies, LLC (“PNG”), hereinafter referred to as the “Merger”. For further information, see Note 18 of the Notes to Consolidated Financial Statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For the purposes of the Consolidated Statements of Cash Flows, all temporary cash investments with a maturity of three months or less at the date of purchase are considered cash equivalents.

Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated at original cost, which includes materials, labor, labor related costs and an allocation of general and administrative costs. A betterment or replacement of a unit of property is accounted for as an addition of utility plant. Construction work in progress has been included in the rate base for determining customer rates, and therefore an allowance for funds used during construction has not been recorded. The cost of regulated plant retired or disposed of in the normal course of business is deducted from plant accounts and such cost, less salvage value, is charged to the accumulated provision for depreciation.

Property, plant and equipment is comprised of the following major classes of assets:

($000)	2017	2016
Regulated segment		
Distribution, transmission and storage	219,477	214,660
General, miscellaneous and intangibles	23,578	23,145
Construction work in progress	3,902	1,422
Total regulated segment	246,957	239,227
Non-regulated segment	2,654	2,607
Total property, plant and equipment	249,611	241,834

All expenditures for maintenance and repairs of units of property are charged to the appropriate maintenance expense accounts in the month incurred.

We determine the provision for depreciation using the straight-line method and by the application of rates to various classes of utility plant. The rates are based upon the estimated service lives of the properties and were equivalent to composite rates of 2.7% of average depreciable plant for 2017, and 2.8% for 2016 and 2015.

As approved by the Kentucky Public Service Commission, we accrue asset removal costs for certain types of property through depreciation expense with a corresponding increase to regulatory liabilities on the Consolidated Balance Sheets. When this depreciable utility plant and equipment is retired any related removal costs incurred are charged against the regulatory liability.

Our pipe replacement program tariff allows us to adjust our regulated rates annually to earn a return on capital incurred subsequent to our last rate case which are associated with the replacement of pipe and related facilities. The pipe replacement program is designed to additionally recover the costs associated with the mandatory retirement or relocation of facilities.

Impairment of Long-Lived Assets

We evaluate long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for an impairment loss if the carrying value is greater than the fair value. In the opinion of management, our long-lived assets are appropriately valued in the accompanying consolidated financial statements. There were no impairments of long-lived assets during 2017, 2016 or 2015.

Natural Gas In Storage

We operate a natural gas underground storage field that we utilize to inject and store natural gas during the non-heating season, and we then withdraw natural gas during the heating season to meet our customers' needs. The potential exists for differences between actual volumes stored versus our perpetual records primarily due to differences in measurement of injections and withdrawals or the risks of natural gas escaping from the field. We periodically analyze the volumes, pressure and other data relating to the storage field in order to substantiate the natural gas inventory carried in our perpetual inventory records. The periodic analysis of the storage field data utilizes trends in the underlying data and can require multiple periods of observation to determine if differences exist. The analysis can result in adjustments to our perpetual inventory records. The natural gas in storage inventory is recorded at average cost.

Regulated Revenues

We bill our regulated sales of natural gas at tariff rates approved by the Kentucky Public Service Commission. Our customers are billed on a monthly basis; however, the billing cycle for certain classes of customers do not necessarily coincide with the calendar month-end. For these customers, we apply the unbilled method of accounting, where we estimate and accrue revenues applicable to customers, but not yet billed. The related natural gas costs are charged to expense. At the end of each month, natural gas service which has been rendered from the date the customer's meter was last read to the month-end is unbilled. Unbilled revenues are included in accounts receivable and unbilled natural gas costs are included in deferred natural gas costs on the accompanying Consolidated Balance Sheets. Unbilled amounts include the following:

(000)	2017	2016
Unbilled revenues ($)	1,653	1,452
Unbilled natural gas costs ($)	445	319
Unbilled volumes (Mcf)	70	63

We record on-system transportation services in the period in which we transport natural gas to the end-use customer within our system. On-system transportation customers receive their natural gas supply from third-party shippers delivering natural gas into Delta's system. We bill on-system transportation services at tariff rates, as approved by the Kentucky Public Service Commission, which include both fixed monthly charges and volumetric rates. Delta Resources utilizes Delta's on-system transportation service and Delta recognizes revenue from Delta Resources at tariff rates, which eliminates upon consolidation.

We record off-system transportation services in the period in which we transport natural gas to an interstate pipeline on behalf of third-party shippers delivering natural gas into Delta's system. We bill off-system transportation services at tariff rates, as approved by the Kentucky Public Service Commission, which are volumetric rates. Delgasco utilizes Delta's off-system transportation service and Delta recognizes revenue from Delgasco at tariff rates, which eliminates upon consolidation.

The daily volumes of natural gas delivered from third-party shippers supplying our transportation customers rarely equal the daily volumes billed to our customers, resulting in periodic transportation imbalances. These imbalances are short-term in duration, and Delta monitors the activity and regularly notifies the shippers when they have an imbalance. Transportation imbalances in turn create imbalances of the natural gas supply on Delta's system, thus requiring Delta to purchase either more or less volumes of natural gas to meet our customers' natural gas requirements, and they are included on the Consolidated Balance Sheets in either accounts payable or prepayments, respectively. Consistent with the regulatory treatment for our natural gas cost recovery tariff (as further discussed in Note 14 of the Notes to Consolidated Financial Statements), imbalances do not impact our results of operations, as the net impact of the imbalances offset against the regulatory asset/liability related to our natural gas cost recovery tariff.

Non-Regulated Revenues

Delta Resources enters into contracts whereby it is obligated to supply one-hundred percent of its customers' natural gas requirements at either fixed or index-based rates. Delta Resources recognizes revenue in the period in which actual metered volumes are delivered to the customer. Delta Resources utilizes Delta's on-system transportation service and records such transportation expenses at tariff rates that eliminate upon consolidation.

Delgasco enters into contracts to deliver fixed quantities of natural gas to its customers at either fixed or index-based rates. Delgasco recognizes revenue based upon the period in which the customer takes possession of the natural gas. Delgasco utilizes Delta's off-system transportation service and records such transportation expenses at tariff rates that eliminate upon consolidation.

Enpro produces natural gas which supplies a portion of Delgasco's natural gas requirements and recognizes the sale of natural gas in the period in which Delgasco takes possession of the natural gas. Revenues and related natural gas costs between Enpro and Delgasco are both within the non-regulated segment and eliminate upon consolidation.

We recognize revenue from natural gas liquids in the period in which the customer takes possession of the natural gas liquids. Factors that affect revenue from the sale of natural gas liquids include the hydrocarbon content of the liquids, the market price for natural gas liquids and the volumes of natural gas liquids sold.

Regulated Purchased Natural Gas Expense

Our regulated natural gas rates include a natural gas cost recovery tariff approved by the Kentucky Public Service Commission which provides for a dollar-tracker that matches revenues and natural gas costs and provides eventual dollar-for-dollar recovery of all natural gas costs incurred by the regulated segment and recovery of the uncollectible natural gas cost portion of bad debt expense. We expense natural gas costs based on the amount of natural gas costs recovered through revenue. Any differences between actual natural gas costs and those natural gas costs billed are deferred and reflected in the computation of future billings to customers using the natural gas cost recovery mechanism.

Excise Taxes

Delta collects certain excise taxes levied by state or local governments from our customers. These taxes are accounted for on a net basis and therefore are not included as revenues in the accompanying Consolidated Statements of Income.

Accounts Receivable / Allowance for Doubtful Accounts

We record an allowance for doubtful accounts to reflect the expected net realizable value of accounts receivable. Accounts receivable are charged off when deemed to be uncollectible or when turned over to a collection agency to pursue.

Rate Regulated Basis of Accounting

We account for our regulated segment in accordance with applicable regulatory guidance. The economic effects of regulation can result in a regulated company recovering costs from customers in a period different from the period in which the costs would be charged to expense by an non-regulated enterprise. When this results, costs are deferred as assets on the Consolidated Balance Sheets ("regulatory assets") and recorded as expenses when such amounts are reflected in rates. Additionally, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for current collection in rates of costs that are expected to be incurred in the future ("regulatory liabilities"). The amounts recorded as regulatory assets and regulatory liabilities are as follows:

($000)	2017	2016
Regulatory assets		
Current assets		
Deferred natural gas costs	2,098	674
Other assets		
Conservation/efficiency program expenses	258	243
Loss on extinguishment of debt	2,468	2,689
Asset retirement obligations	5,640	5,121
Accrued pension	7,069	10,828
Total other assets	15,435	18,881
Total regulatory assets	17,533	19,555
Regulatory liabilities		
Long-term liabilities		
Accrued cost of removal on long-lived assets	549	487
Regulatory liability for deferred income taxes	586	651
Total regulatory liabilities	1,135	1,138

All of our regulatory assets and liabilities have been approved for recovery by the Kentucky Public Service Commission and are currently being recovered or refunded through our regulated natural gas rates. In addition, the unrecovered balance of the loss on extinguishment of debt is included in rate base and, therefore, earns a return. The weighted average recovery period of the other regulatory assets which are not earning a return is 28 years.

Derivatives

Certain of our natural gas purchase and sale contracts qualify as derivatives. All such contracts have been designated as normal purchases and sales and as such are accounted for under the accrual basis and are not recorded at fair value in the accompanying consolidated financial statements.

Marketable Securities

We have a supplemental retirement benefit agreement with Glenn R. Jennings, our Chairman of the Board, President and Chief Executive Officer, that is a non-qualified deferred compensation plan. The agreement establishes an irrevocable rabbi trust, in which the assets of the trust are earmarked to pay benefits under the agreement. We have recognized a liability related to the obligation to pay these benefits to Mr. Jennings. We make discretionary contributions to the trust in order to fund the related deferred compensation liability.

The assets of the trust consist of exchange traded securities and exchange traded mutual funds and are classified as trading securities. The assets are recorded at fair value on the Consolidated Balance Sheets based on observable market prices from active markets. Net realized and unrealized gains and losses are included in earnings each period to effectively offset the corresponding earnings impact associated with the change in the fair value of the deferred compensation liability to which the assets relate.

Fair Value

Fair value is defined as the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. Fair value focuses on an exit price, which is the price that would be received by us to sell an asset or paid to transfer a liability versus an entry price, which would be the price paid to acquire an asset or received to assume a liability.

We determine fair value based on the following fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

- Level 1 - Observable inputs consisting of quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs which require the reporting entity to develop its own assumptions.

Although accounting standards permit entities to elect to measure many financial instruments and certain other items at fair value, we do not currently have any financial assets or financial liabilities for which this provision has been elected. However, in the future, we may elect to measure certain financial instruments at fair value in accordance with these standards.

(2) Accounting Pronouncements

Recently Issued Pronouncements

In May, 2014, the Financial Accounting Standards Board issued guidance revising the principles and standards for revenue recognition. The guidance creates a framework for recognizing revenue to improve comparability of revenue recognition practices across entities and industries focusing on when a customer obtains control of goods or services, rather than the current risks and rewards model of recognition. The core principle of the new standard is that an entity recognizes revenue when it transfers goods or services to its customers in an amount that reflects the consideration an entity expects to be entitled to for those goods or services. The new disclosure requirements include information intended to communicate the nature, amount, timing and any uncertainty of revenue and cash flows from applicable contracts, including any significant judgments. Entities will generally be required to make more estimates and use more judgment under the new standard. The guidance is effective for our quarter ending September 30, 2018.

As of June 30, 2017, we are evaluating our sources of revenue and are assessing the effect that the new guidance will have on our financial position, results of operations and cash flows. The conclusion of our assessment is contingent, in part, upon the completion of deliberations currently in progress by our industry, notably in connection with efforts to produce an accounting guide intended to be developed by the American Institute of Certified Public Accountants. In association with this undertaking, the American Institute of Certified Public Accountants formed a number of industry task forces, including a Power & Utilities Task Force ("Task Force").

Currently, the industry is working with the Task Force to address several items including 1) the evaluation of collectability from customers if a utility has regulatory mechanisms to help assure recovery of uncollected accounts from ratepayers; 2) the accounting for funds received from third parties to partially or fully reimburse the cost of construction of an asset and 3) the accounting for alternative revenue programs, such as performance-based ratemaking. Existing alternative revenue program guidance, though excluded by the Financial Accounting Standards Board in updating specific guidance associated with revenue from contracts with customers, was continued without substantial modification. It will require separate presentation of such revenues (subject to the above-noted deliberations) in the statement of comprehensive income, effective at the same time that updated guidance associated with revenue from contracts with customers becomes effective.

Currently, a timeline for the resolution of these deliberations has not been established. Additionally, we are actively working with our peers in the rate-regulated natural gas industry to determine the accounting treatment for several other issues that are not expected to be addressed by the Task Force. Given the uncertainty with respect to the conclusions that might arise from these deliberations, we are currently unable to determine the effect the new guidance will have on our financial position, results of operations, cash flows, internal controls or the transition method we will utilize to adopt the new guidance.

In July, 2015, the Financial Accounting Standards Board issued guidance simplifying the measurement of inventory. The guidance requires inventory to be measured at the lower of cost or net realizable value. The guidance, effective for our quarter ending September 30, 2017, is not expected to have a material impact on our results of operations, financial position and cash flows.

In January, 2016, the Financial Accounting Standards Board issued guidance to improve the recognition, measurement, presentation and disclosure of financial instruments. The improvements include guidance on estimating fair value for financial instruments measured at amortized cost on the balance sheet, the classification of financial assets and liabilities on the balance sheet and reduced disclosure for the fair value of financial instruments recognized on the balance sheet at amortized cost. The guidance, effective for our quarter ending September 30, 2018, is not expected to have a material impact on our results of operations, financial position, cash flows and disclosures.

In February, 2016, the Financial Accounting Standards Board issued guidance revising the principles and standards for recognizing leases. The guidance requires a lessee to recognize on the statement of financial position a liability for the lease payments and a right-of-use asset representing the lessee's right to use the underlying asset for the lease term. The recognition and measurement of lease expenses have not significantly changed from previous guidance. The guidance is effective for our quarter ending September 30, 2018 and we are evaluating the impact the guidance is expected to have on our results of operations, financial position, cash flows and disclosures.

In March, 2017, the Financial Accounting Standards Board issued guidance to improve the recognition and presentation of net periodic pension cost. The guidance requires employers who sponsor defined benefit pension plans to disaggregate the service cost component of net periodic benefit cost from the other components of net periodic benefit cost in the income statement. The guidance also allows only the service cost component to be eligible for capitalization, which is a departure from current accounting guidance where all components of net periodic benefit cost are eligible for capitalization. The guidance is effective for our quarter ending September 30, 2018 and we are evaluating the impact the guidance is expected to have on our results of operations, financial position, cash flows, disclosures and internal controls.

Recently Adopted Pronouncements

In March, 2016, the Financial Accounting Standards Board issued guidance simplifying the accounting and disclosure requirements for share-based compensation, including income tax consequences, classification of the awards as equity or liability and classification on the statement of cash flows. The guidance is effective for our quarter ending September 30, 2017; however, we have elected early adoption.

The guidance changed the accounting for excess tax benefits and deficiencies, where previously the difference in compensation cost recognized for financial reporting purposes versus the deduction on the corporate tax return was recognized as additional paid-in capital to the extent the cumulative tax benefits exceeded tax deficiencies. Effective July 1, 2016, on a prospective basis, we began recognizing the effect of vested awards as discrete items in the period in which they occur with excess tax benefits and deficiencies recognized in the Consolidated Statements of Income as an adjustment to income tax expense. We do not have any previously unrecognized excess tax benefits which require a cumulative effect adjustment upon adoption. The guidance also requires the classification of excess tax benefits and deficiencies as an operating activity on the Consolidated Statements of Cash Flows, which has been adopted retrospectively and resulted in an immaterial reclassification between financing activities and operating activities on the Consolidated Statements of Cash Flows.

Entities may elect an accounting policy for forfeitures where they can either continue the current method of recognizing forfeitures based on the number of awards expected to vest or as forfeitures occur. We have elected to recognize forfeitures as they occur. The adoption of this accounting policy did not result in a cumulative effect adjustment.

The threshold increased for an award to qualify for equity classification where shares are redeemed to meet statutory withholding obligations. Shares can now be redeemed up to the maximum statutory tax rates in the applicable jurisdiction, rather than the minimum statutory tax rates. The adoption of this guidance did not result in a change in classification of the award requiring a cumulative effect adjustment.

(3) Fair Value Measurements

Our financial assets and liabilities measured at fair value on a recurring basis consist of the assets of our supplemental retirement benefit trust, which are included in other non-current assets on the Consolidated Balance Sheets. Contributions to the trust are presented in other investing activities on the Consolidated Statements of Cash Flows. The assets of the trust consist of exchange traded securities and exchange traded mutual funds. The securities and mutual funds are recorded at fair value using observable market prices from active markets, which are categorized as Level 1 in the fair value hierarchy. The trust assets are as follows:

($000)	2017	2016
Money market	48	44
U.S. equity securities	539	435
Foreign equity funds	246	168
U.S. fixed income funds	269	223
Foreign fixed income funds	23	19
Absolute return strategy mutual funds	94	145
Total trust assets	1,219	1,034

The carrying amounts of our other financial instruments including cash equivalents, accounts receivable, notes receivable and accounts payable approximate their fair value. The fair value of the assets in our defined benefit retirement plan are disclosed in Note 6 of the Notes to Consolidated Financial Statements.

Our Series A Notes, presented as current portion of long-term debt and long-term debt on the Consolidated Balance Sheets, are stated at historical cost, net of unamortized debt issuance costs. The fair value of our long-term debt is based on the expected future cash flows of the debt discounted using a credit adjusted risk-free rate. The credit adjusted risk-free rate for our 4.26% Series A Notes is the estimated cost to borrow a debt instrument with the same terms from a private lender at the measurement date. The fair value of our long-term debt is categorized as Level 3 in the fair value hierarchy.

	2017		2016	
($000)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
4.26% Series A Notes	50,429	52,978	51,923	55,324

(4) Asset Retirement Obligations

Legal obligations

As of June 30, 2017 and 2016, we have accrued liabilities and related assets, net of accumulated depreciation, relative to the legal obligation to retire certain natural gas wells, storage tanks, mains and services. For asset retirement obligations related to regulated assets, accretion of the liability and depreciation of the asset retirement costs are recorded as regulatory assets, pursuant to regulatory accounting standards, as we recover the cost of removing our regulated assets through our depreciation rates.

The following is a summary of our asset retirement obligations as shown on the accompanying Consolidated Balance Sheets:

($000)	2017	2016
Balance, beginning of year	3,918	3,796
Liabilities incurred	38	28
Liabilities settled	(357)	(266)
Accretion	280	271
Revisions in estimated cash flows	152	89
Balance, end of year	4,031	3,918

We have an additional asset retirement obligation related to the retirement of wells located at our underground natural gas storage facility. Since we expect to utilize the storage facility as long as we provide natural gas to our customers, we have determined the underlying asset has an indeterminate life. Therefore, we have not recorded a liability associated with the cost to retire the wells.

Non-legal obligations

In accordance with established regulatory practices, we accrue costs of removal on long-lived assets through depreciation expense to the extent recovery of such costs is granted by the Kentucky Public Service Commission even though such costs do not represent legal obligations. In accordance with regulatory accounting standards, $549,000 and $487,000 of such accrued cost of removal was recorded as a regulatory liability on the accompanying Consolidated Balance Sheets as of June 30, 2017 and 2016, respectively.

(5) Income Taxes

We provide for income taxes on temporary differences resulting from the use of alternative methods of income and expense recognition for financial and tax reporting purposes. The differences result primarily from the use of accelerated tax depreciation methods for certain properties versus the straight-line depreciation method for financial reporting purposes, differences in capitalization thresholds for tax reporting purposes versus financial reporting purposes, differences in recognition of purchased natural gas costs and certain accruals which are not currently deductible for income tax purposes. We utilize the asset and liability method for accounting for income taxes, which requires that deferred income tax assets and liabilities be computed using tax rates that will be in effect when the book and tax temporary differences reverse. Changes in tax rates applied to accumulated deferred income taxes are not immediately recognized in operating results because of ratemaking treatment. A regulatory liability has been established to recognize the regulatory obligation to refund these excess deferred taxes through customer rates. The net deferred income tax liability is presented as non-current in deferred income taxes on the accompanying Consolidated Balance Sheets. The temporary differences which gave rise to the net accumulated deferred income tax liability for the periods are as follows:

($000)	2017	2016
Deferred Tax Liabilities		
Deferred natural gas cost	(796)	(256)
Prepaid expenses	(339)	(392)
Accelerated depreciation	(39,603)	(38,862)
Prepaid pension	(982)	—
Regulatory assets - asset retirement obligations	(1,078)	(981)
Regulatory assets - loss on extinguishment of debt	(937)	(1,021)
Regulatory assets - unrecognized accrued pension	(2,684)	(4,110)
Regulatory liabilities	(837)	(837)
Other	(1,082)	(1,084)
Total deferred tax liabilities	(48,338)	(47,543)
Deferred Tax Assets		
Bad debt reserve	65	114
Accrued pension	—	516
Accrued employee benefits	783	875
Asset retirement obligations	1,468	1,425
Regulatory liabilities	1,060	1,084
Section 263(a) capitalized costs	58	32
Other	89	92
Total deferred tax assets	3,523	4,138
Net accumulated deferred income tax liability	(44,815)	(43,405)

The components of the income tax provision are comprised of the following for the years ended June 30:

($000)	2017	2016	2015
Current			
Federal	1,605	1,817	1,950
State	279	366	493
Total	1,884	2,183	2,443
Deferred	1,347	1,194	1,449
Income tax expense	3,231	3,377	3,892

Reconciliation of the statutory federal income tax rate to the effective income tax rate is shown in the table below:

(%)	2017	2016	2015
Statutory federal income tax rate	34.0	34.0	34.0
State income taxes, net of federal benefit	4.0	4.0	4.0
Amortization of investment tax credits	—	(0.1)	(0.1)
Other differences, net	(1.1)	—	(0.4)
Effective income tax rate	36.9	37.9	37.5

We recognize the income tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The liability for unrecognized tax benefits expected to be recognized within the next twelve months has partially offset our prepaid income taxes and been presented in prepayments on the Consolidated Balance Sheets. The liability for unrecognized tax benefits not expected to be recognized within the next twelve months has been presented in other long-term liabilities on the Consolidated Balance Sheets. Interest and penalties on tax uncertainties are classified in income tax expense in the Consolidated Statements of Income.

As of June 30, 2017 and 2016, we did not have any unrecognized tax positions, which, if recognized, would impact the effective tax rate.

We file income tax returns in federal and Kentucky jurisdictions. Tax years previous to June 30, 2014 and June 30, 2013 are no longer subject to examination for federal and Kentucky income taxes, respectively.

(6) Employee Benefit Plans

Defined Benefit Retirement Plan

We have a trusteed, noncontributory, defined benefit retirement plan covering all eligible employees hired prior to May 9, 2008. Retirement income is based on the number of years of service and annual rates of compensation. The Company has historically made annual contributions to fund the plan adequately.

Generally accepted accounting principles ("GAAP") require employers who sponsor defined benefit retirement plans to recognize the funded status of a defined benefit retirement plan on the balance sheet and to recognize through comprehensive income the changes in the funded status in the year in which the changes occur. However, regulatory accounting standards provide that regulated entities can defer recoverable costs that would otherwise be charged to expense or equity by non-regulated entities. Current cost-of-service ratemaking in Kentucky allows recovery of net periodic benefit cost as determined under GAAP. The Kentucky Public Service Commission has been clear and consistent with its historical treatment of such rate recovery; therefore, we have recorded a regulatory asset representing the probable recovery of the portion of the change in funded status of the defined benefit retirement plan that is expected to be recognized in future net periodic benefit cost. The regulatory asset is adjusted annually as prior service cost and actuarial losses are recognized in net periodic benefit cost.

Our obligations and the funded status of our plan, measured at June 30, 2017 and 2016, respectively, are as follows:

($000)	2017	2016
Change in Benefit Obligation		
Benefit obligation at beginning of year	31,572	28,838
Service cost	1,021	1,004
Interest cost	1,053	1,157
Actuarial (gain) loss	(1,317)	1,517
Benefits paid	(721)	(944)
Benefit obligation at end of year	31,608	31,572
Change in Plan Assets		
Fair value of plan assets at beginning of year	29,738	30,984
Actual return on plan assets	3,205	(802)
Employer contributions	1,500	500
Benefits paid	(721)	(944)
Fair value of plan assets at end of year	33,722	29,738
Recognized Amounts		
Projected benefit obligation	(31,608)	(31,572)
Plan assets at fair value	33,722	29,738
Funded status	2,114	(1,834)
Net amount recognized as prepaid (accrued) pension on the Consolidated Balance Sheets	2,114	(1,834)
Items Not Yet Recognized as a Component of Net Periodic Benefit Cost		
Prior service cost	(57)	(144)
Accumulated net losses	7,126	10,972
Amounts recognized as regulatory assets	7,069	10,828

The accumulated benefit obligation was $28,320,000 and $28,124,000 for 2017 and 2016, respectively.

($000)	2017	2016	2015
Components of Net Periodic Benefit Cost			
Service cost	1,021	1,004	990
Interest cost	1,053	1,157	1,056
Expected return on plan assets	(1,623)	(1,636)	(1,711)
Amortization of unrecognized net loss	947	373	244
Amortization of prior service cost	(86)	(86)	(86)
Net periodic benefit cost	1,312	812	493

(%)			
Weighted-Average Assumptions Used to Determine Benefit Obligations			
Discount rate	3.75	3.50	4.25
Rate of compensation increase	4.0	4.0	4.0
Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost			
Discount rate	3.5	4.25	4.25
Expected long-term return on plan assets	5.5	5.5	6.0
Rate of compensation increase	4.0	4.0	4.0

Plan Assets

Our target investment allocations have been developed using an asset allocation model which weighs risk versus return of various investment indices to create a target asset allocation to maximize return subject to a moderate amount of portfolio risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolios contain a diversified blend of equity and fixed income investments. Our target investment allocations are approximately 65% equity investments and 35% fixed income investments. Our equity investment target allocations are heavily weighted toward domestic equity securities, with allocations to domestic real estate securities and foreign equity securities for the purposes of diversification. Fixed income securities primarily include U.S. government obligations and corporate debt securities. For additional diversification, we invest in absolute return strategy mutual funds, which include both equity and fixed income securities, with the objective of providing a return greater than inflation. The plan has amended its investment policy to allow for liability driven investments which, over time, will match a portion of the plan's liability with the underlying assets. We regularly review our asset allocation and periodically rebalance our investments to our targeted allocations as appropriate.

The assets of the plan are comprised of investments in individual securities and mutual funds.

(%)	Target Allocations	Actual Allocations 2017	2016
Asset Class			
Cash and cash equivalents	3	4	3
Equity Securities			
U.S. equity securities	44	34	35
Foreign equity securities	21	17	17
	65	51	52
Fixed Income Securities			
U. S. fixed income security	13	23	21
Foreign fixed income security	2	4	2
	15	27	23
Other Securities			
Absolute return strategy mutual funds	7	10	14
Real estate investment trusts	10	8	8
	17	18	22
	100	100	100

Individual exchange traded equity securities, exchange traded mutual funds and treasury securities are categorized as Level 1 in the fair value hierarchy as the fair value of the investments is determined based on the quoted market price of each investment. Mutual funds are categorized based on their primary investment strategy. The respective level within the fair value hierarchy is determined as described in Note 1 of the Notes to Consolidated Financial Statements. Corporate bonds, municipal bonds and U.S. agency securities are valued based on a calculation using interest rate curves and credit spreads applied to the terms of the debt (maturity and coupon rate) supported by observable transactions and are categorized as Level 2 in the fair value hierarchy. The following represents the fair value of the plan assets:

($000)	2017	Level 1	Level 2	Level 3
Asset Class				
Cash	1,169	1,169	—	—
Equity Securities				
U.S. equity securities	11,293	11,293	—	—
Foreign equity securities	5,658	5,658	—	—
	16,951	16,951	—	—
Fixed Income Securities				
U.S. treasury securities	1,301	1,301	—	—
U.S. corporate bonds	1,664	—	1,664	—
High yield funds	4,418	4,418	—	—
Foreign bond funds	1,326	1,326	—	—
Other	636	—	636	—
	9,345	7,045	2,300	—
Other				
Absolute return strategy mutual funds	3,517	3,517	—	—
Real estate investment trusts and master-limited partnerships	2,740	2,153	587	—
	6,257	5,670	587	—
Total investments at fair value	33,722	30,835	2,887	—

($000)	2016	Level 1	Level 2	Level 3
Asset Class				
Cash	807	807	—	—
Equity Securities				
U.S. equity securities	10,355	10,355	—	—
Foreign equity securities	4,952	4,952	—	—
	15,307	15,307	—	—
Fixed Income Securities				
U.S. treasury securities	387	387	—	—
U.S. corporate bonds	990	—	990	—
High yield funds	4,397	4,397	—	—
Foreign bond funds	624	624	—	—
Other	680	—	680	—
	7,078	5,408	1,670	—
Other				
Absolute return strategy mutual funds	4,300	4,300	—	—
Real estate investment trusts and master-limited partnerships	2,246	2,084	162	—
	6,546	6,384	162	—
Total investments at fair value	29,738	27,906	1,832	—

We determined the expected long-term rate of return for plan assets with input from plan actuaries and investment consultants based upon many factors including asset allocations, historical asset returns and expected future market conditions. The discount rates used by the Company for valuing pension liabilities are based on a review of high-quality corporate bond yields with maturities approximating the remaining life of the projected benefit obligations.

We made $1,500,000 in discretionary contributions to the defined benefit retirement plan in fiscal 2017. In August, 2017, we made a $500,000 discretionary contribution to the defined benefit retirement plan.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

($000)	
2018	3,211
2019	1,699
2020	1,281
2021	1,176
2022	1,375
2023 - 2027	9,035

Effective May 9, 2008, any employees hired on and after that date were not eligible to participate in our defined benefit retirement plan. Freezing the defined benefit retirement plan for new entrants did not impact the level of benefits for existing participants.

We do not provide postretirement or postemployment benefits other than the defined benefit retirement plan for retired employees and the supplemental retirement agreement described below.

Employee Savings Plan

We have an employee savings plan under which eligible employees may elect to contribute a portion of their annual compensation up to the maximum amount permitted by law. The Company matches 100% of the employee's contribution up to a maximum company contribution of 4% of the employee's annual compensation. Employees hired after May 9, 2008, who are not eligible to participate in the defined benefit retirement plan, annually receive an additional 4% non-elective contribution into their employee savings plan account. Company contributions are discretionary and subject to change with approval from our Board of Directors. For 2017, 2016 and 2015, our employee savings plan expense was $396,000, $379,000 and $359,000, respectively.

Supplemental Retirement Agreement

We sponsor a nonqualified defined contribution supplemental retirement agreement for Glenn R. Jennings, Delta's Chairman of the Board, President and Chief Executive Officer. Delta makes discretionary contributions into an irrevocable trust until Mr. Jennings' retirement. At retirement, the trustee will make annual payments of $100,000 to Mr. Jennings until the trust is depleted. For 2017, 2016 and 2015, Delta contributed $60,000 each year to the trust. As of June 30, 2017 and 2016, the irrevocable trust assets are $1,219,000 and $1,034,000, respectively. These amounts are included in other non-current assets on the accompanying Consolidated Balance Sheets. Liabilities, in corresponding amounts, are included in other long-term liabilities on the accompanying Consolidated Balance Sheets.

(7) Dividend Reinvestment and Stock Purchase Plan

Our Dividend Reinvestment and Stock Purchase Plan (“Reinvestment Plan”) provides that shareholders of record can reinvest dividends and also make limited additional investments of up to $50,000 per year in shares of common stock of the Company. Under the Reinvestment Plan we issued 22,682, 28,437 and 26,412 shares in 2017, 2016 and 2015, respectively. We registered 400,000 shares for issuance under the Reinvestment Plan in 2006, and as of June 30, 2017 there were approximately 15,000 shares available for issuance. The Reinvestment Plan was terminated effective June 30, 2017.

(8) Risk Management and Derivative Instruments

To varying degrees, our regulated and non-regulated segments are exposed to commodity price risk. We purchase our natural gas supply through a combination of requirements contracts with no minimum purchase obligations, monthly spot purchase contracts and forward purchase contracts. We mitigate price risk related to the sale of natural gas by efforts to balance supply and demand. For our regulated segment, we utilize requirements contracts, spot purchase contracts and our underground storage to meet our regulated customers' natural gas requirements, all of which have minimal price risk because we are permitted to pass these natural gas costs on to our regulated customers through our natural gas cost recovery tariff. None of our natural gas contracts are accounted for using the fair value method of accounting. While some of our natural gas purchase contracts and natural gas sales contracts meet the definition of a derivative, we have designated these contracts as normal purchases and normal sales.

(9) Notes Payable

The current bank line of credit with Branch Banking and Trust Company permits borrowings up to $40,000,000, all of which was available as of June 30, 2017 and June 30, 2016. During 2017 and 2016, we did not have any borrowing on our bank line of credit. The bank line of credit extends through June 30, 2019, but will be terminated upon the closing of the Merger. The interest rate on the used line of credit is the London Interbank Offered Rate plus 1.075%. The annual cost of the unused bank line of credit is 0.125%. Our most restrictive covenants are discussed in Note 10 of the Notes to Consolidated Financial Statements.

(10) Long-Term Debt

Our Series A Notes are unsecured, bear interest at a rate of 4.26% per annum, which is payable quarterly, and mature on December 20, 2031. We are required to make an annual $1,500,000 principal payment on the Series A Notes each December. The following table summarizes the contractual maturities of our Series A Notes by fiscal year:

($000)	
2018	1,500
2019	1,500
2020	1,500
2021	1,500
Thereafter	44,500
Total maturing debt	50,500

Any additional prepayment of principal by the Company may be subject to a prepayment premium which varies depending on the yields of United States Treasury securities with a maturity equal to the remaining average life of the Series A Notes.

We amortize debt issuance expenses over the life of the related debt using the effective interest method. As of June 30, 2017 and 2016, $71,000 and $77,000 of debt issuance costs, respectively, were reflected as an adjustment to the carrying amount of our long-term debt on the accompanying Consolidated Balance Sheets. As of June 30, 2017 and 2016, we had a loss on extinguishment of debt of $2,468,000 and $2,689,000, respectively, which has been deferred as a regulatory asset and is being amortized over the term of the debt, as further discussed in Note 1 of the Notes to Consolidated Financial Statements.

With our bank line of credit and Series A Notes, we have agreed to certain financial and other covenants. Noncompliance with these covenants can make the obligations immediately due and payable. Our financial covenants include covenants related to our tangible net worth, total debt to capitalization ratio and fixed charge ratio. Additionally, the Company may not pay aggregate dividends on its capital stock (plus amounts paid in redemption of its capital stock) in excess of the sum of $15,000,000 plus the Company's cumulative earnings after September 30, 2011 adjusted for certain unusual or non-recurring items. We believe we were in compliance with the financial covenants under our bank line of credit and 4.26% Series A Notes for all periods presented in the Consolidated Financial Statements.

Furthermore, the agreement governing our 4.26% Series A Notes contains a cross-default provision which provides that we will be in default under the 4.26% Series A Notes if we are in default on any other outstanding indebtedness that exceeds $2,500,000. Similarly, the loan agreement governing the bank line of credit contains a cross-default provision which provides that we will be in default under the bank line of credit if we are in default under our 4.26% Series A Notes and fail to cure the default within ten days of notice from the bank.

(11) Earnings per Share

The following table sets forth the computation of basic and diluted earnings per common share:

	2017	2016	2015
Numerator - Basic and Diluted ($000)			
Net income	5,516	5,529	6,496
Dividends declared	(7,394)	(5,822)	(5,640)
Undistributed earnings (loss) (a)	(1,878)	(293)	856
Allocated to common shares:			
Undistributed earnings (loss) (a)	(1,878)	(293)	851
Dividends declared (b)	7,391	5,798	5,609
Earnings allocated to common shares	5,513	5,505	6,460
Denominator - Basic and Diluted			
Weighted average common shares (c)	7,118,170	7,066,925	7,002,694
Earnings per Common Share - Basic and Diluted ($)	0.77	0.78	0.92

(a) Percentage allocated to common shares:

Weighted average:			
Common shares outstanding	7,118,170	7,066,925	7,002,694
Unvested participating shares outstanding (d)	—	—	45,500
Total	7,118,170	7,066,925	7,048,194
Percentage allocated to common shares	100.0%	100.0%	99.4%
Undistributed earnings (loss) ($000)	(1,878)	(293)	856
Allocated to common shares	(1,878)	(293)	851

(b) Represents dividends paid on common shares, exclusive of unvested participating shares.

(c) Under our Incentive Compensation Plan, recipients of performance share awards receive unvested non-participating shares, as further discussed in Note 16 of the Notes to Consolidated Financial Statements. Unvested non-participating shares become dilutive in the interim quarter-end in which the performance objective is met. If the performance objective continues to be met through the end of the performance period, these shares become unvested participating shares as of the fiscal year-end, as further discussed below in Note (c). The weighted average number of unvested non-participating shares outstanding during a period is included in the diluted earnings per common share calculation using the treasury stock method, unless the effect of including such shares would be antidilutive. There were no unvested non-participating shares outstanding as of June 30, 2017, 2016 and 2015.

(d) Certain awards under our shareholder approved incentive compensation plan, as further discussed in Note 16 of the Notes to Consolidated Financial Statements, provide the recipients of the awards all the rights of a shareholder of Delta including the right to dividends declared on common shares. Any unvested shares which are participating in dividends are considered participating securities and are included in our computation of basic and diluted earnings per share using the two-class method unless the effect of including such shares would be antidilutive. As of June 30, 2017 and 2016, there were 4,000 and 28,000 participating shares outstanding, respectively, which were excluded from the computation of earnings allocated to common shares, as the holders of the unvested participating shares do not have a contractual obligation to share in losses. There were no antidilutive shares in 2015. There were 4,000, 28,000 and 65,000 unvested participating shares outstanding as of June 30, 2017, 2016 and 2015, respectively.

(12) Operating Leases

We have no non-cancellable operating leases. Our operating leases relate primarily to well and compressor station site leases and are cancellable at our option. Rental expense under operating leases was $68,000, $78,000 and $69,000 for the years ended June 30, 2017, 2016 and 2015, respectively.

(13) Commitments and Contingencies

We have entered into an employment agreement with our Chairman of the Board, President and Chief Executive Officer and change in control agreements with our other four officers. The agreements expire or may be terminated at various times. The agreements provide for continuing monthly payments and the continuation of specified benefits over varying periods following defined changes in ownership of the Company if the officer is either terminated without cause during the term of the agreement or the officer terminates his employment because the officer cannot in good faith effectively carry out his duties. In the event all of these agreements were exercised in the form of lump sum payments, approximately $4.7 million of wages would be paid in addition to continuation of specified benefits for up to five years. Additionally, the agreements provide for a reimbursement of excise taxes levied on such payments and a gross-up of income taxes attributable to the reimbursement. If all agreements were exercised by the officers, based on the $30.50 per share price offered by PNG, approximately $14.7 million would be paid, which includes wages, benefits, unvested shares awarded under our Incentive Compensation Plan and any tax gross-ups.

Jacob Halberstam, et al v. Delta Natural Gas Company, Inc., et al. Clark Circuit Court, Kentucky. The plaintiff filed this complaint on April 13, 2017, on behalf of himself and all Delta shareholders against Delta, its directors and PNG and Merger Sub. The plaintiff alleges that the defendants breached fiduciary duties to the Delta shareholders and aided and abetted breaches of fiduciary duties in connection with the Merger Agreement, under the terms of which Delta would be merged with and into Merger Sub, with Delta being the surviving corporation and becoming a wholly owned subsidiary of PNG. The plaintiff seeks to enjoin the consummation of the proposed transaction or, if the proposed transaction is closed, damages from Delta's directors.

Paul Parshall, et al. v. Delta Natural Gas Company, Inc., et al, United States District Court for the Eastern District of Kentucky at Lexington. The plaintiff filed this complaint on April 28, 2017, on behalf of himself and all Delta shareholders against Delta, its directors, PNG, Merger Sub and SteelRiver Infrastructure Fund North America, LP. The plaintiff alleges that the defendants violated Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 in connection with the Merger Agreement. The complaint has been dismissed without prejudice.

Judy Cole, et al. v. Delta Natural Gas Company, Inc., et al. Clark Circuit Court, Kentucky. The plaintiff filed this complaint on May 5, 2017, on behalf of herself and all Delta shareholders against Delta and its directors. The plaintiff alleges that the defendants breached fiduciary duties to the Delta shareholders in connection with the Merger Agreement and the proxy statement sent to Delta shareholders describing the transaction. The plaintiff seeks to enjoin the consummation of the proposed transaction.

Counsel for Delta, counsel for PNG, Merger Sub and SteelRiver Infrastructure Fund North America, LP and counsel for the plaintiffs in the three lawsuits described above have entered a confidential memorandum of understanding dated May 25, 2017, under the terms of which the litigation will be settled, subject to court approval, with Delta making additional disclosures to its shareholders, which has been done. It is anticipated that the plaintiffs will seek an order from the Clark Circuit Court requiring Delta to pay attorneys' fees and expenses of the plaintiffs. The amount of the anticipated fee request and any amount of settlement is unknown. During 2017, no expense has been recognized related to the fee request or settlement in the Consolidated Statement of Income. Delta is insured for such litigation, subject to a $1 million deductible.

We are not a party to any other material pending legal proceedings that are expected to have a materially adverse impact on our liquidity, financial position or results of operations.

In connection with the Merger, we retained Tudor Pickering, Holt & Co. Advisors, LLC ("TPH") to act as financial advisors in connection with the transaction contemplated by the Merger Agreement and $1,853,000 is payable to TPH upon closing of the Merger. Additionally, upon closing of the Merger, Delta is required to purchase runoff insurance coverage for six years which will cost an estimated $158,000. During 2017, none of these amounts have been recognized as an expense in the Consolidated Statement of Income.

We have entered into forward purchase agreements for a portion of our non-regulated segment's natural gas purchases through June, 2019 . The agreements require us to purchase minimum amounts of natural gas throughout the term of the agreements.

The agreements are established in the normal course of business to ensure adequate natural gas supply to meet our non-regulated customers' natural gas requirements. The agreements have aggregate minimum purchase obligations of $350,000 and $199,000 for our fiscal years ending June 30, 2018 and 2019, respectively.

(14) Regulatory Matters

The Kentucky Public Service Commission exercises regulatory authority over our retail natural gas distribution and transportation services, which includes approval of our regulated rates and tariffs. We monitor our need to file requests with them for a general rate increase for our natural gas distribution and transportation services. The Kentucky Public Service Commission has historically utilized cost-of-service ratemaking where our base rates are established to recover normal operating expenses, exclusive of natural gas costs, and a reasonable rate of return on our rate base. Rate base consists primarily of our regulated segment's property, plant and equipment, natural gas in storage and unamortized debt expense offset by accumulated depreciation and certain deferred income taxes. Our regulated rates were most recently adjusted in our 2010 rate case and became effective in October, 2010. We do not have any matters before the Kentucky Public Service Commission which would have a material impact on our results of operations, financial position or cash flows.

Our pipe replacement program tariff allows us to adjust rates annually to earn a return on capital expenditures incurred subsequent to our last rate case which are associated with the replacement of pipe and related facilities. The pipe replacement program is designed to additionally recover the costs associated with the mandatory retirement or relocation of facilities.

Our natural gas cost recovery tariff permits us to adjust the rates charged to our customers to reflect changes in our natural gas supply costs and any bad debt expense related to natural gas cost. Although we are not required to file a general rate case to adjust rates pursuant to the natural gas cost recovery tariff, we are required to make quarterly filings with the Kentucky Public Service Commission. Under and over-recovered natural gas costs are collected or refunded through adjustments to customer bills beginning three months after the end of the quarter in which the actual natural gas costs were incurred.

Our weather normalization tariff provides for the adjustment of our rates to residential and small non-residential customers to reflect variations from thirty- year average weather for our December through April billing cycles. These adjustments to customer bills are made on a real time basis such that there is no lag in collecting from or refunding to customers the related dollar amounts.

Additionally, we have a conservation and efficiency program tariff for our residential customers, which allows us to adjust our rates for activities performed through the program. Through this program, we perform energy audits, promote conservation awareness and provide rebates on the purchase of certain high-efficiency appliances. The program helps to align our interests with our residential customers' interests by reimbursing us for the gross margins on lost sales due to operating the program and providing incentives for us to promote customer conservation. Our rates are adjusted annually to recover the costs incurred under these programs, the reimbursement of margins on lost sales and the incentives provided to us.

In addition to regulation by the Kentucky Public Service Commission, we may obtain non-exclusive franchises from the cities in which we operate authorizing us to place our facilities in the streets and public grounds. No utility may obtain a franchise until it has obtained approval from the Kentucky Public Service Commission to bid on such franchise. We hold franchises in seven of the cities we serve, and we continue to operate under the conditions of expired franchises in fifteen other cities we serve. In the other cities and areas we serve, the areas served do not have governmental organizations authorized to grant franchises or the city governments do not require a franchise. We attempt to acquire or reacquire franchises whenever feasible. Without a franchise, a city could require us to cease our occupation of the streets and public grounds or prohibit us from extending our facilities into any new area of that city. To date, the absence of a franchise has not adversely affected our operations.

On March 17, 2017, we and PNG filed a joint application with the Kentucky Public Service Commission seeking regulatory approval of the Merger, as further discussed in Note 18 of the Notes to Consolidated Financial Statements. On August 15, 2017, the Kentucky Public Service Commission issued an order granting unconditional approval of the Merger and we anticipate closing to occur by September 30, 2017.

(15) Segment Information

Our Company has two reportable segments: a regulated segment and a non-regulated segment. Our regulated segment includes our natural gas distribution and transportation services, which are regulated by the Kentucky Public Service Commission. Our non-regulated segment includes our natural gas marking activities and the sales of natural gas liquids. The non-regulated segment produces a portion of the natural gas it markets to its customers. The division of these segments into separate revenue generating components is based upon regulation, products and services. Both segments operate in the single geographic area of central and southeastern Kentucky. Our chief operating decision maker is our Chief Executive Officer. We evaluate performance based on net income of the respective segment.

In our non-regulated segment, two customers each provided more than 5% of our operating revenues for 2017. Our largest customer provided approximately $15,889,000, $11,555,000 and $17,852,000 of non-regulated revenues during 2017, 2016 and 2015, respectively. Our second largest customer provided approximately $4,744,000, $5,656,000 and $7,127,000 of non-regulated revenues during 2017, 2016 and 2015, respectively. There is no assurance that revenues from these customers will continue at these levels.

Our regulated segment purchased approximately 99% of its natural gas from CenterPoint Energy Services and Midwest Energy Services in 2017, 2016 and 2015.

Our non-regulated segment purchased approximately 95% of its natural gas from CenterPoint Energy Services and Midwest Energy Services in 2017. We purchased approximately 99% of our natural gas from CenterPoint Energy Services and Midwest Energy Services in 2016 and 2015.

The reportable segments follow the accounting policies as described in the Summary of Significant Accounting Policies in Note 1 of the Notes to Consolidated Financial Statements. Intersegment revenues and expenses represent the natural gas transportation costs from the regulated segment to the non-regulated segment at our tariff rates. Operating expenses, taxes and interest are allocated to the non-regulated segment.

Segment information is shown in the following table:

($000)	2017	2016	2015
Operating Revenues			
Regulated			
External customers	41,795	41,242	52,681
Intersegment	3,446	3,591	3,869
Total Regulated	45,241	44,833	56,550
Non-regulated			
External customers	27,045	22,888	33,507
Eliminations for intersegment	(3,446)	(3,591)	(3,869)
Total operating revenues	68,840	64,130	86,188
Operating Expenses			
Regulated			
Purchased natural gas	12,562	11,704	22,729
Depreciation and amortization	6,323	6,328	6,293
Other	18,240	16,033	15,819
Total regulated	37,125	34,065	44,841
Non-regulated			
Purchased natural gas	19,981	17,621	26,713
Depreciation and amortization	93	88	84
Other	4,084	4,513	5,455
Total non-regulated	24,158	22,222	32,252
Eliminations for intersegment	(3,446)	(3,591)	(3,869)
Total operating expenses	57,837	52,696	73,224
Other Income			
Regulated	206	4	25
Non-regulated	—	—	—
Total other income	206	4	25
Interest Charges			
Regulated	2,415	2,486	2,551
Non-regulated	47	45	50
Total interest charges	2,462	2,531	2,601
Income Tax Expense			
Regulated	2,153	3,238	3,553
Non-regulated	1,078	139	339
Total income tax expense	3,231	3,377	3,892
Net Income			
Regulated	3,754	4,982	5,748
Non-regulated	1,762	547	748
Total net income	5,516	5,529	6,496
Assets			
Regulated	184,843	185,634	183,482
Non-regulated	5,114	3,245	4,229
Total assets	189,957	188,879	187,711
Capital Expenditures			
Regulated	8,679	6,293	8,991
Non-regulated	47	10	20
Total capital expenditures	8,726	6,303	9,011

(16) Share-Based Compensation

We have a shareholder approved incentive compensation plan (the “Plan”) that provides for compensation payable in shares of our common stock. The Plan is administered by our Corporate Governance and Compensation Committee of our Board of Directors, which has complete discretion in determining our employees, officers and outside directors who shall be eligible to participate in the Plan, as well as the type, amount, terms and conditions of each award, subject to the limitations of the Plan.

The number of shares of our common stock that may be issued pursuant to the Plan may not exceed in the aggregate 1,000,000 shares. As of June 30, 2017, approximately 751,000 shares of common stock were available for issuance under the Plan, subject to the limitations imposed by our Corporate Governance Guidelines. Shares of common stock may be available from authorized but unissued shares, shares reacquired by us or shares that we purchase in the open market. Upon vesting, the Plan allows for withholding a number of shares equal in fair value to the taxes required to satisfy statutory withholding requirements. The following table sets forth the number of shares granted by fiscal year:

	2017		2016		2015	
	Shares	Grant Date Fair Value (000’s)	Shares	Grant Date Fair Value (000’s)	Shares	Grant Date Fair Value (000’s)
Stock Awards	9,600	$ 247	8,400	$ 169	22,000	443
Performance Shares	41,000	1,056	39,000	787	39,000	773
Total	50,600	$ 1,303	47,400	$ 956	61,000	1,216

Compensation expense for share-based compensation is recorded in the non-regulated segment in operation and maintenance expense in the Consolidated Statements of Income based on the fair value of the awards at the grant date and is amortized over the requisite service period. Fair value is the closing price of our common shares at the grant date. The grant date is the date at which our commitment to issue the share-based awards arises, which is generally when the award is approved and the terms of the awards are communicated to the employee or director. We initially recognize expense for our performance shares when it is probable that any stipulated performance criteria will be met. Forfeitures of awards are recognized as they occur. The following table sets forth our share-based compensation expense by fiscal year:

($000)	2017	2016	2015
Stock Awards	247	169	443
Performance Shares	45	283	652
Total	292	452	1,095

Stock Awards

In 2017, 2016 and 2015, common stock was awarded to Delta's outside directors as the equity component of their compensation and in 2015 common stock was additionally awarded to virtually all Delta employees. The recipients vested in the awards shortly after the awards were granted, but during the time between the grant dates and the vesting dates the shares awarded were not transferable by the holders. Once the shares were vested, the shares received under the stock awards were immediately transferable.

Performance Shares

In 2017, 2016 and 2015, performance shares were awarded to the Company's executive officers. The performance shares vest only if the performance objectives of the awards are met, which are based on the Company's earnings per common share for the fiscal year in which the performance shares are awarded, before any cash bonuses or share-based compensation. Upon satisfaction of the performance objectives, unvested shares are issued to the recipients and vest in one-third increments each August 31 subsequent to achieving the performance objectives as long as the recipients are employees throughout each such service period. Unvested shares of executive officers, while still employed by the Company, will fully vest upon them attaining the age of sixty-seven. The recipients of the awards also become vested as a result of certain events such as death or disability of the holders. The unvested shares have both dividend participation rights and voting rights during the remaining terms of the awards. Holders of performance shares may not sell, transfer or pledge their shares until the shares vest.

The performance objectives for the performance shares awarded in 2017 and 2016 were not satisfied and the awards were forfeited. Performance objectives for the performance shares awarded in 2015 were met and 4,000 of these shares remain unvested as of June 30, 2017. The Company will recognize the remaining $4,000 of expense associated with these shares in 2018.

Our performance shares have graded vesting schedules, and each separate annual vesting tranche is treated as a separate award for expense recognition. Compensation expense is amortized over the vesting period of the individual awards based on the probable outcome of meeting the performance objectives.

Since the performance condition has been satisfied for the shares granted in 2015, the holder of performance shares will have both dividend participation rights and voting rights during the remaining term of the awards. The holder becomes vested as a result of certain events such as death or disability of the holder. Subject to the satisfaction of the performance condition, the weighted average expected remaining vesting period at June 30, 2017 is 2 months.

The following summarizes the activity for performance shares:

	Performance shares	
	Number of shares	Weighted-average grant date fair value ($ per share)
Unvested shares at June 30, 2016	28,000	20.15
Granted (a)	41,000	25.75
Vested	(24,000)	20.21
Forfeited	(41,000)	25.75
Unvested shares at June 30, 2017	4,000	19.82

(a) Represents the maximum number of shares which could be issued based on achieving the performance criteria.

(17) Quarterly Financial Data (Unaudited)

The quarterly data reflects, in the opinion of management, all normal recurring adjustments necessary to present fairly the results for the interim periods.

($000, except per share amounts)

Quarter Ended	Operating Revenues	Operating Income (Loss)	Net Income (Loss)	Basic and Diluted Earnings (Loss) per Common Share
Fiscal 2017				
September 30	10,508	(260)	(458)	(.06)
December 31	18,937	4,534	2,444	.34
March 31	26,787	6,993	4,021	.56
June 30	12,608	(263)	(491)	(.07)
Fiscal 2016				
September 30	10,393	(133)	(524)	(.08)
December 31	16,673	3,478	1,803	.25
March 31	26,202	7,084	3,983	.56
June 30	10,861	1,004	267	.05

(18) Merger with PNG Companies, LLC

On February 20, 2017, we entered into a Merger Agreement with PNG and Drake Merger Sub Inc. ("Merger Sub"), a new wholly owned subsidiary of PNG. A special meeting of shareholders was held on June 1, 2017 where shareholders voted and approved the Merger and on August 15, 2017, the Kentucky Public Service Commission issued an order granting unconditional approval of the Merger. The Merger Agreement provides for the merger of Merger Sub with and into Delta, with Delta surviving as a wholly owned subsidiary of PNG. At the effective time of the Merger, subject to customary closing conditions, each share of Delta common stock issued and outstanding immediately prior to the closing will be converted automatically into the right to receive $30.50 in cash per share, without interest, less any applicable withholding taxes. Upon consummation of the Merger, Delta common stock will be delisted from NASDAQ and the bank line of credit will be terminated. We anticipate closing to occur by September 30, 2017.

Subsequent to closing of the Merger, a stub period dividend will be paid to Delta's shareholders of record immediately prior to closing which is a prorated quarterly dividend calculated in accordance with the terms of the Merger Agreement.

In connection with this transaction, in 2017 we incurred $1,612,000 of Merger-related expenses for costs paid to outside parties, which are reflected in operation and maintenance in the Consolidated Statement of Income. This amount does not include the cost of company personnel participating in Merger-related activities. Refer to Note 13 of the Notes to Consolidated Financial Statements for a discussion of litigation related to the Merger.

SCHEDULE II

DELTA NATURAL GAS COMPANY, INC.
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 2017, 2016 and 2015

Column A	Column B	Column C Additions		Column D Deductions	Column E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts - Recoveries	Amounts Charged Off Or Paid	Balance at End of Period
Deducted From the Asset to Which it Applies - Allowance for doubtful accounts for the years ended:					
June 30, 2017	$ 300,696	$ 1,240	$ 40,716	$ 170,861	$ 171,791
June 30, 2016	258,400	247,724	122,364	327,792	300,696
June 30, 2015	360,000	170,631	237,267	509,498	258,400

EXHIBIT 12

DELTA NATURAL GAS COMPANY, INC.
COMPUTATION OF THE CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES

	2017	2016	2015	2014	2013
Earnings					
Net income	$ 5,516,343	$ 5,529,378	$ 6,496,081	$ 8,275,128	$ 7,200,776
Provisions for income taxes (a)	3,230,613	3,377,481	3,892,215	4,858,586	4,268,784
Fixed charges	2,485,386	2,557,257	2,623,662	2,694,187	2,770,935
Total	$11,232,342	$11,464,116	$13,011,958	$15,827,901	$14,240,495
Fixed Charges					
Interest on debt (a)	$ 2,235,386	$ 2,297,757	$ 2,360,662	$ 2,424,587	$ 2,493,135
Amortization of debt expense	227,000	233,500	240,000	246,600	253,800
One third of rental expense	23,000	26,000	23,000	23,000	24,000
Total	$ 2,485,386	$ 2,557,257	$ 2,623,662	$ 2,694,187	$ 2,770,935
Ratio of earnings to fixed charges	4.52x	4.48x	4.96x	5.87x	5.14x

(a) Interest accrued on uncertain tax positions, in accordance with Accounting Standards Codification Topic 740 - Income Taxes, is presented in income taxes on the Consolidated Statements of Income. This interest has been excluded from the determination of fixed charges.

EXHIBIT 21

Subsidiaries of the Registrant

Delgasco, Inc., Enpro, Inc. and Delta Resources, Inc. are wholly-owned subsidiaries of the Registrant, are incorporated in the state of Kentucky and do business under their corporate names.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 333-130301 on Form S-3 of our reports dated September 1, 2017, relating to the consolidated financial statements and financial statement schedule of Delta Natural Gas Company, Inc. and subsidiaries ("the Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Delta Natural Gas Company, Inc. for the year ended June 30, 2017.

/s/ DELOITTE & TOUCHE LLP

Cincinnati, Ohio

September 1, 2017

EXHIBIT 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Glenn R. Jennings, certify that:

1. I have reviewed this annual report on Form 10-K of Delta Natural Gas Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: September 1, 2017

/s/Glenn R. Jennings

Glenn R. Jennings
Chairman of the Board, President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John B. Brown, certify that:

1. I have reviewed this annual report on Form 10-K of Delta Natural Gas Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: September 1, 2017

/s/John B. Brown

John B. Brown
Chief Operating Officer, Treasurer and Secretary

Exhibit 32.1

CERTIFICATION OF THE
CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Delta Natural Gas Company, Inc. on Form 10-K for the period ending June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glenn R. Jennings, Chairman of the Board, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Delta Natural Gas Company, Inc.

DATE: September 1, 2017

/s/Glenn R. Jennings
Glenn R. Jennings
Chairman of the Board, President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF THE
CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Delta Natural Gas Company, Inc. on Form 10-K for the period ending June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John B. Brown, Chief Operating Officer, Treasurer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Delta Natural Gas Company, Inc.

DATE: September 1, 2017

/s/John B. Brown
John B. Brown
Chief Operating Officer, Treasurer and Secretary

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 48 - 807 KAR 5:001 Section 16(7)(r)
Sponsoring Witness: Andrea Schroeder

Description of Filing Requirement:

The quarterly reports to the stockholders for the most recent five (5) quarters.

Response:

Delta has not had any quarterly reports to stockholders during the time period set forth in this filing requirement but has provided Essential Utilities, Inc.’s reports for the applicable time period.

Essential Utilities Reports Financial Results for Q1 2020

May 6, 2020

Essential closes on Peoples acquisition and secures financing

BRYN MAWR, Pa.--(BUSINESS WIRE)--May 6, 2020-- Essential Utilities Inc. (NYSE:WTRG) ("Essential"), formerly Aqua America Inc., today reported results for the first quarter ended March 31, 2020.

First Quarter Highlights

On March 16, 2020, Essential closed the $750 million previously announced investment from the Canada Pension Plan Investment Board and completed the acquisition of Peoples, a natural gas distribution utility, serving over 747,000 customers in Western Pennsylvania, Kentucky and West Virginia, increasing its utility footprint to serve approximately 5 million people across 10 states. This followed the Feb. 3, 2020, name change of Aqua America, Inc. to Essential Utilities, Inc. in recognition of creating one of the largest publicly traded water, wastewater and natural gas providers in the U.S.

During the first quarter, Essential also filed the DELCORA wastewater acquisition application with the Pennsylvania PUC, for a municipal acquisition that will be the largest in both the company's history and that of the Commonwealth of Pennsylvania.

"The first quarter of 2020 will be remembered as a significant milestone in the company's history. While the company changed its name and closed on a transformative acquisition, Essential was able to provide continuous water, wastewater and natural gas service to the five million people we serve during the challenging COVID-19 pandemic," said Essential's Chairman and CEO Christopher Franklin. "The company remains strongly positioned to play an important role in solving today's infrastructure challenges and supporting our mission of delivering safe and reliable natural resources that are essential to everyday life."

Operating Results

Essential reported net income for the first quarter 2020 of $51.8 million (GAAP), or $0.20 per share (GAAP), compared to $16.9 million, or $0.09 per share, for the first quarter 2019. Results for the first quarter of 2020 include Peoples transaction-related items and include the operating results of Peoples, Essential's regulated natural gas segment, from the closing on March 16, 2020 until the quarter end. In order to provide a meaningful comparison to other periods, adjusted income and adjusted income per share (both non-GAAP financial measures) for the first quarter of 2020 exclude Peoples-related transaction expenses and include a normalized pro forma adjustment for the Peoples operating results for the period January 1, 2020 to March 15, 2020 to provide the basis for a 2020 full-year run rate of operating results. Adjusting for those items, Essential's adjusted net income in the first quarter of 2020 was $153.7 million (non-GAAP), or $0.60 per share (non-GAAP), an increase in adjusted income per share of 114.3 percent from the prior year. Please refer to the reconciliation of GAAP to non-GAAP financial measures later in this press release for additional information on Essential's use of non-GAAP financial measures as a supplement to its GAAP results.

Essential's revenues for the quarter were $255.6 million, an increase of 27.1 percent compared to $201.1 million in the first quarter of 2019. The recently acquired natural gas utility contributed $38.5 million of this revenue growth, while the remainder was largely due to rate increases in the regulated water segment. Operations and maintenance expenses increased to $106.6 million for the first quarter of 2020 compared to $79.3 million in the first quarter of 2019. The increase in operations and maintenance expenses was primarily a result of an increase in Peoples transaction-related expenses of $18.8 million and regulated natural gas segment operations and maintenance expenses of $8.8 million.

Essential's regulated water segment reported revenues for the quarter of $216.2 million, an increase of 8.0 percent compared to $200.2 million in the first quarter of 2019. Rates and customer growth from both organic growth and acquisitions were the largest contributors to the increase in revenues for the period. Operations and maintenance expenses for Essential's regulated water segment decreased 0.9 percent to $73.7 million for the first quarter of 2020 compared to $74.3 million.

Essential's regulated natural gas segment reported revenues for the period since Peoples was acquired, between March 16, 2020 and March 31, 2020, of $38.5 million. Operations and maintenance for the same period for Essential's regulated natural gas segment were $8.8 million, and purchased gas costs were $12.8 million.

In March, the company elected the repair tax accounting method change, as permitted under IRS regulations, for its Peoples Natural Gas subsidiary in Pennsylvania, Essential's largest natural gas subsidiary. This change allows a tax deduction for qualifying infrastructure investments that were formerly capitalized for tax purposes and reduced income tax expense by $5.9 million for the first quarter of 2020. The company will use flow-through accounting for the repair benefit, allowing the tax impact to be reflected on its financial statements. The ongoing tax accounting change allows Peoples Natural Gas to continue its infrastructure improvement program benefiting customers, the community and shareholders. This should also benefit customers by providing more time between rate cases and mitigate future rate increases.

Dividend

On April 2, 2020, Essential's board of directors declared a quarterly cash dividend of $0.2343 per share of common stock. This dividend will be payable on June 1, 2020 to shareholders of record on May 15, 2020. Essential has paid a consecutive quarterly cash dividend for 75 years.

Financing

As a preventive measure to address liquidity concerns related to COVID-19 and its potential economic and capital markets impacts, the company secured and borrowed an additional $500 million on a 364-day term loan in early April 2020. As a conservative measure, the company maintains these cash balances and is evaluating the timing of repayment as the impacts to revenue and bad debt become more apparent in light of challenging business conditions and increased unemployment.

On April 13, the company completed a $1.1 billion public debt offering, with $500 million of 10-year notes issued at 2.70 percent and $600 million of 30-year notes issued at 3.35 percent, for a weighted-average tenor of 20.9 years and a weighted-average coupon of 3.06 percent. The company used these proceeds to pay down short-term borrowings and credit lines. On April 14, the company priced $175 million of First Mortgage Bonds ("FMB") for Aqua Pennsylvania. The bonds have three tranches with a weighted-average tenor of 33.5 years and a weighted-average coupon rate of 3.52 percent. Upon closing on May 1, 2020, the proceeds of these bonds were used to pay off short-term borrowings and will be used to fund a pending acquisition. As of May 1, after considering the effects of these financings, the company had $1.1 billion of capacity to borrow on various credit facilities.

"In the face of uncertain economic and capital markets conditions, we took the prudent action of securing the term loan, and then, after the credit markets normalized, issued $1.1 billion of public debt at favorable terms for our customers and shareholders. Next, we'll select the appropriate steps to repay the term loan, as the COVID-19 situation develops and its impacts become clearer," stated Franklin.

Water utility acquisition growth

Essential's continued acquisition growth allows the company to provide safe and reliable water and wastewater service to an even larger customer base. On Jan. 24, 2020, Essential Utilities closed its acquisition of the water system of Campbell, Ohio, a utility with approximately 3,100 customer connections. For the quarter, customer growth for the company's water utilities totaled 0.6 percent including organic growth.

Essential also has signed purchase agreements for other municipal water and wastewater acquisitions that are expected to add the equivalent of over 205,000 water and wastewater retail customers and approximately $327 million in expected rate base. This includes the previously announced signed purchase agreement between Essential's regulated water segment subsidiary, Aqua Pennsylvania Wastewater, and the Delaware County Regional Water Quality Control Authority (DELCORA) to acquire the municipal authority's wastewater assets for $276.5 million. DELCORA serves a population of approximately 500,000 people in 42 municipalities in Southeast Pennsylvania. This represents the equivalent of 198,000 retail customers.

In April, fair market value legislation was passed in Virginia. The law allows regulated water companies to pay fair market values for the purchase of water and wastewater systems, benefiting local governments and other water utility owners, customers and the environment. This vital legislation has now been enacted in all eight states in which Essential Utilities provides regulated water services.

Capital expenditures

Essential invested $118.7 million in the first three months of the year to improve its regulated water and natural gas infrastructure systems. This does not include an additional $53.5 million that was invested by Peoples, pre-closing, during the period from Jan. 1, 2020 to March 15, 2020. The company remains on track to replace and expand its water and wastewater utility infrastructure by investing approximately $550 million in 2020. Additionally, the company expects to invest approximately $400 million in 2020 to replace and upgrade its natural gas utility infrastructure (including capital invested in 2020 prior to Essential's ownership). In total, infrastructure investments of approximately $2.8 billion are expected through 2022 to improve water and natural gas systems (including capital invested at Peoples in 2020 prior to Essential's ownership). The capital investments made to rehabilitate and expand the infrastructure of the communities Essential serves are critical to its mission of safely and reliably delivering Earth's most essential resources.

Rate activity

To date in 2020, Essential's regulated water segment has received rate awards or infrastructure surcharges in Illinois, North Carolina, Ohio and Virginia totaling an estimated increase in annualized revenues of $5.2 million. Additionally, Essential's regulated natural gas segment has received rate awards or infrastructure surcharges in Kentucky and Pennsylvania totaling an estimated increase to annualized revenues of $977,000. The company currently has proceedings pending in Indiana, New Jersey, North Carolina and Ohio for its regulated water segment totaling $10.1 million.

"The company is pleased that despite the difficult economic environment, we are able to reaffirm the guidance we provided earlier this year," said Franklin.

Reaffirms 2020 Essential guidance highlights

The company is monitoring the global outbreak of COVID-19 and will update guidance impacts from the outbreak in the future if needed. At this time, the following continues to be the 2020 full-year guidance:

- Adjusted income per diluted common share (non-GAAP) of $1.53 to $1.58
- Earnings growth CAGR of 5 to 7 percent for 2019 through 2022
- Regulated water segment infrastructure investments of approximately $550 million in 2020
- Regulated natural gas segment infrastructure investments of approximately $400 million in 2020 on full-year basis (adjusted to include capital invested in 2020 prior to Essential's ownership)
- Infrastructure investments of approximately $2.8 billion through 2022 in existing operations to rehabilitate and strengthen water, wastewater, and natural gas systems (including regulated natural gas segment capital invested in 2020 prior to Essential's ownership)
- Regulated water segment rate base compound annual growth rate of 6 to 7 percent through 2022
- Regulated natural gas segment rate base compound annual growth rate of 8 to 10 percent through 2022
- Total annual regulated water segment customer growth of between 2 and 3 percent on average depending upon regulatory approval
- Gas customer count expected to be relatively stable for 2020

Please refer to the reconciliation of GAAP and non-GAAP financial measures later in this press release for additional information on Essential's use of non-GAAP financial measures as a supplement to its GAAP results.

Essential Utilities does not guarantee future results of any kind. Guidance is subject to risks and uncertainties, including, without limitation, those factors outlined in the “Forward Looking Statements” of this release and the “Risk Factors” section of the company’s annual and quarterly reports filed with the Securities and Exchange Commission.

Earnings Call Information
Date: May 7, 2020
Time: 11 a.m. EDT (please dial in by 10:45 a.m.)
Webcast and slide presentation link: https://www.essential.co/events-and-presentations/events-calendar
Replay Dial-in #: 888.203.1112 (U.S.) & +1 719.457.0820 (International)
Confirmation code: 3971811

The company’s conference call with financial analysts will take place Thurs., May 7, 2020 at 11 a.m. Eastern Daylight Time. The call and presentation will be webcast live so that interested parties may listen over the internet by logging on to Essential.co and following the link for Investors. The conference call will be archived in the Investor Relations section of the company’s website for 90 days following the call. Additionally, the call will be recorded and made available for replay at 2 p.m. on May 7, 2020 for 10 business days following the call. To access the audio replay in the U.S., dial 888-203-1112 (pass code 3971811). International callers can dial +1 719-457-0820 (pass code 3971811).

About Essential

Essential is one of the largest publicly traded water, wastewater and natural gas providers in the U.S., serving approximately 5 million people across 10 states under the Aqua and Peoples brands. Essential is committed to excellence in proactive infrastructure investment, regulatory expertise, operational efficiency and environmental stewardship. The company recognizes the importance water and natural gas play in everyday life and is proud to deliver safe, reliable services that contribute to the quality of life in the communities it serves. For more information, visit http://www.essential.co.

Forward-looking statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others: the guidance range of adjusted income per diluted common share for the fiscal year ending in 2020; the 3-year earnings growth from 2019 to 2022; the projected total regulated water segment customer growth for 2020; the anticipated amount of capital investment in 2020; the anticipated amount of capital investment from 2020 through 2022; and the company’s anticipated rate base growth from 2020 through 2022. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: disruptions in the global economy, the spread of the COVID-19 virus resulting in business disruptions, the continuation of the company's growth-through-acquisition program; the company’s continued ability to adapt itself for the future and build value by fully optimizing company assets; general economic business conditions; the company’s ability to fund needed infrastructure; housing and customer growth trends; unfavorable weather conditions; the success of certain cost-containment initiatives; changes in regulations or regulatory treatment; availability and access to capital; the cost of capital; disruptions in the credit markets; the success of growth initiatives; the company’s ability to successfully close municipally owned systems presently under agreement; the company’s ability to continue to deliver strong results; the company’s ability to continue to pay its dividend, add shareholder value and grow earnings; municipalities’ willingness to privatize their water and/or wastewater utilities; the company’s ability to control expenses and create and maintain efficiencies; the company’s ability to acquire municipally owned water and wastewater systems listed in its “pipeline”; and other factors discussed in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, which are filed with the Securities and Exchange Commission. For more information regarding risks and uncertainties associated with Essential's business, please refer to Essential's annual, quarterly and other SEC filings. Essential is not under any obligation - and expressly disclaims any such obligation - to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

WTRGF

Essential Utilities, Inc. and Subsidiaries
Selected Operating Data
(In thousands, except per share amounts)
(Unaudited)

	Quarter Ended	
	March 31,	
	2020	2019
Operating revenues	$ 255,585	$ 201,132
Operations and maintenance expense	$ 106,637	$ 79,314
Net income	$ 51,781	$ 16,924

Basic net income per common share	$ 0.22	$ 0.09
Diluted net income per common share	$ 0.20	$ 0.09
Basic average common shares outstanding	236,122	178,213
Diluted average common shares outstanding	255,054	178,552

Essential Utilities, Inc. and Subsidiaries
Consolidated Statement of Operations
(In thousands, except per share amounts)
(Unaudited)

	Quarter Ended	
	March 31,	
	2020	2019
Operating revenues	$ 255,585	$ 201,132
Cost & expenses:		
Operations and maintenance	106,637	79,314
Purchased gas	12,770	-
Depreciation	45,566	39,074
Amortization	679	336
Taxes other than income taxes	16,436	14,969
Total	182,088	133,693
Operating income	73,497	67,439
Other expense (income):		
Interest expense	35,122	27,869
Interest income	(5,035)	(19)
Allowance for funds used during construction	(2,948)	(4,056)
Change in fair value of interest rate swap agreements	-	34,782
Gain on sale of other assets	(105)	(220)
Equity loss (earnings) in joint venture	127	(543)

Other	1,679	872
Income before income taxes	44,657	8,754
Provision for income tax benefit	(7,124)	(8,170)
Net income	$ 51,781	$ 16,924
Net income per common share:		
Basic	$ 0.22	$ 0.09
Diluted	$ 0.20	$ 0.09
Average common shares outstanding:		
Basic	236,122	178,213
Diluted	255,054	178,552

Essential Utilities, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share amounts)
(Unaudited)

The Company is providing disclosure of the reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures. The Company believes that the non-GAAP financial measures "adjusted income" and "adjusted income per common share" provide investors the ability to measure the Company’s financial operating performance by adjustment, which is more indicative of the Company’s ongoing performance and is more comparable to measures reported by other companies. The Company further believes that the presentation of these non-GAAP financial measures is useful to investors as a more meaningful way to compare the Company’s operating performance against its historical financial results.

This reconciliation includes a presentation of the non-GAAP financial measures “adjusted income” and “adjusted income per common share” and have been adjusted for the following items:

(1) Transaction-related expenses for the Company's Peoples acquisition that closed on March 16, 2020, which consists of costs recorded as operations and maintenance expenses for the three months ended March 31, 2020 and 2019 of $25,397 and $6,646, respectively, primarily representing expenses associated with investment banking fees, obtaining regulatory approvals, legal expenses, and integration planning. Additionally included in transaction-related expenses for the three months ended March 31, 2019 are mark-to-market fair value adjustments of $34,782 associated with interest rate swap agreements for debt issued related to the Peoples transaction. The interest rate swap agreements were settled on April 24, 2019, which coincided with the debt financings to partially fund the Peoples acquisition;

(2) In order to illustrate the full-year 2020 effects of the Peoples acquisition as if this transaction closed on January 1, 2020, this adjustment includes both the estimated impact of Peoples Gas pre-tax operating results for the period in 2020 prior to closing from January 1, 2020 to March 15, 2020, as well as the additional net interest expense expected to have been incurred for partially funding the estimated purchase price of Peoples;

(3) The income tax impact of the non-GAAP adjustments described above.

These financial measures are measures of the Company’s operating performance that do not comply with U.S. generally accepted accounting principles (GAAP), and are thus considered to be “non-GAAP financial measures” under applicable Securities and Exchange Commission regulations. These non-GAAP financial measures are derived from our consolidated financial information, if available, and is provided to supplement the Company's GAAP measures, and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

The following reconciles our GAAP results to the non-GAAP information we disclose :

	Quarter Ended	
	March 31,	
	2020	2019
Net income (GAAP financial measure)	$ 51,781	$ 16,924

Adjustments:		
(1) Transaction-related expenses for the Peoples transaction closed March 16, 2020	25,573	41,428
(2) Adjustments to provide full-year 2020 run rate of Peoples operating results, including additional net interest expense	108,132	-
(3) Income tax effect of non-GAAP adjustments	(31,803)	(8,628)
Adjusted income (Non-GAAP financial measure)	$ 153,683	$ 49,724
Net income per common share (GAAP financial measure):		
Basic	$ 0.22	$ 0.09
Diluted	$ 0.20	$ 0.09
Adjusted income per common share (Non-GAAP financial measure):		
Basic	$ 0.65	$ 0.28
Diluted	$ 0.60	$ 0.28
Average common shares outstanding:		
Basic	236,122	178,213
Diluted	255,054	178,552

Essential Utilities, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Financial Measure
(Unaudited)

The Company is providing disclosure of the reconciliation of the Company's outlook of the non-GAAP financial measure "adjusted diluted income per common share" to the most comparable GAAP financial measure "diluted net income per common share." The diluted income per share guidance for 2020 reflects the completion of the Peoples acquisition March 16, 2020. The Company believes that the non-GAAP financial measure "adjusted diluted income per common share" for Essential's 2020 full-year illustrative guidance provides investors the ability to measure the Company’s future financial operating performance with adjustments, by providing an estimate of the full-year effects of the Peoples acquisition as if this transaction closed on January 1, 2020. The adjusted results are more indicative of the Company’s future performance and are more comparable to measures reported by other companies. The Company believes that the presentation of this non-GAAP financial measure is more indicative of the Company's future performance and is more comparable to measures reported by other companies.

This reconciliation includes a presentation of the non-GAAP financial measure “adjusted diluted income per common share” for Essential's 2020 full-year guidance and has been adjusted for the following items:

(1) Excludes transaction-related expenses for the Company's Peoples acquisition completed in March 2020, which consisted of costs primarily representing expenses associated with obtaining regulatory approvals, investment banking fees, legal expenses, and integration planning;

(2) Excludes the impact of Peoples transaction-related rate credits of $23 million to be granted to Pennsylvania water and gas customers;

(3) In order to illustrate the full-year 2020 effects of the Peoples acquisition as if this transaction closed on January 1, 2020, this adjustment includes both the estimated impact of Peoples Gas pre-tax operating results for the period in 2020 prior to closing, as well as the additional net interest expense expected to have been incurred for partially funding the estimated purchase price of Peoples;

(4) Excludes the income tax impact of the non-GAAP adjustments described above.

This financial measure is a measure of the Company’s operating performance that does not comply with U.S. generally accepted accounting principles (GAAP), and is thus considered to be a “non-GAAP financial measure” under applicable Securities and Exchange Commission regulations. The non-GAAP financial measure is provided to supplement the Company's GAAP outlook and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

The following reconciles Essential's 2020 full-year guidance GAAP outlook to the non-GAAP information that we have provided:

Diluted net income per common share for Essential's full year 2020 guidance (GAAP financial measure)	**$1.05 to $1.10**
Adjustments on a per share basis:	

(1) Transaction-related expenses for Peoples transaction completed in March 2020	$0.10
(2) Peoples transaction-related commitment to grant rate credits to utility customers	$0.09 +/- $0.01
(3) Adjustment to provide full-year run rate of Peoples operating results, including additional net interest expense	$0.42
(4) Income tax effect of non-GAAP adjustments	($0.15) +/- $0.02
Adjusted diluted income per common share for Essential's full year 2020 guidance (Non-GAAP financial measure)	**$1.53 to $1.58**

Essential Utilities, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands of dollars)
(Unaudited)

	March 31, 2020	December 31, 2019
Net property, plant and equipment	$ 8,889,836	$ 6,345,790
Current assets	368,008	2,015,127
Regulatory assets and other assets	3,671,142	1,001,068
	$ 12,928,986	$ 9,361,985
Total equity	$ 4,613,163	$ 3,880,860
Long-term debt, excluding current portion, net of debt issuance costs	4,729,034	2,943,327
Current portion of long-term debt and loans payable	496,016	130,775
Other current liabilities	331,358	192,686
Deferred credits and other liabilities	2,759,415	2,214,337
	$ 12,928,986	$ 9,361,985

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Brian Dingerdissen
Essential Utilities Inc.
Investor Relations
O: 610.645.1191
BJDingerdissen@Essential.co

Gretchen Toner
Communications and Marketing
484.368.4816
Media@essential.co

Essential Utilities Reports Financial Results for Q2 2020

August 5, 2020

Earns $0.29 earnings per share; reaffirms annual earnings guidance
Strong residential water consumption offsets declines in other customer classes
Declares 7% dividend increase

BRYN MAWR, Pa.--(BUSINESS WIRE)--Aug. 5, 2020-- Essential Utilities Inc. (NYSE: WTRG), formerly Aqua America Inc., today reported results for the second quarter ended June 30, 2020.

Company Highlights

Despite the considerable work to overcome challenges associated with the COVID-19 pandemic, Essential has remained focused on operational excellence, the integration of Peoples and advancing the DELCORA transaction process. With many customers working from home, as well as favorable weather across the company's states, residential water consumption was up year over year, more than offsetting consumption declines in commercial, industrial, and other segments. Essential Chairman and CEO Christopher Franklin said, "We are pleased with our strong financial results for the first full quarter following the closing of Peoples. The company continues to take the COVID-19 pandemic very seriously and thus far has seen little financial impact. In addition to concerns for the health and safety of our employees and customers, we are working with our customers on bill payment options where necessary. We are pleased that most of the states in which we operate have provided constructive regulatory treatment for this customer support. Additionally, the board of directors' action earlier this week declaring a 7% increase to the quarterly dividend reflects confidence in our strategy and execution, continuing 75 years of consecutive quarterly cash dividends."

Operating Results

Essential reported net income of $74.6 million (GAAP) for the second quarter 2020, or $0.29 per share (GAAP), compared to $54.9 million, or $0.25 per share, for the second quarter 2019. Results for the second quarter of 2020 include the operating results of Peoples, which largely comprises Essential's regulated natural gas segment, and results for the second quarter of 2019 include Peoples transaction-related items.

Essential's revenues for the quarter were $384.5 million, an increase of 75.6% compared to $218.9 million in the second quarter of 2019. The natural gas utility acquired in the first quarter contributed $149.6 million of this revenue growth, while the remainder was due to rate and surcharge increases, increased volume and growth in the regulated water segment. Operations and maintenance expenses increased to $128.6 million for the second quarter of 2020 compared to $86.4 million in the second quarter of 2019. The increase in operations and maintenance expenses was primarily a result of operations and maintenance expenses of $52.8 million from the acquisition of Peoples.

Essential's regulated water segment reported revenues for the quarter of $234.1 million, an increase of 7.4% compared to $218.0 million in the second quarter of 2019. Rates and increased volume were the largest contributors to the increase in revenues for the period, in addition to customer growth from both organic growth and acquisitions. Operations and maintenance expenses for Essential's regulated water segment increased 3.5% to $76.6 million for the second quarter of 2020 compared to $74.1 million. Excluding the impact of growth, the increase in regulated water segment operations and maintenance expenses for the second quarter of 2020 were in line with historical experience.

Essential's regulated natural gas segment reported revenues for the second quarter of 2020 of $146.9 million. Operations and maintenance for the same period for Essential's regulated natural gas segment were $50.9 million and purchased gas costs were $41.6 million.

For the first six months of 2020, the company reported revenues of $640.1 million compared to $420.0 million in the first half of 2019. Operations and maintenance expenses for the first half of 2020 were $235.2 million compared to $165.8 million in 2019. Adjusted for the Peoples transaction items, O&M would have been in line year over year.

As of June 30, 2020, Essential reported year-to-date net income of $126.4 million or $0.50 per share (GAAP) compared to $71.8 million or $0.36 per share (GAAP) reported through the same period of 2019. Adjusted income and adjusted income per share (both non-GAAP financial measures) for the first half of 2020, excludes the impact of the Peoples transaction-related expenses and includes a normalized pro forma adjustment for the Peoples operating results for the period Jan. 1, 2020 to March 15, 2020 to provide the basis for a 2020 full-year run rate of operating results. Adjusted income for the first six months of 2020 was $228.3 million or $0.90 per share (non-GAAP). Please refer to the reconciliation of GAAP to non-GAAP financial measures later in this press release for additional information on Essential's use of non-GAAP financial measures as a supplement to its GAAP results.

Dividend

On Aug. 4, 2020, Essential's board of directors declared a quarterly cash dividend of $0.2507 per share of common stock. This increase represents a 7% increase to the quarterly dividend rate and is the company's 30th increase in the last 29 years. This dividend will be payable on Sept. 1, 2020 to shareholders of record on Aug. 14, 2020. Essential has paid a consecutive quarterly cash dividend for 75 years.

Financing

As previously announced, as a preventive measure to address liquidity concerns related to COVID-19 and its potential economic and capital markets impacts, the company secured and borrowed an additional $500 million on a 364-day term loan in early April 2020. Subsequent to the company's $1.1 billion public debt offering on April 15, 2020 and after gaining more knowledge as to the COVID-related impacts to Essential's revenue and bad debt, the company repaid the term loan in full with payments in May and June.

Water utility acquisition growth

Essential's continued acquisition growth allows the company to provide safe and reliable water and wastewater service to an even larger customer base. On June 22, 2020, Essential Utilities closed its acquisition of the East Norriton Township wastewater system in Pennsylvania, a utility with approximately 5,000 customer connections. In the first six months of 2020, customer growth for the company's water utilities has totaled 1.2% including organic growth.

As previously announced, fair market value legislation has been enacted in all eight states in which Essential Utilities provides regulated water services. This legislation allows regulated water companies to pay fair market value for the purchase of water and wastewater systems, benefiting local governments and other water utility owners, customers and the environment. Essential recently announced that its regulated water subsidiary, Aqua Texas, signed a purchase agreement to acquire Commons Water Supply, Inc. in Texas, an investor owned utility with approximately 1,000 customer connections in the Houston suburbs. This will be Essential's first fair market value transaction in Texas.

Essential has signed purchase agreements for other municipal water and wastewater acquisitions that are expected to add the equivalent of over 200,000 water and wastewater retail customers and over $300 million in expected rate base. This includes the previously announced signed purchase agreement between Essential's regulated water segment subsidiary, Aqua Pennsylvania Wastewater, and the Delaware County Regional Water Quality Control Authority (DELCORA).

Capital expenditures

Essential invested $293.1 million in the first half of the year to improve its regulated water and natural gas infrastructure systems. This does not include an additional $53.5 million that was invested by Peoples, pre-closing, during the period from Jan. 1, 2020 to March 15, 2020. The company remains on track to replace and expand its water and wastewater utility infrastructure by investing approximately $550 million in 2020. Additionally, the company expects to invest approximately $400 million in 2020 to replace and upgrade its natural gas utility infrastructure (including capital invested in 2020 prior to Essential's ownership). In total, infrastructure investments of approximately $2.8 billion are expected through 2022 to improve water and natural gas systems (including capital invested at Peoples in 2020 prior to Essential's ownership). The capital investments made to rehabilitate and expand the infrastructure of the communities Essential serves are critical to its mission of safely and reliably delivering Earth's most essential resources. The company's plan to accelerate the replacement of approximately 2,700 miles of aged gas pipe at Peoples is underway. This program will enable significant reduction in methane emissions that occur in aged gas pipes.

Rate activity

To date in 2020, Essential's regulated water segment has received rate awards or infrastructure surcharges in Illinois, Indiana, North Carolina, Ohio, Virginia and Pennsylvania totaling an estimated increase in annualized revenues of $10.2 million. Additionally, Essential's regulated natural gas segment has received rate awards or infrastructure surcharges in Kentucky and Pennsylvania totaling an estimated increase to annualized revenues of $1.0 million. The company currently has proceedings pending in New Jersey, Virginia and Ohio for its regulated water segment totaling $5.2 million.

Essential reaffirms 2020 guidance

The company continues to monitor the global outbreak of COVID-19 and will update guidance impacts from the outbreak in the future if needed. At this time, the following continues to be the 2020 full-year guidance:

- Adjusted income per diluted common share (non-GAAP) of $1.53 to $1.58
- Earnings growth CAGR of 5 to 7 percent for 2019 through 2022
- Regulated water segment infrastructure investments of approximately $550 million in 2020
- Regulated natural gas segment infrastructure investments of approximately $400 million in 2020 on full-year basis (adjusted to include capital invested in 2020 prior to Essential's ownership)
- Infrastructure investments of approximately $2.8 billion through 2022 in existing operations to rehabilitate and strengthen water, wastewater, and natural gas systems (including regulated natural gas segment capital invested in 2020 prior to Essential's ownership)
- Regulated water segment rate base compound annual growth rate of 6 to 7 percent through 2022
- Regulated natural gas segment rate base compound annual growth rate of 8 to 10 percent through 2022
- Total annual regulated water segment customer growth of between 2 and 3 percent on average depending upon regulatory approval
- Gas customer count expected to be relatively stable for 2020

Please refer to the reconciliation of GAAP and non-GAAP financial measures later in this press release for additional information on Essential's use of non-GAAP financial measures as a supplement to its GAAP results.

Essential Utilities does not guarantee future results of any kind. Guidance is subject to risks and uncertainties, including, without limitation, those factors outlined in the "Forward Looking Statements" of this release and the "Risk Factors" section of the company's annual and quarterly reports filed with the Securities and Exchange Commission.

Earnings Call Information

Date: Aug. 6, 2020
Time: 11 a.m. EDT (please dial in by 10:45 a.m.)
Webcast and slide presentation link: https://www.essential.co/events-and-presentations/events-calendar
Replay Dial-in #: 888.203.1112 (U.S.) & +1 719.457.0820 (International)
Confirmation code: 7052213

The company's conference call with financial analysts will take place Thursday, Aug. 6, 2020 at 11 a.m. Eastern Daylight Time. The call and presentation will be webcast live so that interested parties may listen over the internet by logging on to Essential.co and following the link for Investors. The conference call will be archived in the Investor Relations section of the company's website for 90 days following the call. Additionally, the call will be recorded and made available for replay at 2 p.m. on Aug. 6, 2020 for 10 business days following the call. To access the audio replay in the U.S., dial 888-203-1112 (pass code 7052213). International callers can dial +1 719-457-0820 (pass code 7052213).

About Essential

Essential is one of the largest publicly traded water, wastewater and natural gas providers in the U.S., serving approximately 5 million people across 10 states under the Aqua and Peoples brands. Essential is committed to excellence in proactive infrastructure investment, regulatory expertise, operational efficiency and environmental stewardship. The company recognizes the importance water and natural gas play in everyday life and is proud to deliver safe, reliable services that contribute to the quality of life in the communities it serves. For more information, visit http://www.essential.co.

Forward-looking statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others: the guidance range of adjusted income per diluted common share for the fiscal year ending in 2020; the 3-year earnings growth from 2019 to 2022; the projected total regulated water segment customer growth for 2020; the anticipated amount of capital investment in 2020; the anticipated amount of capital investment from 2020 through 2022; and the company's anticipated rate base growth from 2020 through 2022. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: disruptions in the global economy; financial and workforce impacts from the COVID-19 virus; the continuation of the company's growth-through-acquisition program; the company's continued ability to adapt itself for the future and build value by fully optimizing company assets; general economic business conditions; the company's ability to fund needed infrastructure; housing and customer growth trends; unfavorable weather conditions; the success of certain cost-containment initiatives; changes in regulations or regulatory treatment; availability and access to capital; the cost of capital; disruptions in the credit markets; the success of growth initiatives; the company's ability to successfully close municipally owned systems presently under agreement; the company's ability to continue to deliver strong results; the company's ability to continue to pay its dividend, add shareholder value and grow earnings; municipalities' willingness to privatize their water and/or wastewater utilities; the company's ability to control expenses and create and maintain efficiencies; the company's ability to acquire municipally owned water and wastewater systems listed in its "pipeline"; and other factors discussed in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, which are filed with the Securities and Exchange Commission. For more information regarding risks and uncertainties associated with Essential's business, please refer to Essential's annual, quarterly and other SEC filings. Essential is not under any obligation - and expressly disclaims any such obligation - to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

WTRGF

Essential Utilities, Inc. and Subsidiaries
Selected Operating Data
(In thousands, except per share amounts)
(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating revenues	$ 384,468	$ 218,892	$ 640,053	$ 420,024
Operations and maintenance expense	$ 128,604	$ 86,445	$ 235,241	$ 165,759
Net income	$ 74,629	$ 54,903	$ 126,410	$ 71,827
Basic net income per common share	$ 0.29	$ 0.25	$ 0.52	$ 0.36
Diluted net income per common share	$ 0.29	$ 0.25	$ 0.50	$ 0.36
Basic average common shares outstanding	254,167	219,055	245,144	198,747
Diluted average common shares outstanding	254,434	219,790	254,452	199,303

Essential Utilities, Inc. and Subsidiaries
Consolidated Statement of Income
(In thousands, except per share amounts)

(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating revenues	$ 384,468	$ 218,892	$ 640,053	$ 420,024
Cost & expenses:				
Operations and maintenance	128,604	86,445	235,241	165,759
Purchased gas	43,420	-	56,190	-
Depreciation	67,925	39,550	113,491	78,624
Amortization	1,967	(2,920)	2,646	(2,584)
Taxes other than income taxes	19,433	14,868	35,869	29,837
Total	261,349	137,943	443,437	271,636
Operating income	123,119	80,949	196,616	148,388
Other expense (income):				
Interest expense	51,666	31,727	86,788	59,596
Interest income	(196)	(8,418)	(5,231)	(8,437)
Allowance for funds used during construction	(2,230)	(3,611)	(5,178)	(7,667)
Change in fair value of interest rate swap agreements	-	(11,040)	-	23,742
Loss on debt extinguishment	-	18,935	-	18,935
Gain on sale of other assets	(20)	(48)	(125)	(268)
Equity earnings in joint venture	(470)	(1,240)	(343)	(1,783)
Other	(722)	1,912	957	2,784
Income before income taxes	75,091	52,732	119,748	61,486
Provision for income taxes (benefit)	462	(2,171)	(6,662)	(10,341)
Net income	$ 74,629	$ 54,903	$ 126,410	$ 71,827
Net income per common share:				
Basic	$ 0.29	$ 0.25	$ 0.52	$ 0.36

Diluted	$ 0.29	$ 0.25	$ 0.50	$ 0.36
Average common shares outstanding:				
Basic	254,167	219,055	245,144	198,747
Diluted	254,434	219,790	254,452	199,303

Essential Utilities, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share amounts)
(Unaudited)

The Company is providing disclosure of the reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures. The Company believes that the non-GAAP financial measures "adjusted income" and "adjusted income per common share" provide investors the ability to measure the Company's financial operating performance by adjustment, which is more indicative of the Company's ongoing performance and is more comparable to measures reported by other companies. The Company further believes that the presentation of these non-GAAP financial measures is useful to investors as a more meaningful way to compare the Company's operating performance against its historical financial results.

This reconciliation includes a presentation of the non-GAAP financial measures "adjusted income" and "adjusted income per common share" and have been adjusted for the following items:

(1) Transaction-related expenses for the Company's Peoples acquisition that closed on March 16, 2020, which consists of costs of $12,744 recorded as operations and maintenance expenses for the three months ended June 30, 2019 and $25,397 and $19,390 for the six months ended June 30, 2020 and 2019, respectively, primarily representing expenses associated with investment banking fees, obtaining regulatory approvals, legal expenses, and integration planning. Additionally included in transaction-related expenses for the three months ended June 30, 2019 are mark-to-market fair value adjustments of $(11,040) and $23,742 for the six months ended June 30, 2020 associated with interest rate swap agreements for debt issued related to the Peoples transaction. The interest rate swap agreements were settled on April 24, 2019, which coincided with the debt financings to partially fund the Peoples acquisition. Further, expenses of $18,954 associated with the refinancing of existing debt that occurred in May 2019 are included in transaction-related expenses;

(2) In order to illustrate the full-year 2020 effects of the Peoples acquisition as if this transaction closed on January 1, 2020, this adjustment includes both the estimated impact of Peoples Gas pre-tax operating results for the period in 2020 prior to closing from January 1, 2020 to March 15, 2020, as well as the additional net interest expense expected to have been incurred for partially funding the estimated purchase price of Peoples;

(3) Pre-acquisition interest expense of $3,492, net of interest income of $2,174, commencing in the second quarter of 2019 for funds borrowed prior to the completion of the Company's Peoples acquisition on March 16, 2020;

(4) On April 26, 2019, the Company issued $313,500 of notes so as to complete an early extinguishment of $313,500 of existing debt on May 18, 2019. The Company incurred overlapping interest expense during this 22-day period of $858, net of interest income earned of $406, on the borrowed funds, and considers this overlapping net interest expense of $452 to be a transaction-related expense;

(5) Interest income earned on the proceeds received from our April 2019 equity offerings of common shares and tangible equity units prior to the completion of the Company's Peoples acquisition on March 16, 2020;

(6) The income tax impact of the non-GAAP adjustments described above; and

(7) The effect on average diluted shares outstanding of the shares issued in April 2019 for our common share and tangible equity unit issuances prior to the completion of the Company's Peoples acquisition on March 16, 2020.

These financial measures are measures of the Company's operating performance that do not comply with U.S. generally accepted accounting principles (GAAP), and are thus considered to be "non-GAAP financial measures" under applicable Securities and Exchange Commission regulations. These non-GAAP financial measures are derived from our consolidated financial information, if available, and is provided to supplement the Company's GAAP measures, and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

The following reconciles our GAAP results to the non-GAAP information we disclose :

	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income (GAAP financial measure)	$ 74,629	$ 54,903	$ 126,410	$ 71,827
(1) Transaction-related expenses for the Peoples transaction closed March 16, 2020	-	20,658	25,573	62,086

(2) Adjustments to provide full-year 2020 run rate of Peoples operating results, including additional net interest expense	-	-	108,132	-
(3) Pre-acquisition interest expense for funds borrowed for acquisition of Peoples, net	-	1,318	-	1,318
(4) Overlapping interest expense on refinanced debt	-	452	-	452
(5) Interest income earned on proceeds from April 2019 equity offerings	-	(7,408)	-	(7,408)
(6) Income tax effect of non-GAAP adjustments	-	(3,108)	(31,803)	(11,736)
Adjusted income (Non-GAAP financial measure)	$ 74,629	$ 66,815	$ 228,312	$ 116,539
Net income per common share (GAAP financial measure):				
Basic	$ 0.29	$ 0.25	$ 0.52	$ 0.36
Diluted	$ 0.29	$ 0.25	$ 0.50	$ 0.36
Adjusted income per common share (Non-GAAP financial measure):				
Diluted	$ 0.29	$ 0.37	$ 0.90	$ 0.65
Average common shares outstanding:				
Basic	254,167	219,055	245,144	198,747
Diluted	254,434	219,790	254,452	199,303
Average common shares outstanding:				
Shares used in calculating diluted net income per common share	254,434	219,790	254,452	199,303
(5) Less: Adjustment for effects of April 2019 common share issuance	-	(28,336)	-	(14,246)
(5) Less: Adjustment for effects of April 2019 tangible equity unit issuance	-	(12,760)	-	(6,415)
Shares used in calculating adjusted diluted income per common share (Non-GAAP financial measure)	254,434	178,694	254,452	178,642

Essential Utilities, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Financial Measure
(Unaudited)

The Company is providing disclosure of the reconciliation of the Company's outlook of the non-GAAP financial measure "adjusted diluted income per common share" to the most comparable GAAP financial measure "diluted net income per common share." The diluted income per share guidance for 2020 reflects the completion of the Peoples acquisition March 16, 2020. The Company believes that the non-GAAP financial measure "adjusted diluted income per common share" for Essential's 2020 full-year illustrative guidance provides investors the ability to measure the Company’s future financial operating performance with adjustments, by providing an estimate of the full-year effects of the Peoples acquisition as if this transaction closed on January 1, 2020. The adjusted results are more indicative of the Company’s future performance and are more comparable to measures reported by other companies. The Company believes that the presentation of this non-GAAP financial measure is more indicative of the Company's future performance and is more comparable to measures reported by other companies.

This reconciliation includes a presentation of the non-GAAP financial measure “adjusted diluted income per common share” for Essential's 2020 full-year guidance and has been adjusted for the following items:

(1) Excludes transaction-related expenses for the Company's Peoples acquisition completed in March 2020, which consisted of costs primarily representing expenses associated with obtaining regulatory approvals, investment banking fees, legal expenses, and integration planning;

(2) Excludes the impact of Peoples transaction-related rate credits of $23 million to be granted to Pennsylvania water and gas customers;

(3) In order to illustrate the full-year 2020 effects of the Peoples acquisition as if this transaction closed on January 1, 2020, this adjustment includes both the estimated impact of Peoples Gas pre-tax operating results for the period in 2020 prior to closing, as well as the additional net interest expense

expected to have been incurred for partially funding the estimated purchase price of Peoples;

(4) Excludes the income tax impact of the non-GAAP adjustments described above.

This financial measure is a measure of the Company’s operating performance that does not comply with U.S. generally accepted accounting principles (GAAP), and is thus considered to be a “non-GAAP financial measure” under applicable Securities and Exchange Commission regulations. The non-GAAP financial measure is provided to supplement the Company's GAAP outlook and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

The following reconciles Essential's 2020 full-year guidance GAAP outlook to the non-GAAP information that we have provided:

Diluted net income per common share for Essential's full year 2020 guidance (GAAP financial measure)	**$1.05 to $1.10**
Adjustments on a per share basis:	
(1) Transaction-related expenses for Peoples transaction completed in March 2020	$0.10
(2) Peoples transaction-related commitment to grant rate credits to utility customers	$0.09 +/- $0.01
(3) Adjustment to provide full-year run rate of Peoples operating results, including additional net interest expense	$0.42
(4) Income tax effect of non-GAAP adjustments	($0.15) +/- $0.02
Adjusted diluted income per common share for Essential's full year 2020 guidance (Non-GAAP financial measure)	**$1.53 to $1.58**

Essential Utilities, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands of dollars)
(Unaudited)

	June 30, 2020	December 31, 2019
Net property, plant and equipment	$ 9,050,760	$ 6,345,790
Current assets	312,454	2,015,127
Regulatory assets and other assets	3,665,194	1,001,068
Total assets	$ 13,028,408	$ 9,361,985
Total equity	$ 4,635,534	$ 3,880,860
Long-term debt, excluding current portion, net of debt issuance costs	5,174,601	2,943,327
Current portion of long-term debt and loans payable	102,839	130,775
Other current liabilities	345,340	192,686
Deferred credits and other liabilities	2,770,094	2,214,337
Total liabilities and equity	$ 13,028,408	$ 9,361,985

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Brian Dingerdissen
Essential Utilities Inc.
Investor Relations
O: 610.645.1191
BJDingerdissen@Essential.co

Gretchen Toner
Communications and Marketing
484.368.4816
Media@essential.co

Source: Essential Utilities Inc.

Essential Utilities Reports Financial Results for Q3 2020

November 3, 2020

Earns $0.22 per share (GAAP) and adjusted earnings per share of $0.23 (Non-GAAP)
Refines 2020 annual adjusted earnings guidance to the top end of the $1.53 to $1.58 range
Signs agreement with Lower Makefield for 11,000 customer connections
Publishes Environmental, Social and Governance (ESG) report

BRYN MAWR, Pa.--(BUSINESS WIRE)--Nov. 3, 2020-- Essential Utilities Inc. (NYSE: WTRG), today reported results for the third quarter ended Sept. 30, 2020.

Company Highlights

"Our commitment to providing safe, reliable, affordable resources during these uncertain times has never been more important for our customers and the communities we serve," said Essential Chairman and CEO Christopher Franklin. The company has made donations to several nonprofits to support communities in need and enhanced the low-income assistance program to ensure customers continue to receive its services.

"We are pleased to have published our 2019 Environmental, Social and Governance (ESG) report, highlighting our commitment to environmental stewardship, sustainable business practices, employee safety, diversity and inclusion, customer experience and community engagement. We look to bring the same ESG focus to the natural gas business as we expect to announce a companywide emissions reduction target in the next six months. We are also pleased that, due to the combined efforts across our 10-state footprint, we are able to refine our annual adjusted earnings per share guidance to the top end of the $1.53 to $1.58 range," stated Franklin.

Operating Results

Essential reported net income of $55.7 million (GAAP) for the third quarter 2020, or $0.22 per share (GAAP), compared to $88.5 million, or $0.38 per share, for the third quarter 2019. Results for the third quarter of 2020 include the operating results of Peoples, which largely comprises the company's regulated natural gas segment, and results for the third quarter of 2019 include Peoples transaction-related items. Adjusting for transaction-related water rate credits issued to utility customers, adjusted net income in the third quarter of 2020 was $58.6 million (non-GAAP), or $0.23 per share (non-GAAP). Please refer to the reconciliation of GAAP to non-GAAP financial measures later in this press release for additional information on Essential's use of non-GAAP financial measures as a supplement to its GAAP results.

Revenues for the quarter were $348.6 million, an increase of 43.1% compared to $243.6 million in the third quarter of 2019. The natural gas utility acquired in the first quarter contributed $92.1 million of this revenue growth, while the remainder was due to increased volume, growth and rate and surcharge increases in the regulated water segment. Adjusted revenues for the third quarter of 2020, which exclude water rate credits issued to utility customers, were $352.7 million (non-GAAP). Operations and maintenance expenses increased to $136.2 million for the third quarter of 2020 compared to $82.0 million in the third quarter of 2019. The increase in operations and maintenance expenses was primarily a result of operations and maintenance expenses of $62.2 million from the acquisition of Peoples.

The regulated water segment reported revenues for the quarter of $255.7 million, an increase of 5.3% compared to $242.9 million in the third quarter of 2019. Increased volume and rates and surcharges were the largest contributors to the increase in revenues for the period, in addition to customer growth from both organic growth and acquisitions. Operations and maintenance expenses for the regulated water segment decreased by 2.2% to $79.3 million for the third quarter of 2020.

The regulated natural gas segment reported revenues for the third quarter of 2020 of $88.9 million. Operations and maintenance for the same period for the regulated natural gas segment were $59.6 million and purchased gas costs were $14.8 million.

For the first nine months of 2020, the company reported revenues of $988.7 million compared to $663.7 million in the first nine months of 2019. Adjusted revenues for the first nine months, which exclude water rate credits issued to utility customers, were $992.8 million (non-GAAP). Operations and maintenance expenses for the first nine months of 2020 were $371.4 million compared to $247.8 million in 2019.

As of Sept. 30, 2020, Essential reported year-to-date net income of $182.1 million or $0.71 per share (GAAP) compared to $160.3 million or $0.76 per share (GAAP) reported through the same period of 2019. Adjusted income and adjusted income per share (both non-GAAP financial measures) for the first nine months of 2020, exclude the impact of both the Peoples transaction-related water rate credits issued to utility customers of $4.1 million and Peoples transaction-related expenses, and include a normalized pro forma adjustment for the Peoples operating results for the period Jan. 1, 2020 to March 15, 2020 to provide the basis for a 2020 full-year run rate of operating results. Adjusted income for the first nine months of 2020 was $286.9 million or $1.12 per share (non-GAAP). The fourth quarter of 2020 will include additional rate credits to be issued to gas utility customers of $18.9 million. Please refer to the reconciliation of GAAP to non-GAAP financial measures later in this press release for additional information on Essential's use of non-GAAP financial measures as a supplement to its GAAP results.

Dividend

On Oct. 21, 2020, Essential's board of directors declared a quarterly cash dividend of $0.2507 per share of common stock. This dividend will be payable on Dec. 1, 2020 to shareholders of record on Nov. 13, 2020. The company has paid a consecutive quarterly cash dividend for more than 75 years.

Financing

In August, Essential announced an offering of 6.7 million shares of common stock via a forward equity sale agreement. The company will not receive any proceeds from the sale of our common stock by the forward purchaser until settlement of all or a portion of the agreement. If assuming full settlement today, the company would receive approximately $306 million in proceeds which are expected to be used to fund general corporate purposes, including the acquisition of the Delaware County Regional Water Quality Control Authority (DELCORA) and other water and wastewater acquisitions in its pipeline. The forward sale agreement allows the company to settle the transaction between now and Aug. 10, 2021.

Water utility acquisition growth

Essential's continued acquisition growth allows the company to provide safe and reliable water and wastewater service to an even larger customer base. On October 8, 2020, the company's regulated water segment subsidiary, Aqua Illinois, closed its acquisition of the Rockwell Utilities water and wastewater system, adding approximately $5.15 million in rate base. In the first nine months of 2020, customer growth for the company's water utilities has totaled 1.5% including organic growth.

The company has signed purchase agreements for other municipal water and wastewater acquisitions that are expected to add the equivalent of over 212,000 water and wastewater retail customers and approximately $363 million in expected rate base. This includes the recently announced, signed purchase agreement to acquire the wastewater system of Lower Makefield, a Pennsylvania utility with approximately 11,000 customer connections and the previously announced, signed purchase agreement between Essential's regulated water segment subsidiary, Aqua Pennsylvania Wastewater, and DELCORA.

"We remain focused on advancing the DELCORA acquisition, while continuing to partner with municipalities, like Lower Makefield, to provide the operational excellence that has become synonymous with our 134-year-old company," added Franklin.

Capital expenditures

Essential invested $554.1 million in the first nine months of the year to improve its regulated water and natural gas infrastructure systems and to enhance its customer service across its operations. This does not include an additional $53.5 million that was invested by Peoples, pre-closing, during the period from Jan. 1, 2020 to March 15, 2020. The company remains on track to replace and expand its water and wastewater utility infrastructure by investing approximately $550 million in 2020. Additionally, the company expects to invest approximately $400 million in 2020 to replace and upgrade its natural gas utility infrastructure (including capital invested in 2020 prior to Essential's ownership), leading to significant reductions in methane emissions that occur in aged gas pipes. In total, infrastructure investments of approximately $2.8 billion are expected through 2022 to improve water and natural gas systems (including capital invested at Peoples in 2020 prior to Essential's ownership) and better serve our customers through improved information technology. The capital investments made to rehabilitate and expand the infrastructure of the communities Essential serves are critical to its mission of safely and reliably delivering Earth's most essential resources.

Rate activity

To date in 2020, the regulated water segment has received rate awards or infrastructure surcharges in Illinois, Indiana, North Carolina, Ohio, Virginia and Pennsylvania totaling an estimated increase in annualized revenues of $21.0 million. Additionally, the regulated natural gas segment has received infrastructure surcharges in Kentucky and Pennsylvania totaling an estimated increase to annualized revenues of $1.0 million. The company currently has proceedings pending in New Jersey, Virginia and Indiana for its regulated water segment, which would add $2.9 million in incremental revenue.

Essential refines 2020 guidance

The company continues to monitor the effects of the COVID-19 pandemic on its customers, employees and the business and will update guidance impacts from the pandemic in the future if needed. At this time, the company's updated 2020 full-year guidance is:

- Expects adjusted income per diluted common share (non-GAAP) at the top end of the $1.53 to $1.58 range
- Earnings growth CAGR of 5 to 7 percent for 2019 through 2022
- Regulated water segment infrastructure investments of approximately $550 million in 2020
- Regulated natural gas segment infrastructure investments of approximately $400 million in 2020 on full-year basis (adjusted to include capital invested in 2020 prior to Essential's ownership)
- Infrastructure investments of approximately $2.8 billion through 2022 in existing operations to rehabilitate and strengthen water, wastewater, and natural gas systems (including regulated natural gas segment capital invested in 2020 prior to Essential's ownership)
- Regulated water segment rate base compound annual growth rate of 6 to 7 percent through 2022
- Regulated natural gas segment rate base compound annual growth rate of 8 to 10 percent through 2022
- Total annual regulated water segment customer growth of between 2 and 3 percent on average depending upon regulatory approval
- Gas customer count expected to be relatively stable for 2020

Please refer to the reconciliation of GAAP and non-GAAP financial measures later in this press release for additional information on Essential's use of non-GAAP financial measures as a supplement to its GAAP results.

Essential Utilities does not guarantee future results of any kind. Guidance is subject to risks and uncertainties, including, without limitation, those factors outlined in the "Forward Looking Statements" of this release and the "Risk Factors" section of the company's annual and quarterly reports filed with the Securities and Exchange Commission.

Earnings Call Information

Date: Nov. 4, 2020
Time: 11 a.m. EST (please dial in by 10:45 a.m.)

Webcast and slide presentation link: https://www.essential.co/events-and-presentations/events-calendar
Replay Dial-in #: 888.203.1112 (U.S.) & +1 719.457.0820 (International)
Confirmation code: 8195013

The company's conference call with financial analysts will take place Wednesday, Nov. 4, 2020 at 11 a.m. Eastern Standard Time. The call and presentation will be webcast live so that interested parties may listen over the internet by logging on to Essential.co and following the link for Investors. The conference call will be archived in the Investor Relations section of the company's website for 90 days following the call. Additionally, the call will be recorded and made available for replay at 2 p.m. on Nov. 4, 2020 for 10 business days following the call. To access the audio replay in the U.S., dial 888-203-1112 (pass code 8195013). International callers can dial +1 719-457-0820 (pass code 8195013).

About Essential

Essential is one of the largest publicly traded water, wastewater and natural gas providers in the U.S., serving approximately 5 million people across 10 states under the Aqua and Peoples brands. Essential is committed to excellence in proactive infrastructure investment, regulatory expertise, operational efficiency and environmental stewardship. The company recognizes the importance water and natural gas play in everyday life and is proud to deliver safe, reliable services that contribute to the quality of life in the communities it serves. For more information, visit http://www.essential.co.

Forward-looking statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others: the guidance range of adjusted income per diluted common share for the fiscal year ending in 2020; the 3-year earnings growth from 2019 to 2022; the projected total regulated water segment customer growth for 2020; the anticipated amount of capital investment in 2020; the anticipated amount of capital investment from 2020 through 2022; and the company's anticipated rate base growth from 2020 through 2022. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: disruptions in the global economy; financial and workforce impacts from the COVID-19 pandemic; the continuation of the company's growth-through-acquisition program; the company's continued ability to adapt itself for the future and build value by fully optimizing company assets; general economic business conditions; the company's ability to fund needed infrastructure; housing and customer growth trends; unfavorable weather conditions; the success of certain cost-containment initiatives; changes in regulations or regulatory treatment; availability and access to capital; the cost of capital; disruptions in the credit markets; the success of growth initiatives; the company's ability to successfully close municipally owned systems presently under agreement; the company's ability to continue to deliver strong results; the company's ability to continue to pay its dividend, add shareholder value and grow earnings; municipalities' willingness to privatize their water and/or wastewater utilities; the company's ability to control expenses and create and maintain efficiencies; the company's ability to acquire municipally owned water and wastewater systems listed in its "pipeline"; and other factors discussed in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, which are filed with the Securities and Exchange Commission. For more information regarding risks and uncertainties associated with Essential's business, please refer to Essential's annual, quarterly and other SEC filings. Essential is not under any obligation - and expressly disclaims any such obligation - to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

WTRGF

Essential Utilities, Inc. and Subsidiaries
Selected Operating Data
(In thousands, except per share amounts)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Operating revenues	$ 348,647	$ 243,626	$ 988,700	$ 663,650
Operations and maintenance expense	$ 136,174	$ 82,022	$ 371,415	$ 247,781
Net income	$ 55,732	$ 88,489	$ 182,142	$ 160,316
Basic net income per common share	$ 0.22	$ 0.38	$ 0.73	$ 0.76
Diluted net income per common share	$ 0.22	$ 0.38	$ 0.71	$ 0.76

Basic average common shares outstanding	254,280	232,053	248,212	209,971
Diluted average common shares outstanding	255,162	232,464	255,139	210,335

Essential Utilities, Inc. and Subsidiaries
Consolidated Statement of Income
(In thousands, except per share amounts)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Operating revenues	$ 348,647	$ 243,626	$ 988,700	$ 663,650
Cost & expenses:				
Operations and maintenance	136,174	82,022	371,415	247,781
Purchased gas	16,744	-	72,934	-
Depreciation	68,175	39,489	181,666	118,113
Amortization	1,766	444	4,412	(2,140)
Taxes other than income taxes	20,555	15,201	56,424	45,038
Total	243,414	137,156	686,851	408,792
Operating income	105,233	106,470	301,849	254,858
Other expense (income):				
Interest expense	49,861	32,643	136,650	92,239
Interest income	(114)	(9,680)	(5,346)	(18,117)
Allowance for funds used during construction	(3,543)	(4,613)	(8,721)	(12,280)
Change in fair value of interest rate swap agreements	-	-	-	23,742
Loss on debt extinguishment	-	-	-	18,920
Gain on sale of other assets	(233)	(175)	(358)	(443)
Equity loss (earnings) in joint venture	3,626	(135)	3,283	(1,918)
Other	(4,127)	1,494	(3,170)	4,293
Income before income taxes	59,763	86,936	179,511	148,422

Provision for income taxes (benefit)	4,031	(1,553)	(2,631)	(11,894)
Net income	$ 55,732	$ 88,489	$ 182,142	$ 160,316
Net income per common share:				
Basic	$ 0.22	$ 0.38	$ 0.73	$ 0.76
Diluted	$ 0.22	$ 0.38	$ 0.71	$ 0.76
Average common shares outstanding:				
Basic	254,280	232,053	248,212	209,971
Diluted	255,162	232,464	255,139	210,335

Essential Utilities, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share amounts)
(Unaudited)

The Company is providing disclosure of the reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures. The Company believes that the non-GAAP financial measures "adjusted operating revenues," "adjusted income," and "adjusted income per common share" provide investors the ability to measure the Company's financial operating performance by adjustment, which is more indicative of the Company's ongoing performance and is more comparable to measures reported by other companies. The Company further believes that the presentation of these non-GAAP financial measures is useful to investors as a more meaningful way to compare the Company's operating performance against its historical financial results.

This reconciliation includes a presentation of the non-GAAP financial measures "adjusted operating revenues," "adjusted income," and "adjusted income per common share" and have been adjusted for the following items:

(1) Transaction-related water rate credits issued to Pennsylvania utility customers in September 2020.

(2) Transaction-related expenses for the Company's Peoples acquisition that closed on March 16, 2020, which consists of costs of $2,496 recorded as operations and maintenance expenses for the three months ended September 30, 2019 and $25,397 and $21,886 for the nine months ended September 30, 2020 and 2019, respectively, primarily representing expenses associated with investment banking fees, obtaining regulatory approvals, legal expenses, and integration planning. Additionally included in transaction-related expenses for the nine months ended September 30, 2019 are mark-to-market fair value adjustments of $23,742 associated with interest rate swap agreements for debt issued related to the Peoples transaction. The interest rate swap agreements were settled on April 24, 2019, which coincided with the debt financings to partially fund the Peoples acquisition. Further, expenses of $871 for the three months ended September 30, 2019 and $19,825 for the nine months ended September 30, 2019 associated with the refinancing of existing debt that occurred in May 2019 are included in transaction-related expenses;

(3) In order to illustrate the full-year 2020 effects of the Peoples acquisition as if this transaction closed on January 1, 2020, this adjustment includes both the estimated impact of Peoples Gas pre-tax operating results for the period in 2020 prior to closing from January 1, 2020 to March 15, 2020, as well as the additional net interest expense expected to have been incurred for partially funding the estimated purchase price of Peoples;

(4) Pre-acquisition interest expense of $4,757, net of interest income of $2,757, for the three months ended September 30, 2019 and $8,249, net of interest income of $4,931 for the nine months ended September 30, 2019, commencing in the second quarter of 2019 for funds borrowed prior to the completion of the Company's Peoples acquisition on March 16, 2020;

(5) On April 26, 2019, the Company issued $313,500 of notes so as to complete an early extinguishment of $313,500 of existing debt on May 18, 2019. The Company incurred overlapping interest expense during this 22-day period of $858, net of interest income earned of $406, on the borrowed funds, and considers this overlapping net interest expense of $452 to be a transaction-related expense;

(6) Interest income earned on the proceeds received from our April 2019 equity offerings of common shares and tangible equity units prior to the completion of the Company's Peoples acquisition on March 16, 2020;

(7) The income tax impact of the non-GAAP adjustments described above; and

(8) The effect on average diluted shares outstanding of the shares issued in April 2019 for our common share and tangible equity unit issuances prior to the completion of the Company's Peoples acquisition on March 16, 2020.

These financial measures are measures of the Company's operating performance that do not comply with U.S. generally accepted accounting principles (GAAP), and are thus considered to be "non-GAAP financial measures" under applicable Securities and Exchange Commission regulations. These non-GAAP financial measures are derived from our consolidated financial information, if available, and is provided to supplement the Company's GAAP measures, and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

The following reconciles our GAAP results to the non-GAAP information we disclose :

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating revenues (GAAP financial measure)	$ 348,647	$ 243,626	$ 988,700	$ 663,650
(1) Transaction-related water rate credits issued to utility customers	4,080	-	4,080	-
Adjusted operating revenues (Non-GAAP financial measure)	$ 352,727	$ 243,626	$ 992,780	$ 663,650
Net income (GAAP financial measure)	$ 55,732	$ 88,489	$ 182,142	$ 160,316
(1) Transaction-related water rate credits issued to utility customers	4,080	-	4,080	-
(2) Transaction-related expenses for the Peoples transaction closed March 16, 2020	-	3,367	25,573	65,453
(3) Adjustments to provide full-year 2020 run rate of Peoples operating results, including additional net interest expense	-	-	108,132	-
(4) Pre-acquisition interest expense for funds borrowed for acquisition of Peoples, net	-	2,000	-	3,318
(5) Overlapping interest expense on refinanced debt	-	-	-	452
(6) Interest income earned on proceeds from April 2019 equity offerings	-	(9,071)	-	(16,479)
(7) Income tax effect of non-GAAP adjustments	(1,179)	810	(32,982)	(10,926)
Adjusted income (Non-GAAP financial measure)	$ 58,633	$ 85,595	$ 286,945	$ 202,134
Net income per common share (GAAP financial measure):				
Basic	$ 0.22	$ 0.38	$ 0.73	$ 0.76
Diluted	$ 0.22	$ 0.38	$ 0.71	$ 0.76
Adjusted income per common share (Non-GAAP financial measure):				
Diluted	$ 0.23	$ 0.48	$ 1.12	$ 1.13
Average common shares outstanding:				
Basic	254,280	232,053	248,212	209,971
Diluted	255,162	232,464	255,139	210,335
Average common shares outstanding:				
Shares used in calculating diluted net income per common share	255,162	232,464	255,139	210,335
(8) Less: Adjustment for effects of April 2019 common share issuance	-	(37,370)	-	(22,039)

(8) Less: Adjustment for effects of April 2019 tangible equity unit issuance	-	(16,270)	-	(9,595)
Shares used in calculating adjusted diluted income per common share (Non-GAAP financial measure)	255,162	178,824	255,139	178,701

Essential Utilities, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Financial Measure
(Unaudited)

The Company is providing disclosure of the reconciliation of the Company's outlook of the non-GAAP financial measure "adjusted diluted income per common share" to the most comparable GAAP financial measure "diluted net income per common share." The diluted income per share guidance for 2020 reflects the completion of the Peoples acquisition March 16, 2020. The Company believes that the non-GAAP financial measure "adjusted diluted income per common share" for Essential's 2020 full-year illustrative guidance provides investors the ability to measure the Company’s future financial operating performance with adjustments, by providing an estimate of the full-year effects of the Peoples acquisition as if this transaction closed on January 1, 2020. The adjusted results are more indicative of the Company’s future performance and are more comparable to measures reported by other companies. The Company believes that the presentation of this non-GAAP financial measure is more indicative of the Company's future performance and is more comparable to measures reported by other companies.

This reconciliation includes a presentation of the non-GAAP financial measure “adjusted diluted income per common share” for Essential's 2020 full-year guidance and has been adjusted for the following items:

(1) Excludes transaction-related expenses of $25.6 million for the Company's Peoples acquisition completed in March 2020, which consisted of costs primarily representing expenses associated with obtaining regulatory approvals, investment banking fees, legal expenses, and integration planning;

(2) Excludes the impact of Peoples transaction-related rate credits of $23.0 million granted to Pennsylvania water and gas customers, which includes $4.1 million of water rate credits issued to Pennsylvania utility customers in the third quarter of 2020;

(3) In order to illustrate the full-year 2020 effects of the Peoples acquisition as if this transaction closed on January 1, 2020, this adjustment of $108.1 million includes both the estimated impact of Peoples Gas pre-tax operating results for the period in 2020 prior to closing, as well as the additional net interest expense expected to have been incurred for partially funding the estimated purchase price of Peoples;

(4) Excludes the income tax impact of $38.4 million for the non-GAAP adjustments described above.

This financial measure is a measure of the Company’s operating performance that does not comply with U.S. generally accepted accounting principles (GAAP), and is thus considered to be a “non-GAAP financial measure” under applicable Securities and Exchange Commission regulations. The non-GAAP financial measure is provided to supplement the Company's GAAP outlook and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

The following reconciles Essential's 2020 full-year guidance GAAP outlook to the non-GAAP information that we have provided:

Diluted net income per common share for Essential's full year 2020 guidance (GAAP financial measure)	**$1.05 to $1.10**
Adjustments on a per share basis:	
(1) Transaction-related expenses for Peoples transaction completed in March 2020	$0.10
(2) Peoples transaction-related commitment to grant rate credits to utility customers	$0.09 +/- $0.01
(3) Adjustment to provide full-year run rate of Peoples operating results, including additional net interest expense	$0.42
(4) Income tax effect of non-GAAP adjustments	($0.15) +/- $0.02
Adjusted diluted income per common share for Essential's full year 2020 guidance (Non-GAAP financial measure)	**$1.53 to $1.58**

Essential Utilities, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands of dollars)
(Unaudited)

	September 30,	December 31,
	2020	2019

Net property, plant and equipment	$ 9,260,460	$ 6,345,790
Current assets	311,238	2,015,127
Regulatory assets and other assets	3,827,790	1,001,068
Total assets	$ 13,399,488	$ 9,361,985
Total equity	$ 4,635,753	$ 3,880,860
Long-term debt, excluding current portion, net of debt issuance costs	5,152,973	2,943,327
Current portion of long-term debt and loans payable	253,026	130,775
Other current liabilities	413,933	192,686
Deferred credits and other liabilities	2,943,803	2,214,337
Total liabilities and equity	$ 13,399,488	$ 9,361,985

View source version on businesswire.com: https://www.businesswire.com/news/home/20201103005753/en/

Brian Dingerdissen
Essential Utilities Inc.
Investor Relations
O: 610.645.1191
BJDingerdissen@Essential.co

Gretchen Toner
Communications and Marketing
484.368.4816
Media@essential.co

Source: Essential Utilities Inc.

Essential Utilities Reports Financial Results For 2020

February 24, 2021

Reports results at the top of the guidance range
Over 20,500 water and wastewater customer connections added
Invests a record amount in infrastructure improvements

BRYN MAWR, Pa.--(BUSINESS WIRE)--Feb. 24, 2021-- Essential Utilities Inc. (NYSE: WTRG), today reported results for the fourth quarter and year ended Dec. 31, 2020.

"2020 marks another remarkable year in our company's history. We changed our name, acquired Peoples, reported another year of operational excellence and strong growth and invested a record amount in infrastructure," said Essential Chairman and Chief Executive Officer Christopher Franklin. "These accomplishments during a year filled with so many challenges are what allowed us to remain strong and dedicated to our mission of providing essential natural resources to our customers."

"As we look to 2021, I am confident that we have positioned ourselves to play a critical role in solving our country's infrastructure challenges while recognizing our responsibility to be an industry leader in protecting our environment," said Franklin.

Full-year 2020 Operating Results

Essential reported total operating revenues of $1.46 billion in 2020, an increase of 64.4% compared to $889.7 million in the prior year. The acquisition of Peoples in the first quarter contributed $520.9 million of this revenue growth, while the remainder was due to rate and surcharge increases, increased volume and growth in the regulated water segment. Water usage was up 0.8% year over year due to the work-from-home orders and favorable weather. Adjusted revenues for 2020, which exclude water and gas rate credits issued one time to utility customers, were $1.49 billion (non-GAAP).

Operations and maintenance expenses were $528.6 million for 2020 compared to $333.1 million in the prior year. The increase in operations and maintenance expenses was primarily a result of operations and maintenance expenses of $199.9 million from the acquisition of Peoples.

Essential reported adjusted net income for the full year 2020 of $403.1 million (non-GAAP), or $1.58 per share (non-GAAP) compared to $1.47 per share (non-GAAP) in 2019, an increase of 7.5% from the prior year. Adjusted income and adjusted income per share (both non-GAAP financial measures) for 2020 exclude the impact of both the Peoples transaction-related one-time rate credits issued to utility customers of $23.0 million and Peoples transaction-related expenses, and include a normalized pro forma adjustment for the Peoples operating results for the period Jan. 1, 2020 to March 15, 2020 to provide the basis for a 2020 full-year run rate of operating results. Please refer to the reconciliation of GAAP to non-GAAP financial measures later in this press release for additional information on Essential's use of non-GAAP financial measures as a supplement to its GAAP results.

Essential's net income of $284.8 million (GAAP), or $1.12 per share (GAAP), compared to $224.5 million, or $1.04 per share in 2019, an increase in net income of 26.9% from the prior year. Results for the full year 2020 include the operating results of Peoples, representing the company's regulated natural gas segment, and results for the full year 2019 include Peoples transaction-related items.

Fourth Quarter 2020 Operating Results

Revenues increased to $474.0 million in the fourth quarter compared to $226.0 million in the same period of 2019, an increase of 109.7%. The Peoples acquisition contributed $240.6 million of this revenue growth, while the remainder was due to increased volume, growth and rate and surcharge increases in the regulated water segment. Adjusted revenues for the fourth quarter of 2020, which exclude gas rate credits issued one-time to Pennsylvania utility customers, were $492.9 million (non-GAAP).

Operations and maintenance expenses increased to $157.2 million for the fourth quarter of 2020 compared to $85.3 million in the fourth quarter of 2019. The increase in operations and maintenance expenses was primarily a result of operations and maintenance expenses of $72.6 million from the acquisition of Peoples.

For the fourth quarter 2020, Essential reported net income of $102.7 million (GAAP), or $0.40 per share (GAAP), compared to $64.2 million, or $0.28 per share, for the fourth quarter 2019. Results for the fourth quarter of 2020 include the operating results of Peoples, which largely comprises the company's regulated natural gas segment, and results for the fourth quarter of 2019 include Peoples transaction-related items. Adjusting for transaction-related gas rate credits issued to utility customers, adjusted net income in the fourth quarter of 2020 was $116.2 million (non-GAAP), or $0.46 per share (non-GAAP). Please refer to the reconciliation of GAAP to non-GAAP financial measures later in this press release for additional information on Essential's use of non-GAAP financial measures as a supplement to its GAAP results.

Dividend

On Jan. 27, 2021, Essential's board of directors declared a quarterly cash dividend of $0.2507 per share of common stock. This dividend will be payable on March 1, 2021 to shareholders of record on Feb. 12, 2021. The company has paid a consecutive quarterly cash dividend for more than 76 years.

Water Utility Acquisition Growth

In 2020, Essential invested approximately $62.9 million to acquire six water and wastewater systems. These acquisitions added approximately 12,000 new customer equivalents to the company's footprint. Coupled with organic growth, the company increased its water and wastewater customer base by 2.0% with over 20,500 new customer connections. Essential's continued acquisition growth allows the company to provide safe and reliable water and wastewater service to an even larger customer base.

The company currently has six signed purchase agreements for additional water and wastewater systems that are expected to serve approximately 227,000 equivalent retail customers or equivalent dwelling units and add approximately $438 million in rate base. This includes the recently announced agreements to acquire East Whiteland Township's wastewater system for $54.9 million and Willistown Township's wastewater system for $17.5 million, together serving approximately 10,475 customer equivalents in Pennsylvania. Also included is the company's 2019 agreement to acquire the Delaware County Regional Water Quality Control Authority (DELCORA) for $276.5 million. DELCORA, a Pennsylvania sewer authority, serves approximately 198,000 equivalent dwelling units in the Philadelphia suburbs. According to the statutory timeline, the company expects a PUC decision on the DELCORA acquisition in March 2021.

The pipeline of potential water and wastewater municipal acquisitions the company is actively pursuing represents approximately 375,000 total customers.

Capital Expenditures

In 2020, Essential invested approximately $900 million to improve its regulated water and natural gas infrastructure systems and to enhance its customer service across its operations. This includes $53.5 million that was invested by Peoples, pre-closing, during the period from Jan. 1, 2020 to March 15, 2020. The company expects to invest approximately $550 million in 2021 to replace and expand its water and wastewater utility infrastructure and $450 million in 2021 to replace and upgrade its natural gas utility infrastructure, leading to significant reductions in methane emissions that occur in aged gas pipes. In total, infrastructure investments of approximately $3 billion are expected through 2023 to improve water and natural gas systems and better serve our customers through improved information technology. The capital investments made to rehabilitate and expand the infrastructure of the communities Essential serves are critical to its mission of safely and reliably delivering Earth's most essential resources.

Environmental, Social and Governance

As announced in January, Essential is committed to substantially reducing Scope 1 and 2 greenhouse gas emissions and by 2035, the company plans to reduce its emissions by 60% from its 2019 baseline. This will be achieved by extensive gas pipeline replacement, renewable energy purchasing, accelerated methane leak detection and repair, and various other currently planned initiatives that are highly feasible with proven technology. In a further commitment to ESG, the company's 2021 Proxy Statement will include compensation metrics that include a multiyear plan to increase the amount of diverse supplier spend to 15% and a multiyear plan to achieve 17% employees of color.

Financing

At year-end 2020, Essential's weighted average cost of fixed-rate long-term debt was 3.73%, and the company had $749 million available on its credit lines.

Rate Activity

In 2020, the regulated water segment received rate awards or infrastructure surcharges in Illinois, Indiana, North Carolina, Ohio, Virginia and Pennsylvania totaling an estimated increase in annualized revenues of $21.0 million. Additionally, the regulated natural gas segment has received infrastructure surcharges in Kentucky and Pennsylvania totaling an estimated increase to annualized revenues of $1.0 million.

To date in 2021, the company's regulated water segment received rate awards in New Jersey, North Carolina, Ohio and Pennsylvania of $8.5 million. The company currently has proceedings pending in Virginia and Indiana for its regulated water segment, which would add an estimated $1.8 million in incremental revenue.

2021 Essential Guidance

Essential continues to monitor the effects of the COVID-19 pandemic on its customers, employees and the business and will update guidance impacts from the pandemic in the future if needed. The following is the company's 2021 full-year guidance:

- Net income per diluted common share of $1.64 to $1.69
- Earnings per share growth CAGR of 5 to 7% for 2020 through 2023
- Regulated water segment infrastructure investments of approximately $550 million in 2021
- Regulated natural gas segment infrastructure investments of approximately $450 million in 2021
- Infrastructure investments of approximately $3 billion through 2023 to rehabilitate and strengthen water, wastewater and natural gas systems
- Regulated water segment rate base compound annual growth rate of 6 to 7% through 2023
- Regulated natural gas segment rate base compound annual growth rate of 8 to 10% through 2023
- Average annual regulated water segment customer (or equivalent dwelling units) growth of between 2 and 3% from acquisitions and organic customer growth
- Gas customer count stable for 2021
- Reduction of Scope 1 and Scope 2 greenhouse gas emissions by 60% by 2035
- Multiyear plan to increase diverse supplier spend to 15%
- Multiyear plan to achieve 17% employees of color

Essential Utilities does not guarantee future results of any kind. Guidance is subject to risks and uncertainties, including, without limitation, those factors outlined in the "Forward Looking Statements" of this release and the "Risk Factors" section of the company's annual and quarterly reports filed with the Securities and Exchange Commission.

Earnings Call Information

Date: Feb. 25, 2021
Time: 11 a.m. EST (please dial in by 10:45 a.m.)
Webcast and slide presentation link: https://www.essential.co/events-and-presentations/events-calendar
Replay Dial-in #: 888.203.1112 (U.S.) & +1 719.457.0820 (International)
Confirmation code: 7428652

The company's conference call with financial analysts will take place Thursday, Feb. 25, 2021 at 11 a.m. Eastern Standard Time. The call and presentation will be webcast live so that interested parties may listen over the internet by logging on to Essential.co and following the link for Investors. The conference call will be archived in the Investor Relations section of the company's website for 90 days following the call. Additionally, the call will be recorded and made available for replay at 2 p.m. on Feb. 25, 2021 for 10 business days following the call. To access the audio replay in the U.S., dial 888-203-1112 (pass code 7428652). International callers can dial +1 719-457-0820 (pass code 7428652).

About Essential

Essential is one of the largest publicly traded water, wastewater and natural gas providers in the U.S., serving approximately 5 million people across 10 states under the Aqua and Peoples brands. Essential is committed to excellence in proactive infrastructure investment, regulatory expertise, operational efficiency and environmental stewardship. The company recognizes the importance water and natural gas play in everyday life and is proud to deliver safe, reliable services that contribute to the quality of life in the communities it serves. For more information, visit http://www.essential.co.

Forward-looking statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others: the company's role in the United States' infrastructure investments; its ability to be an industry leader in protecting the environment; the guidance range of adjusted income per diluted common share for the fiscal year ending in 2021; the 3-year earnings growth from 2021 to 2023; the projected total regulated water segment customer growth for 2021; the anticipated amount of capital investment in 2021; the anticipated amount of capital investment from 2021 through 2023; and the company's anticipated rate base growth from 2021 through 2023. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: disruptions in the global economy; financial and workforce impacts from the COVID-19 pandemic; the continuation of the company's growth-through-acquisition program; the company's continued ability to adapt itself for the future and build value by fully optimizing company assets; general economic business conditions; the company's ability to fund needed infrastructure; housing and customer growth trends; unfavorable weather conditions; the success of certain cost-containment initiatives; changes in regulations or regulatory treatment; availability and access to capital; the cost of capital; disruptions in the credit markets; the success of growth initiatives; the company's ability to successfully close municipally owned systems presently under agreement; the company's ability to continue to deliver strong results; the company's ability to continue to pay its dividend, add shareholder value and grow earnings; municipalities' willingness to privatize their water and/or wastewater utilities; the company's ability to control expenses and create and maintain efficiencies; the company's ability to acquire municipally owned water and wastewater systems listed in its "pipeline"; and other factors discussed in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, which are filed with the Securities and Exchange Commission. For more information regarding risks and uncertainties associated with Essential's business, please refer to Essential's annual, quarterly and other SEC filings. Essential is not under any obligation - and expressly disclaims any such obligation - to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

WTRGF

Essential Utilities, Inc. and Subsidiaries

Selected Operating Data

(In thousands, except per share amounts)

(Unaudited)

	Quarter Ended		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Operating revenues	$ 473,998	$ 226,042	$ 1,462,698	$ 889,692
Operations and maintenance expense	$ 157,196	$ 85,321	$ 528,611	$ 333,102

Net income	$ 102,707	$ 64,227	$ 284,849	$ 224,543
Basic net income per common share	$ 0.40	$ 0.28	$ 1.14	$ 1.04
Diluted net income per common share	$ 0.40	$ 0.28	$ 1.12	$ 1.04
Basic average common shares outstanding	254,403	232,107	249,768	215,550
Diluted average common shares outstanding	254,774	232,581	254,629	215,931

Essential Utilities, Inc. and Subsidiaries

Consolidated Statement of Income

(In thousands, except per share amounts)

(Unaudited)

	Quarter Ended		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Operating revenues	$ 473,998	$ 226,042	$ 1,462,698	$ 889,692
Cost & expenses:				
Operations and maintenance	157,196	85,321	528,611	333,102
Purchased gas	92,811	-	165,745	-
Depreciation	69,777	40,066	251,443	158,179
Amortization	1,204	437	5,616	(1,703)
Taxes other than income taxes	20,173	14,917	76,597	59,955
Total	341,161	140,741	1,028,012	549,533
Operating income	132,837	85,301	434,686	340,159
Other expense (income):				
Interest expense	51,785	33,142	188,435	125,383
Interest income	(17)	(7,287)	(5,363)	(25,406)

Allowance for funds used during construction	(3,966)	(3,892)	(12,687)	(16,172)
Change in fair value of interest rate swap agreements	-	-	-	23,742
Loss on debt extinguishment	-	-	-	18,528
Gain on sale of other assets	(303)	(480)	(661)	(923)
Equity loss (earnings) in joint venture	91	(292)	3,374	(2,210)
Other	(213)	1,006	(3,383)	5,691
Income before income taxes	85,460	63,104	264,971	211,526
Provision for income tax benefit	(17,247)	(1,123)	(19,878)	(13,017)
Net income	$ 102,707	$ 64,227	$ 284,849	$ 224,543
Net income per common share:				
Basic	$ 0.40	$ 0.28	$ 1.14	$ 1.04
Diluted	$ 0.40	$ 0.28	$ 1.12	$ 1.04
Average common shares outstanding:				
Basic	254,403	232,107	249,768	215,550
Diluted	254,774	232,581	254,629	215,931

Essential Utilities, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share amounts)
(Unaudited)

The Company is providing disclosure of the reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures. The Company believes that the non-GAAP financial measures "adjusted operating revenues," "adjusted income," and "adjusted income per common share" provide investors the ability to measure the Company's financial operating performance by adjustment, which is more indicative of the Company's ongoing performance and is more comparable to measures reported by other companies. The Company further believes that the presentation of these non-GAAP financial measures is useful to investors as a more meaningful way to compare the Company's operating performance against its historical financial results.

This reconciliation includes a presentation of the non-GAAP financial measures "adjusted operating revenues," "adjusted income," and "adjusted income per common share" and have been adjusted for the following items:

(1) Transaction-related rate credits issued to Pennsylvania utility customers in September and December 2020.

(2) Transaction-related expenses for the Company's Peoples acquisition that closed on March 16, 2020, which consists of costs of $1,005 recorded as operations and maintenance expenses for the three months ended December 31, 2019 and $25,397 and $22,891 for the year ended December 31, 2020 and 2019, respectively, primarily representing expenses associated with investment banking fees, obtaining regulatory approvals, legal expenses, and integration planning. Additionally included in transaction-related expenses for the year ended December 31, 2019 are mark-to-market fair value adjustments of $23,742 associated with interest rate swap agreements for debt issued related to the Peoples transaction. The interest rate swap agreements were settled on April 24, 2019, which coincided with the debt financings to partially fund the Peoples acquisition. Further, expenses of $19,433 for the year ended December 31, 2019 associated with the refinancing of existing debt that occurred in May 2019 are included in transaction-related expenses;

(3) In order to illustrate the full-year 2020 effects of the Peoples acquisition as if this transaction closed on January 1, 2020, this adjustment includes both the estimated impact of Peoples Gas pre-tax operating results for the period in 2020 prior to closing from January 1, 2020 to March 15, 2020, as well as the additional net interest expense expected to have been incurred for partially funding the estimated purchase price of Peoples;

(4) Pre-acquisition interest expense of $4,684, net of interest income of $2,041, for the three months ended December 31, 2019 and $12,933, net of interest income of $6,972 for the year ended December 31, 2019, commencing in the second quarter of 2019 for funds borrowed prior to the

completion of the Company's Peoples acquisition on March 16, 2020;

(5) On April 26, 2019, the Company issued $313,500 of notes so as to complete an early extinguishment of $313,500 of existing debt on May 18, 2019. The Company incurred overlapping interest expense during this 22-day period of $858, net of interest income earned of $406, on the borrowed funds, and considers this overlapping net interest expense of $452 to be a transaction-related expense;

(6) Interest income earned on the proceeds received from our April 2019 equity offerings of common shares and tangible equity units prior to the completion of the Company's Peoples acquisition on March 16, 2020;

(7) The income tax impact of the non-GAAP adjustments described above; and

(8) The effect on average diluted shares outstanding of the shares issued in April 2019 for our common share and tangible equity unit issuances prior to the completion of the Company's Peoples acquisition on March 16, 2020.

These financial measures are measures of the Company's operating performance that do not comply with U.S. generally accepted accounting principles (GAAP), and are thus considered to be "non-GAAP financial measures" under applicable Securities and Exchange Commission regulations. These non-GAAP financial measures are derived from our consolidated financial information, if available, and is provided to supplement the Company's GAAP measures, and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

The following reconciles our GAAP results to the non-GAAP information we disclose :

	Quarter Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Operating revenues (GAAP financial measure)	$ 473,998	$ 226,042	$ 1,462,698	$ 889,692
(1) Transaction-related rate credits issued to utility customers	18,924	-	23,004	-
Adjusted operating revenues (Non-GAAP financial measure)	$ 492,922	$ 226,042	$ 1,485,702	$ 889,692
Net income (GAAP financial measure)	$ 102,707	$ 64,227	$ 284,849	$ 224,543
(1) Transaction-related rate credits issued to utility customers	18,924	-	23,004	-
(2) Transaction-related expenses for the Peoples transaction closed March 16, 2020	-	613	25,573	66,066
(3) Adjustments to provide full-year 2020 run rate of Peoples operating results, including additional net interest expense	-	-	108,132	-
(4) Pre-acquisition interest expense for funds borrowed for acquisition of Peoples, net	-	2,643	-	5,961
(5) Overlapping interest expense on refinanced debt	-	-	-	452
(6) Interest income earned on proceeds from April 2019 equity offerings	-	(6,898)	-	(23,377)
(7) Income tax effect of non-GAAP adjustments	(5,468)	777	(38,450)	(10,149)
Adjusted income (Non-GAAP financial measure)	$ 116,163	$ 61,362	$ 403,108	$ 263,496
Net income per common share (GAAP financial measure):				
Basic	$ 0.40	$ 0.28	$ 1.14	$ 1.04
Diluted	$ 0.40	$ 0.28	$ 1.12	$ 1.04

Adjusted income per common share (Non-GAAP financial measure):				
Diluted	$ 0.46	$ 0.34	$ 1.58	$ 1.47
Average common shares outstanding:				
Basic	254,403	232,107	249,768	215,550
Diluted	254,774	232,581	254,629	215,931
Average common shares outstanding:				
Shares used in calculating diluted net income per common share	254,774	232,581	254,629	215,931
(8) Less: Adjustment for effects of April 2019 common share issuance	-	(37,370)	-	(25,903)
(8) Less: Adjustment for effects of April 2019 tangible equity unit issuance	-	(16,271)	-	(11,278)
Shares used in calculating adjusted diluted income per common share (Non-GAAP financial measure)	254,774	178,940	254,629	178,750

Essential Utilities, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands of dollars)

(Unaudited)

	December 31, 2020	December 31, 2019
Net property, plant and equipment	$ 9,512,877	$ 6,345,790
Current assets	380,220	2,015,127
Regulatory assets and other assets	3,812,180	1,001,068
Total assets	$ 13,705,277	$ 9,361,985
Total equity	$ 4,683,877	$ 3,880,860
Long-term debt, excluding current portion, net of debt issuance costs	5,507,744	2,943,327
Current portion of long-term debt and loans payable	162,551	130,775
Other current liabilities	441,322	192,686

Deferred credits and other liabilities	2,909,783	2,214,337
Total liabilities and equity	$ 13,705,277	$ 9,361,985

View source version on businesswire.com: https://www.businesswire.com/news/home/20210224006084/en/

Brian Dingerdissen
Essential Utilities Inc.
Investor Relations
O: 610.645.1191
BJDingerdissen@Essential.co

Dan Lockwood
Communications and Marketing
856.981.5497
Media@essential.co

Source: Essential Utilities Inc.

Essential Utilities Reports Financial Results for Q1 2021

May 5, 2021

Earns $0.72 earnings per share; reaffirms annual earnings guidance

BRYN MAWR, Pa.--(BUSINESS WIRE)--May 5, 2021-- Essential Utilities Inc. (NYSE: WTRG) ("Essential"), today reported results for the first quarter ended March 31, 2021.

"We are pleased with our strong financial results for the first quarter of the year as we mark our one-year anniversary as Essential. As we move forward in 2021, we are reminded that it is the dedication to our mission of providing essential natural resources that has allowed us to become a 135-year-old company that has been on the New York Stock Exchange for 50 years," said Essential Chairman and Chief Executive Officer Christopher Franklin.

Operating Results
Year over year comparisons were impacted by the Peoples transaction, which closed on March 16, 2020, and thereby was only included for 16 days in the first quarter of 2020. Essential reported net income of $183.7 million (GAAP) for the first quarter 2021, or $0.72 per share (GAAP), compared to $51.8 million, or $0.20 per share, for the first quarter 2020. Results for the first quarter of 2021 include the operating results of Peoples, which comprises the company's regulated natural gas segment. For the first quarter of 2020, adjusted income and adjusted income per share (both non-GAAP financial measures) excluded Peoples-related transaction expenses and included a normalized pro forma adjustment for the Peoples operating results for the period January 1, 2020 to March 15, 2020 to provide the basis for a 2020 full-year run rate of operating results. Adjusting for those items, Essential's adjusted income in the first quarter of 2020 was $153.7 million (non-GAAP), or $0.60 per share (non-GAAP). When compared to the adjusted income in the first quarter 2020, earnings increased 19.5%. Please refer to the reconciliation of GAAP to non-GAAP financial measures later in this press release for additional information on Essential's use of non-GAAP financial measures as a supplement to its GAAP results.

Revenues for the quarter were $583.6 million, an increase of 128.3% compared to $255.6 million in the first quarter of 2020. The natural gas utility contributed $315.8 million of this revenue growth, while the remainder was due to rate and surcharge increases, growth, and increased volume in the regulated water segment. Operations and maintenance expenses increased to $125.1 million for the first quarter of 2021 compared to $106.6 million in the first quarter of 2020. The increase in operations and maintenance expenses was primarily a result of additional operations and maintenance expenses of $42.9 million from the acquisition of Peoples for the full period, offset by the impact of the Peoples transaction-related expenses of $25.4 million in the prior year.

The regulated water segment reported revenues for the quarter of $228.4 million, an increase of 5.6% compared to $216.2 million in the first quarter of 2020. Rates and surcharges, growth, and increased volume were the largest contributors to the increase in revenues for the period. Operations and maintenance expenses for the regulated water segment increased to $78.3 million for the first quarter of 2021. Adjusted for growth, COVID-related bad debt, and increased pension expenses, regulated water segment operations and maintenance increased in line with historical experience.

The regulated natural gas segment reported revenues for the first quarter of 2021 of $343.1 million. Operations and maintenance for the same period for the regulated natural gas segment were $51.3 million, and purchased gas costs were $122.9 million.

Dividend
On April 14, 2021, Essential's board of directors declared a quarterly cash dividend of $0.2507 per share of common stock. This dividend will be payable on June 1, 2021 to shareholders of record on May 14, 2021. The company has paid a consecutive quarterly cash dividend for more than 76 years.

Financing
On March 4, the company priced $100 million of First Mortgage Bonds ("FMB") for Aqua Ohio with a weighted-average tenor of 20 years and a weighted-average coupon rate of 2.86%. Upon closing on April 15, 2021, the proceeds of these bonds were used for general corporate purposes. On April 19, Essential completed a $400 million public debt offering of 10-year notes issued at 2.40%. The company used these proceeds to pay down short-term borrowings and credit lines. As of April 30, after considering the effects of these financings, the company had $1.1 billion of capacity to borrow on various credit facilities.

Water Utility Acquisition Growth
Essential's continued acquisition growth allows the company to provide safe and reliable water and wastewater service to an even larger customer base. The company previously announced six signed purchase agreements for additional water and wastewater systems that are expected to serve approximately 227,000 equivalent retail customers or equivalent dwelling units and add approximately $438 million in rate base in three of our existing states. This includes the company's previously announced agreement to acquire the Delaware County Regional Water Quality Control Authority (DELCORA) for $276.5 million. DELCORA, a Pennsylvania sewer authority, serves approximately 198,000 equivalent dwelling units in the Philadelphia suburbs. In April 2021, the company signed an asset purchase agreement for a $12.5 million acquisition of a municipal water system in Illinois, representing approximately 4,000 equivalent dwelling units.

The pipeline of potential water and wastewater municipal acquisitions the company is actively pursuing represents approximately 395,000 total customers or equivalent dwelling units. On average, the company remains on track to annually increase customers between 2 and 3% through acquisitions and organic customer growth.

Capital Expenditures
Essential invested approximately $178 million in the first three months of the year to improve its regulated water and natural gas infrastructure systems

and to enhance its customer service across its operations. The company remains on track to invest approximately $1 billion in 2021 to replace and expand its water and wastewater utility infrastructure and to replace and upgrade its natural gas utility infrastructure, leading to significant reductions in methane emissions that occur in aged gas pipes. In total, infrastructure investments of approximately $3 billion are expected through 2023 to improve water and natural gas systems and better serve our customers through improved information technology. The capital investments made to rehabilitate and expand the infrastructure of the communities Essential serves are critical to its mission of safely and reliably delivering Earth's most essential resources.

Rate Activity
To date in 2021, the company's regulated water segment received rate awards or infrastructure surcharges in New Jersey, North Carolina, Ohio, Pennsylvania, Illinois, and Indiana of $13.5 million. The company currently has a proceeding pending in Virginia for its regulated water segment, which would add an estimated $1.7 million in incremental revenue. Additionally, the company's regulated natural gas segment has received rate awards or infrastructure surcharges in Pennsylvania and Kentucky totaling an estimated increase to annualized revenues of $1.1 million.

Reaffirms 2021 Essential Guidance
Essential continues to monitor the effects of the COVID-19 pandemic on its customers, employees and the business and will update guidance impacts from the pandemic in the future if needed. The following continues to be the company's 2021 full-year guidance:

- Net income per diluted common share of $1.64 to $1.69
- Earnings per share growth CAGR of 5 to 7% for 2020 through 2023
- Regulated water segment infrastructure investments of approximately $550 million in 2021
- Regulated natural gas segment infrastructure investments of approximately $450 million in 2021
- Infrastructure investments of approximately $3 billion through 2023 to rehabilitate and strengthen water, wastewater and natural gas systems
- Regulated water segment rate base compound annual growth rate of 6 to 7% through 2023
- Regulated natural gas segment rate base compound annual growth rate of 8 to 10% through 2023
- Average annual regulated water segment customer (or equivalent dwelling units) growth of between 2 and 3% from acquisitions and organic customer growth
- Gas customer count stable for 2021
- Reduction of Scope 1 and Scope 2 greenhouse gas emissions by 60% by 2035
- Multiyear plan to increase diverse supplier spend to 15%
- Multiyear plan to achieve 17% employees of color

Essential Utilities does not guarantee future results of any kind. Guidance is subject to risks and uncertainties, including, without limitation, those factors outlined in the "Forward Looking Statements" of this release and the "Risk Factors" section of the company's annual and quarterly reports filed with the Securities and Exchange Commission.

Earnings Call Information
Date: May 6, 2021
Time: 11 a.m. EDT (please dial in by 10:45 a.m.)
Webcast and slide presentation link: https://www.essential.co/events-and-presentations/events-calendar
Replay Dial-in #: 888.203.1112 (U.S.) & +1 719.457.0820 (International)
Confirmation code: 1612923
The company's conference call with financial analysts will take place Thursday, May 6, 2021 at 11 a.m. Eastern Daylight Time. The call and presentation will be webcast live so that interested parties may listen over the internet by logging on to Essential.co and following the link for Investors. The conference call will be archived in the Investor Relations section of the company's website for 90 days following the call. Additionally, the call will be recorded and made available for replay at 2 p.m. on May 6, 2021 for 10 business days following the call. To access the audio replay in the U.S., dial 888-203-1112 (pass code 1612923). International callers can dial +1 719-457-0820 (pass code 1612923).

About Essential
Essential is one of the largest publicly traded water, wastewater and natural gas providers in the U.S., serving approximately 5 million people across 10 states under the Aqua and Peoples brands. Essential is committed to excellence in proactive infrastructure investment, regulatory expertise, operational efficiency and environmental stewardship. The company recognizes the importance water and natural gas play in everyday life and is proud to deliver safe, reliable services that contribute to the quality of life in the communities it serves. For more information, visit http://www.essential.co.

Forward-looking statements
This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others: the guidance range of adjusted income per diluted common share for the fiscal year ending in 2021; the 3-year earnings growth from 2021 to 2023; the projected total regulated water segment customer growth for 2021; the anticipated amount of capital investment in 2021; the anticipated amount of capital investment from 2021 through 2023; the reduction of Scope 1 and Scope 2 greenhouse gas emissions by 60% by 2035, the company's ability to increase diverse supplier spend to 15%, the company's ability to achieve 17% employees of color, and the company's anticipated rate base growth from 2021 through 2023. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: disruptions in the global economy; financial and workforce impacts from the COVID-19 pandemic; the continuation of the company's growth-through-acquisition program; the company's continued ability to adapt itself for the future and build value by fully optimizing company assets; general economic business conditions; the company's ability to fund needed infrastructure; housing and customer growth trends; unfavorable weather conditions; the success of certain cost-containment initiatives; changes in regulations or regulatory treatment; availability and access to capital; the cost of capital; disruptions in the credit markets; the success of growth initiatives; the company's ability to successfully close municipally owned systems presently under agreement; the company's ability to continue to deliver strong results; the company's ability to continue to pay its dividend, add shareholder value and grow earnings; municipalities' willingness to privatize their water and/or wastewater utilities; the company's ability to control expenses and create and maintain efficiencies; the company's ability to acquire municipally owned water and wastewater

systems listed in its “pipeline”; and other factors discussed in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, which are filed with the Securities and Exchange Commission. For more information regarding risks and uncertainties associated with Essential's business, please refer to Essential's annual, quarterly and other SEC filings. Essential is not under any obligation - and expressly disclaims any such obligation - to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

WTRGF

Essential Utilities, Inc. and Subsidiaries

Selected Operating Data

(In thousands, except per share amounts)

(Unaudited)

	Quarter Ended	
	March 31,	
	2021	2020
Operating revenues	$ 583,565	$ 255,585
Operations and maintenance expense	$ 125,075	$ 106,637
Net income	$ 183,689	$ 51,781
Basic net income per common share	$ 0.72	$ 0.22
Diluted net income per common share	$ 0.72	$ 0.20
Basic average common shares outstanding	254,565	236,122
Diluted average common shares outstanding	254,969	255,054

Essential Utilities, Inc. and Subsidiaries

Consolidated Statement of Operations

(In thousands, except per share amounts)

(Unaudited)

	Quarter Ended	
	March 31,	
	2021	2020

Operating revenues	$ 583,565	$ 255,585
Cost & expenses:		
Operations and maintenance	125,075	106,637
Purchased gas	132,153	12,770
Depreciation	71,637	45,566
Amortization	1,307	679
Taxes other than income taxes	21,041	16,436
Total	351,213	182,088
Operating income	232,352	73,497
Other expense (income):		
Interest expense	50,769	35,122
Interest income	(387)	(5,035)
Allowance for funds used during construction	(2,934)	(2,948)
Gain on sale of other assets	(80)	(105)
Equity loss (earnings) in joint venture	-	127
Other	(3,471)	1,679
Income before income taxes	188,455	44,657
Provision for income taxes (benefit)	4,766	(7,124)
Net income	$ 183,689	$ 51,781
Net income per common share:		
Basic	$ 0.72	$ 0.22
Diluted	$ 0.72	$ 0.20
Average common shares outstanding:		
Basic	254,565	236,122
Diluted	254,969	255,054

Essential Utilities, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per share amounts)
(Unaudited)

The Company is providing disclosure of the reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures. The Company believes that the non-GAAP financial measures "adjusted income" and "adjusted income per common share" provide investors the ability to measure the Company’s financial operating performance by adjustment, which is more indicative of the Company’s ongoing performance and is more comparable to measures reported by other companies. The Company further believes that the presentation of these non-GAAP financial measures is useful to investors as a more meaningful way to compare the Company’s operating performance against its historical financial results.

This reconciliation includes a presentation of the non-GAAP financial measures “adjusted income” and “adjusted income per common share” and have been adjusted for the following items:

(1) Transaction-related expenses for the Company's Peoples acquisition that closed on March 16, 2020, which consists of costs recorded as operations and maintenance expenses for the three months ended March 31, 2020 of $25,397, primarily representing expenses associated with investment banking fees, obtaining regulatory approvals, legal expenses, and integration planning;

(2) In order to illustrate the full-year 2020 effects of the Peoples acquisition as if this transaction closed on January 1, 2020, this adjustment includes both the estimated impact of Peoples Gas pre-tax operating results for the period in 2020 prior to closing from January 1, 2020 to March 15, 2020, as well as the additional net interest expense expected to have been incurred for partially funding the estimated purchase price of Peoples; and

(3) The income tax impact of the non-GAAP adjustments described above.

These financial measures are measures of the Company’s operating performance that do not comply with U.S. generally accepted accounting principles (GAAP), and are thus considered to be “non-GAAP financial measures” under applicable Securities and Exchange Commission regulations. These non-GAAP financial measures are derived from our consolidated financial information, if available, and is provided to supplement the Company's GAAP measures, and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

The following reconciles our GAAP results to the non-GAAP information we disclose :

	Quarter Ended	
	March 31,	
	2021	2020
Net income (GAAP financial measure)	$ 183,689	$ 51,781
Adjustments:		
(1) Transaction-related expenses for the Peoples transaction closed March 16, 2020	-	25,573
(2) Adjustments to provide full-year 2020 run rate of Peoples operating results,		
including additional net interest expense	-	108,132
(3) Income tax effect of non-GAAP adjustments	-	(31,803)
Adjusted income (Non-GAAP financial measure)	$ 183,689	$ 153,683
Net income per common share (GAAP financial measure):		
Basic	$ 0.72	$ 0.22
Diluted	$ 0.72	$ 0.20
Adjusted income per common share (Non-GAAP financial measure):		
Basic	$ 0.72	$ 0.65
Diluted	$ 0.72	$ 0.60
Average common shares outstanding:		

Basic	254,565	236,122
Diluted	254,969	255,054

Essential Utilities, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands of dollars)

(Unaudited)

	March 31, 2021	December 31, 2020
Net property, plant and equipment	$ 9,569,335	$ 9,512,877
Current assets	348,109	380,220
Regulatory assets and other assets	3,904,471	3,812,180
	$ 13,821,915	$ 13,705,277
Total equity	$ 4,810,341	$ 4,683,877
Long-term debt, excluding current portion, net of debt issuance costs	5,547,936	5,507,744
Current portion of long-term debt and loans payable	155,244	162,551
Other current liabilities	348,150	441,322
Deferred credits and other liabilities	2,960,244	2,909,783
	$ 13,821,915	$ 13,705,277

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Brian Dingerdissen
Essential Utilities Inc.
Investor Relations
O: 610.645.1191
BJDingerdissen@Essential.co

Dan Lockwood
Communications and Marketing
856.981.5497
Media@essential.co

Source: Essential Utilities Inc.

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 49 - 807 KAR 5:001 Section 16(7)(s)
Sponsoring Witness: William Steven Seelye

Description of Filing Requirement:

The summary of the latest depreciation study with schedules itemized by major plant accounts, except that telecommunications utilities that have adopted the Commission's average depreciation rates shall provide a schedule that identifies the current and base period depreciation rates used by major plant accounts. If the information has been filed in another Commission case, a reference to that case's number shall be sufficient.

Response:

A new depreciation study is included in the testimony and exhibits of William Steven Seelye.

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 50 - 807 KAR 5:001 Section 16(7)(t)
Sponsoring Witness: Andrea Schroeder

Description of Filing Requirement:

A list of all commercially available or in-house developed computer software, programs, and models used in the development of the schedules and work papers associated with the filing of the utility's application. This list shall include each software, program, or model; what the software, program, or model was used for; the supplier of each software, program or model; a brief description of the software, program, or model; the specifications for the computer hardware and the operating system required to run program.

Response:

See attached.

Supplier	SAP	SAP	PowerPlan
Software/Program/Model	SAP S/4 HANA	SAP Business Warehouse (BW) and associated tools	PowerTax
Description and Use in Application	Enterprise financial management (general accounting, financial reporting, fixed assets, A/P), human resource management, supply chain management, asset management, billing, A/R	Data Warehousing and Enterprise Reporting & Analytics	Tracks all Income Tax provisions, deferrals, etc.
Hardware Specifications	Intel Xeon Gold 3.6 GHz processors	Intel Xeon Gold 3.6 GHz processors	Intel Xeon Gold 3.8 GHz processors
Operating System Specification	Application server: Windows Server 2016 Database server: Redhat Linux 7.7	Application server: Windows Server 2016 Database server: Redhat Linux 7.7	Application server: Windows Server 2012r2 Database server: Redhat Linux 7.5

Supplier	Adobe Acrobat	Microsoft	Microsoft
Software/Program/Model	Adobe Acrobat Reader DC 2020/012	Excel – Microsoft 365	Word – Microsoft Office 365
Description and Use in Application	Preserve and secure the layout of documents created in other applications	Microsoft Excel was used for data analysis in the development of the load forecast and to prepare various analysis	Microsoft Word was used to prepare testimony and other miscellaneous schedules. Microsoft Word is an electronic word processing application
Hardware Specifications	Intel 2 GHz processor or greater	Intel 2 GHz processor or greater	Intel 2 GHz processor or greater
Operating System Specification	Windows 10	Windows 10	Windows 10

Supplier	Prime Group SPR Model
Software/Program/Model	Proprietary Software
Description and Use in Application	Perform Simulated Property Records (SPR) analysis for depreciation study
Hardware Specifications	Intel 3.4 GHz processor; Intel Core i7-6800K CPU (6 Cores) (6 Cores)
Operating System Specification	Window 10 Pro; software compiled with MS Visual Studio 2019

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 51 - 807 KAR 5:001 Section 16(7)(u)
Sponsoring Witness: William Packer / John B. Brown

Description of Filing Requirement:

If the utility had any amounts charged or allocated to it by an affiliate or general or home office or paid any monies to an affiliate or general or home office during the base period or during the previous three (3) calendar years, the utility shall file:

1. *A detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each allocation or payment;*
2. *The method and amounts allocated during base period and method and estimated amounts to be allocated during forecasted test period;*
3. *An explanation of how the allocator for both base period and forecasted test period was determined; and*
4. *All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during base period is reasonable;*

Response:

This portion of the response provides:

(1) Detailed description of method of calculations

(2) Method utilized during base period forecasted test period

(3) How allocator for the base and forecast test period was determined

(4) Facts relied upon to demonstrate each charge is reasonable

Delta both provides and receives affiliate services. Delta's affiliate activities are governed by its Cost Allocation Manual and Utility Services Agreement. The Commission recently approved changes to Delta's Cost Allocation Manual in Case No. 2021-00149. Delta's Utility Services Agreement was approved by the Commission in Case No. 2018-00379.

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Delta receives affiliate services from its parent company, PNG Companies LLC ("PNG"). In 2020, Aqua America, Inc. acquired PNG and its subsidiaries, including Delta. Aqua subsequently changed its name to Essential Utilities Inc. ("Essential"). In April 2021, ownership of Peoples Gas of Kentucky LLC ("PKY"), a farm tap affiliate of Delta owned by PNG, was transferred to Delta. As part of the Essential family of utilities, Delta and PKY have access to and are the beneficiaries of a number of affiliate services, which include administrative, management, and other services. Costs from Essential are first allocated to PNG and then to Delta or PKY, in accordance with the Utility Services Agreement.

Costs incurred in rendering services to Delta or PKY that are identified as exclusively benefiting Delta or PKY are charged directly to that company. Costs incurred in rendering services to Delta or PKY and other companies are allocated among the group of companies receiving the service rendered by activity, project, program, work order, or another appropriate basis. Costs are often allocated using the number of customers or employees. Attached is detail of the amounts and method for allocation of affiliate costs in the base period. The first page of the attachment shows services (1) allocated to Delta from PNG and the allocation method, and (2) allocated to Delta's affiliates from Delta and the allocation method. The second page of the attachment shows services allocated to PKY from PNG and the allocation method. For each of these services, the attachment also shows the estimated amounts to be allocated during the remainder of the base period and forecasted test period. Delta determined these amounts by analyzing previously incurred affiliate costs and estimating the affiliate costs for the remainder of the base period and forecasted test period based on the same prudent allocation methods utilized in the preceding years.

The amounts charged, allocated, or paid during the base period are reasonable because the allocations are based on objective criteria and appropriately reflect cost-causation relationships. Delta regularly reviews the allocations and charges to ensure they have been made in accordance with appropriate allocation methodologies and reflect appropriate cost-causation relationships. Additionally, as another point of control, Delta performs a monthly review of actual results against the budget and prior year. If allocations were out of line, Kentucky management would review and question the allocation. As described further in Mr. Packer's testimony, Delta has the opportunity to challenge and question affiliate expenses and PNG and Essential expects that Delta's management will do so. This helps ensure that the amounts charged, allocated, or paid are reasonable.

The attachment to this response provides:

1. The amounts allocated or charged in the preceding three years
2. The amounts allocated during the base period and forecasted period

Witness: William Packer / John B. Brown

Delta Natural Gas

Service	Allocation Method	2018*	2019	2020	Base Period	Forecasted Test Year
Accounts Payable	Accounts Payable documents processed		$ 5,955	$ 5,958	$ 6,810	$ 6,800
Billing Services	Customers				83,802	83,800
Budget and Financial Strategy	O&M less purchased gas expense; capex			90,872	226,521	226,500
Cash Management	O&M less purchased gas expense; capex		9,914	9,330	9,845	9,800
Community Relations	Customers			10,070	34,881	34,900
Customer Relations	Customers - Residential			26,826	5,904	5,900
Executive	O&M less purchased gas expense; capex			132,679	327,393	327,400
Fleet	Vehicles			14,590	50,715	50,700
General Accounting	O&M less purchased gas expense		21,510	79,702	129,675	129,700
Human Resources	Employees			63,651	135,160	135,200
Information Technology Applications	Customers and Users (50/50)		65,550	401,805	365,087	365,100
Internal Auditing	O&M less purchased gas expense; capex			18,056	43,708	43,700
Legal	O&M less purchased gas expense; capex			34,070	85,036	85,000
Operations	Budgeted Pipe Replacement			4,943	8,474	8,500
Regulatory and Legal	Regulated Revenue			8,766	20,919	20,900
Safety & Training	Field Union Employees			12,652	21,689	21,700
Supply Chain	$ value of PO purchases			4,507	10,908	10,900
Tax Accounting	Income and deductions per tax return		10,543	6,492	26,015	26,000
			$ 113,472	$ 924,969	$ 1,592,544	$ 1,592,500
Variable Costs of Gas Storage	**Allocation Method**				-	
Inter-Company Operating Expenses-1800-Delgasco	Percentage of MCF Stored	$ (169,865)	$ (160,577)	$ (205,294)	$ (175,659)	$ (175,700)
Inter-Company Operating Expenses-1900-ENPRO	Percentage of MCF Stored	(49,992)	(57,109)	(36,260)	(30,968)	(31,000)
		$ (219,857)	$ (217,686)	$ (241,554)	$ (206,628)	$ (206,700)

*Delta's Services Agreement with Peoples was approved by the KPSC in February 2019, therefore there were no allocations in 2018.

Peoples Kentucky

Service	Allocation Method	2018	2019	2020	Base Period	Forecasted Test Year
Accounts Payable	Accounts Payable documents processed	$ 3,589	$ 3,377	$ 3,233	$ 3,508	$ 3,500
All Other Support Services	O&M less purchased gas expense; capex	2,803	653	584	555	600
AMR Support	Customers	20	612	998	1,525	1,500
Applications	Customers and Users (50/50)	12,206	12,636	12,943	11,699	11,700
Billing Services	Customers	6,794	6,687	6,359	5,961	6,000
Budgets and Financial Strategy	O&M less purchased gas expense; capex	3,426	5,465	2,160	9,887	9,900
Call Center - Billing, Credit, Etc.	Customers	26,652	27,086	29,784	31,062	31,000
Cash Management	O&M less purchased gas expense; capex	5,368	2,927	996	927	900
Community Relations	Customers	4,296	4,984	5,789	8,517	8,500
Customer Operations	Customers	11,042	10,279	9,851	9,713	9,700
Customer Relations	Customers - Residential	4,427	4,776	4,895	4,841	4,800
Energy Diversion	Customers			60	240	200
Engineering	Budget - Engineering	358				
Executive	O&M less purchased gas expense; capex	42,397	35,579	31,457	12,989	13,000
Facility Services	Office square footage	3,003	3,244	3,319	3,326	3,300
Fixed Assets	Fixed Assets added, retired or transferred	962	807	383	337	300
Fleet Administration	Vehicles	3,316	3,102	3,200	3,194	3,200
Gas Operations	Miles (ft) of Pipeline	1,156				
Gas Supply Planning	System throughput (Sales & Transp)	860	999	1,060	999	1,000
General Accounting	O&M less purchased gas expense	13,176	14,806	16,950	21,767	21,800
Help Desk	Employees				945	900
Human Resources	Employees	16,787	14,052	12,896	16,231	16,200
Information Technology Applications	Customers and Users (50/50)	20,052	20,109	19,348	19,544	19,500
Internal Auditing	O&M less purchased gas expense; capex	1,562	1,560	266	1,915	1,900
Interns	Various	312	385			
Legal	O&M less purchased gas expense; capex				3,220	3,200
Protection Programs	Time Study		751	867	749	700
Purchasing	$ value of PO purchases	1,037	789	431	239	200
Rates	Regulated Revenue	3,152	4,033	4,330	4,509	4,500
Regulatory and Legal	Regulated Revenue				447	400
Residential Sales	Customers - Residential	1,287				
Safety & Training	Field Union Employees	13,357	13,039	11,771	12,215	12,200
Sales and Transportation	Sales and delivery volumes	706	476	460	433	400
SAP Licenses	Numbers of users				12,742	12,700
Short Term Incentive	AIP cost center charges		(507)	2,107	2,006	2,000
Supply Chain	$ value of PO purchases				41	-
Tax Accounting	Income and deductions per tax return	1,054	1,286	620	906	900
Telecommunications Applications	Customers and Users (50/50)	18,825	18,839	19,588	18,137	18,100
Various	LTI per cost center	3,752	30,045	3,359	10,689	10,700
	TOTAL	$ 227,735	$ 242,878	$ 210,062	$ 236,015	$ 224,700

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 52 - 807 KAR 5:001 Section 16(7)(v)
Sponsoring Witness: William Steven Seelye

Description of Filing Requirement:

If the utility provides gas, electric, sewage or water utility service and has annual gross revenues greater than $5,000,000 in the division for which a rate adjustment is sought, a cost of service study based on a methodology generally accepted within the industry and based on current and reliable data from a single time period.

Response:

Please refer to the testimony and exhibits of William Steven Seelye.

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 53 - 807 KAR 5:001 Section 16(7)(w)
Sponsoring Witness: William Steven Seelye

Description of Filing Requirement:

Incumbent local exchange carriers with fewer than 50,000 access lines shall not be required to file cost of service studies, except as specifically directed by the Commission. Local exchange carriers with more than 50,000 access lines shall file:

1. *A jurisdictional separations study consistent with 47 C.F.R. Part 36; and*

2. *Service specific cost studies to support the pricing of all services that generate annual revenue greater than $1,000,000 except local exchange access:*

a. *Based on current and reliable data from a single time period; and*

b. *Using generally recognized fully allocated, embedded, or incremental cost principles.*

Response:

Not applicable.

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 54 - 807 KAR 5:001 Section 16(8)(a)
Sponsoring Witness: John B. Brown

Description of Filing Requirement:

A jurisdictional financial summary for both the base period and the forecasted period that details how the utility derived the amount of the requested revenue increase.

Response:

See attached.

Delta Natural Gas Company, Inc.
Overall Financial Summary
Forecasted Test Period 12 ME 12/31/22
Base Period 12 ME 8/31/21

Witness: John B. Brown

Line Number		Calendar 2020	Base Period 12ME 8/31/21 (7 Actual + 5 Budget)	Forecasted Period Calendar 2022
1	Cost of gas	12,442,135	12,503,349	15,821,884
2	Operations & maintenance expense	14,994,233	15,283,587	16,006,950
3	Depreciation expense	7,996,682	8,346,047	9,903,030
4	Taxes other than income taxes	3,831,982	3,521,376	3,893,352
5	Return	5,719,572	4,716,160	10,311,660
6	Income tax liability	916,597	966,765	2,512,596
7	Total revenue requirements	45,901,200	45,337,285	58,449,471
8	Revenues at present rates	(43,129,236)	(43,129,236)	(49,314,301)
9	Revenue deficiency	2,771,965	2,208,049	9,135,170
10	Percent increase			18.52%

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 55 - 807 KAR 5:001 Section 16(8)(b)
Sponsoring Witness: John B. Brown

Description of Filing Requirement:

A jurisdictional rate base summary for both the base and the forecasted period with supporting schedules, which include detailed analyses of each component of the rate base.

Response:

See attached.

Delta Natural Gas Co., Inc.
Case No. 2021-00185
Jurisdictional Rate Base Summary
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

		Tab 55 Reference	Base Period	Forecasted Period
Total Utility Plant In Service per books		Pages 2 & 3	277,645,551	301,255,707
Add:	Materials & Supplies (13 mo avg)	Page 4	604,905	604,905
	Prepayments (13 mo avg)	Page 4	1,072,741	1,072,741
	Gas in Storage (13 mo avg)	Page 4	1,143,702	1,143,702
	Unamortized Debt Exp per books	Page 5	1,747,661	1,747,661
	Cash Working Capital Allowance (1/8 O&M)	Page 6	2,000,869	2,000,869
	Subtotal		6,569,877	6,569,877
Deduct:	Accumulated Depreciation	Pages 2 & 3 & 7 - 10	(118,940,849)	(127,857,043)
	Customer Adv for Construction	Page 11	(457,600)	(457,600)
	Accum Deferred Income Taxes	Pages 3, 12	(42,472,111)	(42,774,952)
	Subtotal		(161,870,560)	(171,089,595)
Rate Base			122,344,868	136,735,989

Delta Natural Gas Co., Inc.
Case No. 2021-00185
Jurisdictional Rate Base Summary

Mark #	Description	(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)	Apr 21 Budget	May 21 Budget	Jun 21 Budget	Jul 21 Budget	Aug 21 Budget	Sep 21 Budget	Oct 21 Budget	Nov 21 Budget	Dec 21 Budget	Total 21 Budget	Check	2022	2023 Projection	2024 Projection	2025 Projection
3,950	Laboratory Equipment	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	10,000	10,000	10,000
3,030	Misc Intangible Plant (Software)	1,715,950	142,996	142,996	142,996	142,996	142,996	142,996	142,996	142,996	142,996	1,715,950	$-	1,343,704	522,400	522,500	397,600
3,900	General Structures and Improvements	520,000	$-	$-	130,000	$-	$-	130,000	$-	$-	130,000	520,000	$-	410,000	400,000	430,000	410,000
3,910	Office Furniture and Equipment	75,000	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	75,000	$-	75,200	75,600	76,000	78,200
3,912	Computer Hardware	501,050	41,754	41,754	41,754	41,754	41,754	41,754	41,754	41,754	41,754	501,050	$-	1,594,000	150,000	150,000	150,000
3,920	Transportation Equipment	650,000	$-	$-	162,500	$-	$-	162,500	$-	$-	162,500	650,000	$-	650,000	618,000	695,000	636,000
3,970	Communication Equipment	$-										$-	$-	$-	$-	$-	$-
3,980	Miscellaneous Equipment	$-										$-	$-	$-	$-	$-	$-
3,991	Computerized Office Equipment	$-										$-	$-	$-	$-	$-	$-
3,992	Computer Software	$-										$-	$-	$-	$-	$-	$-
3,993	Computer Hardware	$-										$-	$-	$-	$-	$-	$-
3,999	Contingency	$-										$-	$-	$-	769,500	804,900	833,100
3,310	Well Equipment	24,000	$-	$-	6,000	$-	$-	6,000	$-	$-	6,000	24,000	$-	$-	50,000	50,000	50,000
3,320	Gathering Lines	42,000	10,500	$-	$-	10,500	$-	$-	10,500	$-	$-	42,000	$-	48,000	100,000	100,000	100,000
3,330	Gathering Compressor Station Equipment	28,100	5,300	$-	$-	2,900	5,200	3,200	$-	$-	5,300	28,100	$-	57,700	40,000	40,000	40,000
3,340	Gathering Measuring and Regulating Station Equip	18,000	$-	6,000	$-	$-	$-	6,000	$-	$-	$-	18,000	$-	20,000	30,000	30,000	30,000
3,520	Storage Wells	10,800	$-	$-	$-	10,800	$-	$-	$-	$-	$-	10,800	$-	240,000	10,000	10,000	10,000
3,530	Storage Lines	10,500	$-	5,300	$-	$-	$-	5,200	$-	$-	$-	10,500	$-	13,000	12,000	12,000	12,000
3,540	Storage Compressor Station Equipment	82,500	21,000	$-	12,500	4,000	$-	$-	3,900	$-	$-	82,500	$-	41,000	60,000	60,000	60,000
3,550	Storage Measuring and Regulating Equipment	7,900	$-	$-	1,975	$-	$-	1,975	$-	$-	1,975	7,900	$-	11,800	$-	$-	$-
3,560	Purification Equipment	107,500	$-	$-	26,875	$-	$-	26,875	$-	$-	26,875	107,500	$-	24,000	25,000	25,000	25,000
3,650	Transmission Rights of Way	455,600	$-	$-	113,900	$-	$-	113,900	$-	$-	113,900	455,600	$-	1,750,300	5,000	5,000	5,000
3,660	Transmission Structures and Improvements	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
3,670	Transmission Mains	4,006,400	$-	$-	1,001,600	$-	$-	1,001,600	$-	$-	1,001,600	4,006,400	$-	1,654,300	2,600,000	100,000	100,000
3,680	Transmission Compressor Station Equipment	397,600	$-	$-	99,400	$-	$-	99,400	$-	$-	99,400	397,600	$-	35,000	40,000	45,000	50,000
3,690	Transmission Measuring and Regulating Equip	616,200	578,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	2,700	616,200	$-	50,000	60,000	65,000	70,000
3,710	Transmission Other Equipment (Telemetering)	9,200	$-	$-	2,300	$-	$-	2,300	$-	$-	2,300	9,200	$-	9,200	10,000	10,000	10,000
3,740	Distribution Land and Right of Way	6,000	$-	$-	1,500	$-	$-	1,500	$-	$-	1,500	6,000	$-	6,000	5,000	5,000	5,000
3,750	Distribution Structures and Improvements	5,000	1,200	$-	1,200	$-	1,200	$-	1,400	$-	$-	5,000	$-	$-	5,000	5,000	5,000
3,760	Distribution Mains	5,676,400	675,000	675,000	675,000	1,736,783	675,000	675,000	675,000	475,000	275,000	6,738,183	$-	6,400,000	7,000,000	7,750,000	8,500,000
3,780	Distribution General Regulator Stations	72,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000	$-	70,000	70,000	70,000	70,000
3,790	Distribution City Gate Regulator Stations	25,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	3,000	25,000	$-	30,000	30,000	30,000	30,000
3,800	Distribution Services	1,800,000	150,000	200,000	200,000	200,000	200,000	200,000	150,000	150,000	200,000	1,800,000	$-	1,440,000	1,600,000	1,750,000	1,900,000
3,810	Distribution Meters	477,400	324,100	9,100	9,100	9,100	9,100	9,100	9,100	9,100	8,400	477,400	$-	498,000	500,000	500,000	500,000
3,820	Distribution Meter and Regulator Installations	300,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,000	$-	300,000	200,000	200,000	200,000
3,830	Distribution Regulators	150,800	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,200	150,800	$-	179,300	155,000	160,000	160,000
3,850	Distribution Industrial Meter Set	52,000	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,700	52,000	$-	50,000	50,000	50,000	50,000
3,940	Tools	51,200	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	51,200	$-	30,000	60,000	65,000	65,000
3,960	Power Operated Equipment	614,200	116,600	144,600	4,600	4,600	4,600	4,600	4,600	219,600	4,600	614,200	$-	213,200	300,000	300,000	300,000
		18,508,300	2,125,600	1,286,900	2,695,350	2,225,583	1,142,000	2,696,050	1,101,400	1,100,600	2,286,450	19,570,083	-	17,243,704	15,562,500	14,125,400	14,861,900
	Plant 12/31/20	276,048,695 Pky	26,211	54,347	56,019	26,569	20,813	24,095	38,800	16,258	58,854	455,402	20,025,485	368,530	400,000	400,000	400,000
	Plant 3/31/21	277,645,551	279,797,362	281,010,294	283,633,347	285,757,184	286,791,681	289,383,511	290,395,395	291,383,938	293,600,926	3,691,651,017	283,973,155	17,612,234	15,962,500	14,525,400	15,261,900
	Retirements		(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(1,539,786)	(118,445)				
	Base	$\boxed{277,645,551}$	279,669,047	280,881,978	283,505,032	285,628,868	286,663,366	289,255,195	290,267,080	291,255,622	293,472,611	3,690,111,231	283,854,710				
	A/D 3/31/21	(118,940,849)	(118,940,849)	(119,490,551)	(120,040,363)	(120,590,472)	(121,140,741)	(121,691,412)	(122,248,223)	(122,807,430)	(123,368,979)	(1,567,643,595)	(120,587,969)				
	Monthly Dep.		(678,018)	(678,127)	(678,425)	(678,584)	(678,987)	(685,126)	(687,523)	(689,864)	(695,115)	(8,097,603)	(622,893)				
	Retirements		128,316	128,316	128,316	128,316	128,316	128,316	128,316	128,316	128,316	1,539,786	118,445				
	Monthly A/D 2021	$\boxed{(118,940,849)}$	(119,490,551)	(120,040,363)	(120,590,472)	(121,140,741)	(121,691,412)	(122,248,223)	(122,807,430)	(123,368,979)	(123,935,779)	(1,574,201,412)	(121,092,416)				
	Materials & Supplies (13 mo avg)	604,905	604,905	604,905	604,905	604,905	604,905	604,905	604,905	604,905	604,905						
	Prepayments (13 mo avg)	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741						
		-															
	Gas in Storage (13 mo avg)	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702						
	Unamortized Debt Exp per books	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661						
	Cash Working Capital Allowance (1/8 O&M)	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869						
	Customer Adv for Construction	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)						
	Accum Deferred Income Taxes - assume dec. in reg liab. Offsets tax>bk	(42,472,111)	(42,317,501)	(42,354,241)	(42,390,981)	(42,427,722)	(42,464,462)	(42,501,202)	(42,537,942)	(42,574,683)	(42,766,929)						
	Rate Base	122,344,868	123,973,271	124,599,651	126,635,855	128,172,683	128,619,768	130,618,047	131,033,984	131,424,238	132,882,180						

Delta Natural Gas Co., Inc.
Case No. 2021-00185
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Mark #	Description	2021	2022	Dec 21 Budget	Jan 22 Budget	Feb 22 Budget	Mar 22 Budget	Apr 22 Budget	May 22 Budget	Jun 22 Budget	Jul 22 Budget	Aug 22 Budget	Sep 22 Budget	Oct 22 Budget	Nov 22 Budget	Dec 22 Budget	Total 22 Budget	Check	2023 Projection	2024 Projection	2025 Projection
3,950	Laboratory Equipment	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	10,000	10,000	10,000
3,030	Misc Intangible Plant (Software)	1,715,950	1,343,704	142,996	40,000	40,000	130,000	230,000	230,000	130,000	40,000	70,000	40,000	130,000	130,000	133,704	1,343,704	$-	522,400	522,500	397,600
3,900	General Structures and Improvements	520,000	410,000	130,000	5,000	5,000	25,000	6,000	22,000	50,000	93,000	38,000	58,000	60,000	45,000	3,000	410,000	$-	400,000	430,000	410,000
3,910	Office Furniture and Equipment	75,000	75,200	6,250	6,266	6,266	6,266	6,266	6,266	6,266	6,266	6,266	6,266	6,266	6,266	6,274	75,200	$-	75,600	76,000	78,200
3,912	Computer Hardware	501,050	1,594,000	41,754	75,000	75,000	170,000	340,000	340,000	220,000	162,000	162,000	50,000	$-	$-	$-	1,594,000	$-	150,000	150,000	150,000
3,920	Transportation Equipment	650,000	650,000	162,500	79,700	88,200	27,500	$-	79,900	117,000	6,500	13,400	$-	20,900	126,800	90,100	650,000	$-	618,000	695,000	636,000
3,970	Communication Equipment	$-	$-														$-	$-	$-	$-	$-
3,980	Miscellaneous Equipment	$-	$-														$-	$-	$-	$-	$-
3,991	Computerized Office Equipment	$-	$-														$-	$-	$-	$-	$-
3,992	Computer Software	$-	$-														$-	$-	$-	$-	$-
3,993	Computer Hardware	$-	$-														$-	$-	$-	$-	$-
3,999	Contingency	$-	$-														$-	$-	769,500	804,900	833,100
3,310	Well Equipment	24,000	$-	6,000	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	50,000	50,000	50,000
3,320	Gathering Lines	42,000	48,000	$-	$-	$-	12,000	$-	$-	12,000	$-	$-	12,000	$-	$-	12,000	48,000	$-	100,000	100,000	100,000
3,330	Gathering Compressor Station Equipment	28,100	57,700	5,300	$-	$-	$-	$-	57,700	$-	$-	$-	$-	$-	$-	$-	57,700	$-	40,000	40,000	40,000
3,340	Gathering Measuring and Regulating Station Equip	18,000	20,000	$-	$-	$-	6,700	$-	$-	$-	6,700	$-	$-	$-	6,600	$-	20,000	$-	30,000	30,000	30,000
3,520	Storage Wells	10,800	240,000	$-	$-	$-	$-	$-	$-	$-	240,000	$-	$-	$-	$-	$-	240,000	$-	10,000	10,000	10,000
3,530	Storage Lines	10,500	13,000	$-	$-	$-	$-	$-	6,500	6,500	$-	$-	$-	$-	$-	$-	13,000	$-	12,000	12,000	12,000
3,540	Storage Compressor Station Equipment	82,500	41,000	$-	$-	$-	$-	$-	$-	20,500	$-	20,500	$-	$-	$-	$-	41,000	$-	60,000	60,000	60,000
3,550	Storage Measuring and Regulating Equipment	7,900	11,800	1,975	$-	$-	$-	11,800	$-	$-	$-	$-	$-	$-	$-	$-	11,800	$-	$-	$-	$-
3,560	Purification Equipment	107,500	24,000	26,875	$-	$-	$-	$-	12,000	$-	$-	12,000	$-	$-	$-	$-	24,000	$-	25,000	25,000	25,000
3,650	Transmission Rights of Way	455,600	1,750,300	113,900	145,800	145,800	145,800	145,800	145,800	145,800	145,800	145,800	145,800	145,800	145,800	146,500	1,750,300	$-	5,000	5,000	5,000
3,660	Transmission Structures and Improvements	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
3,670	Transmission Mains	4,006,400	1,654,300	1,001,600	$-	$-	$-	$-	551,400	551,400	551,500	$-	$-	$-	$-	$-	1,654,300	$-	2,600,000	100,000	100,000
3,680	Transmission Compressor Station Equipment	397,600	35,000	99,400	$-	$-	$-	$-	17,500	$-	$-	$-	17,500	$-	$-	$-	35,000	$-	40,000	45,000	50,000
3,690	Transmission Measuring and Regulating Equip	616,200	50,000	2,700	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	3,800	50,000	$-	60,000	65,000	70,000
3,710	Transmission Other Equipment (Telemetering)	9,200	9,200	2,300	$-	$-	$-	$-	$-	$-	$-	4,600	$-	4,600	$-	$-	9,200	$-	10,000	10,000	10,000
3,740	Distribution Land and Right of Way	6,000	6,000	1,500	500	500	500	500	500	500	500	500	500	500	500	500	6,000	$-	5,000	5,000	5,000
3,750	Distribution Structures and Improvements	5,000	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	5,000	5,000	5,000
3,760	Distribution Mains	5,676,400	6,400,000	275,000	50,000	50,000	160,000	660,000	760,000	760,000	760,000	760,000	760,000	760,000	560,000	360,000	6,400,000	$-	7,000,000	7,750,000	8,500,000
3,780	Distribution General Regulator Stations	72,000	70,000	6,000	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	6,200	70,000	$-	70,000	70,000	70,000
3,790	Distribution City Gate Regulator Stations	25,000	30,000	3,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000	$-	30,000	30,000	30,000
3,800	Distribution Services	1,800,000	1,440,000	200,000	45,000	45,000	90,000	180,000	180,000	180,000	180,000	180,000	90,000	90,000	90,000	90,000	1,440,000	$-	1,600,000	1,750,000	1,900,000
3,810	Distribution Meters	477,400	498,000	8,400	64,700	10,800	10,800	325,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,300	498,000	$-	500,000	500,000	500,000
3,820	Distribution Meter and Regulator Installations	300,000	300,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,000	$-	200,000	200,000	200,000
3,830	Distribution Regulators	150,800	179,300	12,200	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	14,300	179,300	$-	155,000	160,000	160,000
3,850	Distribution Industrial Meter Set	52,000	50,000	4,700	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	3,800	50,000	$-	50,000	50,000	50,000
3,940	Tools	51,200	30,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000	$-	60,000	65,000	65,000
3,960	Power Operated Equipment	614,200	213,200	4,600	4,600	4,600	52,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	114,600	4,600	213,200	$-	300,000	300,000	300,000
		18,508,300	17,243,704	2,286,450	575,766	530,366	896,366	1,969,966	2,484,166	2,274,566	2,266,866	1,487,666	1,254,666	1,292,666	1,295,566	915,078	17,243,704	-	15,562,500	14,125,400	14,861,900
				Pky	35,820	43,770	28,390	21,210	43,980	45,330	21,500	16,840	19,500	31,400	13,160	47,630	368,530	17,612,234	2,022		
			Plant 12/31/21	293,472,611	294,084,197	294,530,017	295,326,458	297,189,318	299,589,149	301,780,729	303,940,780	305,316,970	306,462,821	307,658,571	308,838,982	309,673,374	3,917,863,974	301,374,152	3,624,391,364		
	Retirements				(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(128,316)	(1,539,786)	(118,445)			
				293,472,611	293,955,881	294,401,702	295,198,142	297,061,003	299,460,833	301,652,414	303,812,464	305,188,655	306,334,505	307,530,256	308,710,666	309,545,059	3,916,324,188	301,255,707			
	using 21 ave.			283,854,710	293,955,881	294,401,702	295,198,142	297,061,003	299,460,833	301,652,414	303,812,464	305,188,655	306,334,505	307,530,256	308,710,666	309,545,059	3,906,706,288	300,515,868			
	A/D 12/31/21			(123,935,779)	(123,935,779)	(124,576,126)	(125,217,638)	(125,861,232)	(126,509,695)	(127,164,430)	(127,824,894)	(128,491,004)	(129,160,710)	(129,833,412)	(130,509,239)	(131,188,151)	(1,654,208,089)	(127,246,776)			
	Monthly Dep.				(768,662)	(769,828)	(771,909)	(776,779)	(783,051)	(788,779)	(794,425)	(798,022)	(801,017)	(804,143)	(807,228)	(809,409)	(9,473,252)	(728,712)			
	Retirements				128,316	128,316	128,316	128,316	128,316	128,316	128,316	128,316	128,316	128,316	128,316	128,316	1,539,786	118,445			
	Monthly A/D 2022			(123,935,779)	(124,576,126)	(125,217,638)	(125,861,232)	(126,509,695)	(127,164,430)	(127,824,894)	(128,491,004)	(129,160,710)	(129,833,412)	(130,509,239)	(131,188,151)	(131,869,245)	(1,662,141,555)	(127,857,043)			
	Materials & Supplies (13 mo avg)			604,905	604,905	604,905	604,905	604,905	604,905	604,905	604,905	604,905	604,905	604,905	604,905	604,905	7,863,769				
	Prepayments (13 mo avg)			1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	1,072,741	13,945,628				
				-	-	-	-	-	-	-	-	-	-	-	-	-					
	Gas in Storage (13 mo avg)			1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	1,143,702	14,868,126				
	Unamortized Debt Exp per books			1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	1,747,661	22,719,589				
	Cash Working Capital Allowance (1/8 O&M)			2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	2,000,869	26,011,293				
				-	-	-	-	-	-	-	-	-	-	-	-	-					
	Customer Adv for Construction			(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(457,600)	(5,948,803)				
	Accum Deferred Income Taxes			(42,766,929)	(42,768,266)	(42,769,603)	(42,770,941)	(42,772,278)	(42,773,615)	(42,774,952)	(42,776,290)	(42,777,627)	(42,778,964)	(42,780,301)	(42,781,638)	(42,782,976)	(556,074,380)	(42,774,952)			
	Rate Base			132,882,180	132,723,766	132,526,737	132,678,247	133,891,307	135,635,065	137,164,844	138,657,448	139,362,594	139,834,406	140,352,992	140,853,153	141,005,115	1,777,567,856	136,735,989			

Delta Natural Gas Co., Inc.
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G/L Account | Fiscal year/period	MAR 2020	APR 2020	MAY 2020	JUN 2020	JUL 2020	AUG 2020	SEP 2020	OCT 2020	NOV 2020	DEC 2020	JAN 2021	FEB 2021	MAR 2021	Average
Plant Materials & Operating Supplies (154)	$ 549,558	$ 553,801	$ 572,422	$ 671,986	$ 633,486	$ 617,949	$ 594,764	$ 575,295	$ 609,277	$ 601,154	$ 600,821	$ 593,694	$ 689,562	$ 604,905
Gas Stored Underground - Current (164.1)	$ 539,871	$ 1,249,916	$ 1,637,947	$ 1,638,107	$ 1,638,107	$ 1,560,039	$ 1,560,039	$ 1,560,039	$ 1,560,039	$ 875,744	$ 425,657	$ 401,059	$ 221,563	$ 1,143,702
Prepayments (165)	$ 747,432	$ 646,353	$ 494,022	$ 1,470,999	$ 1,354,673	$ 1,284,682	$ 2,096,975	$ 1,228,461	$ 1,176,704	$ 1,163,544	$ 1,163,366	$ 1,139,548	$ (21,130)	$ 1,072,741

Delta Natural Gas Co., Inc.
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Debt Extinguishment and Issuance Costs - 3/31/21 - Base period

			PKY	Delta	Total
1600	1242150	1242150 Reg Asset - Loss on Extinguishment of Debt		$ 1,699,057	$ 1,699,057
1600	1242207	1242207 Reg Asset - Debt Issuance Costs		$ 48,604	$ 48,604
		Total 3/31/2021			**$ 1,747,661**

Associated with Delta $43,000,000 outstanding 4.26% bond

Delta Natural Gas Co., Inc.
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WORKING CAPITAL

O&M Expenses

Per books	**15,283,587**	**15,283,587**
Adjustments		
RECLASS TO FERC 3/31/21 Actual Statement	**599,120**	**599,120**
		-
	-	**-**
	-	**-**
	-	**-**
Payroll	**327,946**	**327,946**
Medical	**523,277**	**523,277**
Dental	**81,949**	**81,949**
401(k)	**310,198**	**310,198**
Pension expense	**(1,298,734)**	**(1,298,734)**
Rate case expense	**210,000**	**210,000**
Lobbying expenses 5399900	**(7,350)**	**(7,350)**
Advertising	**(23,044)**	**(23,044)**
	-	**-**
	-	**-**
	-	**-**
Total adjustments	**723,362**	**723,362**
Total O&M expenses	**16,006,950**	**16,006,950**
X 1/8 = Working Capital	**$ 2,000,869**	**$ 2,000,869**

DELTA
PLANT BALANCES AND CALCULATED DEPRECIATION EXPENSE

Delta Natural Gas Co., Inc.
Case No. 2021-00185
Jurisdictional Rate Base Summary

FERC NO	ASSET GL	DEPR EXP GL	DESCRIPTION	12/31/2020 ACTUAL PLANT PKY	2021 ESTIMATED ADDITIONS	12/31/2020 ACTUAL PLANT	2021 ESTIMATED ADDITIONS	2021 ESTIMATED RETIREMENTS	12/31/2021 ESTIMATED PLANT
			INTANGIBLE						
301	1311020	Non Depr	ORGANIZATION	-		53,151		(306)	52,845
303	1311020	5505010	COMPUTER SOFTWARE OTHER	-		1,377,728		(7,923)	1,369,805
303	1311020	5505010	COMPUTER SOFTWARE MAJOR	271,625	80,401	3,839,904	1,796,351	(22,083)	5,614,172
			SUB TOTAL	271,625	80,401	5,270,783	1,796,351	(30,312)	7,036,822
			PRODUCTION						
3254	1311030	5501010	RIGHT OF WAYS	-		97,055		(558)	96,497
327	1311050	5501030	COMP STAT STRUCTURES	-		47,946		(276)	47,670
331	1311050	5501030	WELL EQUIPMENT				24,000		24,000
332	1311050	5501030	FIELD LINES	-		2,290,299	42,000	(13,171)	2,319,128
333	1311050	5501030	COMPRESSOR STAT EQUIPMENT	-		862,610	28,100	(4,961)	885,749
334	1311050	5501030	MEASURING & REG STATIONS	-		355,534	18,000	(2,045)	371,489
			SUB TOTAL	-		3,653,444	112,100	(21,011)	3,744,533
			STORAGE & PROCESSING						
35001	1311030	Non Depr	STORAGE LAND	-		74,295		(427)	73,868
35002	1311030	Non Depr	STORAGE RIGHT OF WAY	-		186,821		(1,074)	185,747
351	1311052	5501033	STRUCTURES & IMPROVEMENTS	-		723,568		(4,161)	719,407
352	1311052	5501033	STORAGE WELLS	-		8,249,077	10,800	(47,440)	8,212,437
35201	1311030	5505300	STORAGE RIGHTS	-		860,396		(4,948)	855,448
35202	1311052	5501033	STORAGE RESERVOIRS	-		1,759,385		(10,118)	1,749,267
35203	1311052	5501033	NONRECOVERABLE NATURAL GAS	-		294,307		(1,693)	292,614
353	1311052	5501033	STORAGE LINES	-		6,086,342	10,500	(35,002)	6,061,840
354	1311052	5501033	STORAGE COMPRESSOR STAT EQUIP	-		4,526,580	82,500	(26,032)	4,583,048
355	1311052	5501033	STORAGE MEASURING & REG EQUIP	-		1,167,368	7,900	(6,713)	1,168,555
356	1311052	5501033	PURIFICATION EQUIPMENT	-		6,426,298	107,500	(36,957)	6,496,841
357	1311052	5501033	STORAGE OTHER EQUIPMENT	-		109,795		(631)	109,164
			SUB TOTAL	-		30,464,232	219,200	(175,199)	30,508,233
			TRANSMISSION						
3651	1311030	Non Depr	LAND & RIGHTS	-		425,055		(2,444)	422,611
3652	1311030	Non Depr	RIGHTS OF WAY	-		1,250,617	455,600	(7,192)	1,699,025
366	1311060	5501040	STRUCTURES & IMPROVMENTS	-		355,404		(2,044)	353,360
367	1311060	5501040	TRANSMISSION MAINS	-		46,804,548	4,006,400	(269,171)	50,541,777
368	1311060	5501040	COMPRESSOR STATTION EQUIPMENT	-		8,795,497	397,600	(50,583)	9,142,514
369	1311060	5501040	MEASURING & REG STAT EQUIPMENT	-		4,599,023	616,200	(26,449)	5,188,774
371	1311060	5501040	OTHER EQUIP	-		391,134	9,200	(2,249)	398,085
			SUB TOTAL	-		62,621,278	5,485,000	(360,133)	67,746,145
			DISTRIBUTION						
374	1311030	Non Depr	DISTRIBUTION RIGHTS OF WAYS	-		287,367	6,000	(1,653)	291,714
37401	1311030	Non Depr	DISTRIBUTION LAND	-		71,587		(412)	71,175
375	1311070	5501050	STRUCTURES & IMPROVMENTS	-		113,377	5,000	(652)	117,725
376	1311070	5501050	DISTRIBUTION MAINS	-		97,654,498	5,676,400	(561,607)	102,769,291
378	1311070	5501050	MEAS & REG STAT - GENERAL	-		2,194,334	72,000	(12,620)	2,253,714
379	1311070	5501050	MEAS & REG STAT - CITY GATE	-		933,554	25,000	(5,369)	953,185
380	1311070	5501050	SERVICES	-		22,520,223	1,800,000	(129,513)	24,190,710
381	1311070	5501050	METERS	722,839	175,000	10,072,659	652,400	(57,927)	10,667,132
382	1311070	5501050	METER & REGULATOR INSTALLATION	1,267,318	25,000	5,370,341	325,000	(30,885)	5,664,456
383	1311070	5501050	HOUSE REGULATORS	-		4,456,306	150,800	(25,628)	4,581,478
385	1311070	5501050	INDUSTRIAL METER SETS	-		1,781,633	52,000	(10,246)	1,823,387
			SUB TOTAL	1,990,157	200,000	145,455,879	8,764,600	(836,511)	153,383,967
			GENERAL						
389	1331030	Non Depr	LAND & RIGHTS	-		998,571		(5,743)	992,828
390	1331090	5501020	STRUCTURES & IMPROVEMENTS	58,881		6,030,689	520,000	(34,682)	6,516,007
391	1331090	5501070	OFFICE FURN & EQUIP-FURNITURE	-		180,448		(1,038)	179,410
391	1331090	5501070	OFFICE FURN & EQUIP-OFFC EQUIPMT	18,135		125,165	75,000	(720)	199,445
3912	1331090	5501070	OFFICE FURN & EQUIP-COMPUTER HARDW	-		820,786	501,050	(4,720)	1,317,116
392	1331090	5501060	AUTOS & TRUCKS	442,100	175,001	5,945,896	825,001	(34,195)	6,736,702
393	1331090	5501070	STORES EQUIPMENT	-		36,011		(207)	35,804
394	1331090	5501070	TOOLS & WORK EQUIPMENT	-		1,049,485	51,200	(6,036)	1,094,649
39401	1331090	5501070	COMP NG STAT & EQUIP	-		2,722		(16)	2,707
395	1331090	5501070	LABORATORY EQUIPMENT	-		195,671		(1,125)	194,546
396	1331090	5501060	POWER OPERATED EQUIPMENT	-		4,339,651	614,200	(24,957)	4,928,894
397	1331090	5501070	COMMUNICATION EQUIPMENT	-		237,626		(1,367)	236,259
398	1331090	5501070	MISCELLANEOUS EQUIPMENT	-		50,132		(288)	49,844
39901	1331090	5501070	OTHER TANG EQUIP-MAPPING COST	-		265,540		(1,527)	264,013
			SUB TOTAL	519,116	175,001	20,278,394	2,586,451	(116,620)	22,748,224
			TOTAL	2,780,899	455,402	267,744,010	18,963,702	(1,539,786)	285,167,926
							$ 19,570,083		
							$ 455,402		
						267,744,010	$ 20,025,485	$ (1,539,786)	**286,229,709**

DELTA
PLANT BALANCES AND CALCULATED DEPRECIATION EXPENSE

Delta Natural Gas Co., Inc.
Case No. 2021-00185
Jurisdictional Rate Base Summary

FERC NO	ASSET GL	DEPR EXP GL	DESCRIPTION	Period Jan to June 2022 Adds	Retires	6/30/2022 Total	DEPR RATE	Semi-Annual DEPR CALCULATED	Period July to Dec 2022 Adds	Retires	12/31/2022 Total	DEPR RATE	Semi-Annual DEPR CALCULATED		Yearly Depr Calculated
			INTANGIBLE												
301	1311020	Non Depr	ORGANIZATION	-	(143)	52,703	0.0%	-	-	(143)	52,560	0.00%	-		0
303	1311020	5505010	COMPUTER SOFTWARE OTHER	-	(3,698)	1,366,107	10.0%	-	-	(3,698)	1,362,408	10.00%	-	Fully Depr	0
303	1311020	5505010	COMPUTER SOFTWARE MAJOR	800,000	(15,157)	6,399,015	10.0%	319,951	543,704	(15,157)	6,927,562	10.00%	346,378		666329
															0
			SUB TOTAL	800,000	(18,998)	7,817,824		319,951	543,704	(18,998)	8,342,531		346,378		666329
															0
			PRODUCTION												
3254	1311030	5501010	RIGHT OF WAYS	-	(261)	96,236	3.00%	1,444	-	(261)	95,976	3.00%	1,440		2883
327	1311050	5501030	COMP STAT STRUCTURES	-	(129)	47,542	3.00%	713	-	(129)	47,413	3.00%	711		1424
331	1311050	5501030	WELL EQUIPMENT		(65)	23,935		-		(65)	23,870		-		
332	1311050	5501030	FIELD LINES	24,000	(6,261)	2,336,866	2.25%	26,290	24,000	(6,261)	2,354,605	2.25%	26,490		52779
333	1311050	5501030	COMPRESSOR STAT EQUIPMENT	57,700	(2,391)	941,058	4.00%	18,821	-	(2,391)	938,666	4.00%	18,774		37594.5
334	1311050	5501030	MEASURING & REG STATIONS	6,700	(1,003)	377,186	2.72%	5,130	13,300	(1,003)	389,483	2.72%	5,297		10426.5
															0
			SUB TOTAL	88,400	(10,109)	3,822,824		52,397	37,300	(10,109)	3,850,014		52,711		105107
															0
			STORAGE & PROCESSING												0
35001	1311030	Non Depr	STORAGE LAND	-	(199)	73,668	0.00%	-	-	(199)	73,469	0.00%	-		0
35002	1311030	Non Depr	STORAGE RIGHT OF WAY	-	(501)	185,245	0.00%	-	-	(501)	184,744	0.00%	-		0
351	1311052	5501033	STRUCTURES & IMPROVEMENTS	-	(1,942)	717,465	2.58%	9,256	-	(1,942)	715,522	2.58%	9,230		18485.5
352	1311052	5501033	STORAGE WELLS	-	(22,172)	8,190,265	3.19%	130,635	240,000	(22,172)	8,408,093	3.19%	134,109		264743.5
35201	1311030	5505300	STORAGE RIGHTS	-	(2,310)	853,138	1.85%	7,892	-	(2,310)	850,829	1.85%	7,870		15761.5
35202	1311052	5501033	STORAGE RESERVOIRS	-	(4,723)	1,744,544	1.83%	15,963	-	(4,723)	1,739,822	1.83%	15,920		31882
35203	1311052	5501033	NONRECOVERABLE NATURAL GAS	-	(790)	291,824	1.75%	2,554	-	(790)	291,034	1.75%	2,547		5100
353	1311052	5501033	STORAGE LINES	13,000	(16,366)	6,058,474	2.05%	62,100	-	(16,366)	6,042,108	2.05%	61,932		124031
354	1311052	5501033	STORAGE COMPRESSOR STAT EQUIP	20,500	(12,373)	4,591,175	1.96%	44,994	20,500	(12,373)	4,599,301	1.96%	45,073		90066.5
355	1311052	5501033	STORAGE MEASURING & REG EQUIP	11,800	(3,155)	1,177,200	2.59%	15,245	-	(3,155)	1,174,045	2.59%	15,204		30448.5
356	1311052	5501033	PURIFICATION EQUIPMENT	12,000	(17,540)	6,491,301	3.19%	103,536	12,000	(17,540)	6,485,760	3.19%	103,448		206984
357	1311052	5501033	STORAGE OTHER EQUIPMENT	-	(295)	108,869	0.51%	278	-	(295)	108,574	0.51%	277		554.5
															0
			SUB TOTAL	57,300	(82,366)	30,483,168		392,449	272,500	(82,366)	30,673,302		395,609		788057
															0
			TRANSMISSION												0
3651	1311030	Non Depr	LAND & RIGHTS	-	(1,141)	421,470	0.00%	-	-	(1,141)	420,329	0.00%	-		0
3652	1311030	Non Depr	RIGHTS OF WAY	874,800	(4,587)	2,569,238	0.00%	-	875,500	(4,587)	3,440,151	0.00%	-		0
366	1311060	5501040	STRUCTURES & IMPROVMENTS	-	(954)	352,406	2.30%	4,053	-	(954)	351,452	2.30%	4,042		8094
367	1311060	5501040	TRANSMISSION MAINS	1,102,800	(136,452)	51,508,125	2.88%	741,717	551,500	(136,452)	51,923,173	2.88%	747,694		1489410.5
368	1311060	5501040	COMPRESSOR STATTION EQUIPMENT	17,500	(24,683)	9,135,332	3.20%	146,166	17,500	(24,683)	9,128,149	3.20%	146,051		292216
369	1311060	5501040	MEASURING & REG STAT EQUIPMENT	25,200	(14,009)	5,199,966	3.50%	91,000	24,800	(14,009)	5,210,757	3.50%	91,188		182187.5
371	1311060	5501040	OTHER EQUIP	-	(1,075)	397,010	2.19%	4,348	9,200	(1,075)	405,135	2.19%	4,436		8783.5
															0
			SUB TOTAL	2,020,300	(182,900)	69,583,545		987,282	1,478,500	(182,900)	70,879,145		993,410		1980691.5
															0
			DISTRIBUTION												0
374	1311030	Non Depr	DISTRIBUTION RIGHTS OF WAYS	3,000	(788)	293,927	0.00%	-	3,000	(788)	296,139	0.00%	-		0
37401	1311030	Non Depr	DISTRIBUTION LAND	-	(192)	70,983	0.00%	-	-	(192)	70,791	0.00%	-		0
375	1311070	5501050	STRUCTURES & IMPROVMENTS	-	(318)	117,407	2.34%	1,374	-	(318)	117,089	2.34%	1,370		2743.5
376	1311070	5501050	DISTRIBUTION MAINS	2,440,000	(277,455)	104,931,835	3.05%	1,600,211	3,960,000	(277,455)	108,614,380	3.05%	1,656,370		3256580
378	1311070	5501050	MEAS & REG STAT - GENERAL	34,800	(6,085)	2,282,430	3.18%	36,291	35,200	(6,085)	2,311,545	3.18%	36,754		73044
379	1311070	5501050	MEAS & REG STAT - CITY GATE	15,000	(2,573)	965,612	2.17%	10,477	15,000	(2,573)	978,038	2.17%	10,612		21088.5
380	1311070	5501050	SERVICES	720,000	(65,310)	24,845,400	3.10%	385,104	720,000	(65,310)	25,500,090	3.10%	395,252		780355
381	1311070	5501050	METERS	652,200	(28,799)	11,290,533	2.86%	161,455	214,330	(28,799)	11,476,064	2.86%	164,108		325562
382	1311070	5501050	METER & REGULATOR INSTALLATION	150,000	(15,293)	5,799,163	4.00%	115,984	150,000	(15,293)	5,933,871	4.00%	118,678		234661
383	1311070	5501050	HOUSE REGULATORS	90,000	(12,369)	4,659,109	3.96%	92,251	89,300	(12,369)	4,736,040	3.96%	93,774		186024
385	1311070	5501050	INDUSTRIAL METER SETS	25,200	(4,923)	1,843,664	2.64%	24,337	24,800	(4,923)	1,863,541	2.64%	24,599		48935
															0
			SUB TOTAL	4,130,200	(414,104)	157,100,063		2,427,480	5,211,630	(414,104)	161,897,589		2,501,513		4928993
															0
			GENERAL												0
389	1331030	Non Depr	LAND & RIGHTS	-	(2,680)	990,148	0.00%	-	-	(2,680)	987,467	0.00%	-		0
390	1331090	5501020	STRUCTURES & IMPROVEMENTS	113,000	(17,592)	6,611,415	2.00%	66,114	297,000	(17,592)	6,890,823	2.00%	68,908		135022
391	1331090	5501070	OFFICE FURN & EQUIP-FURNITURE	-	(484)	178,926	1.00%	895	-	(484)	178,442	1.00%	892		1786.5
391	1331090	5501070	OFFICE FURN & EQUIP-OFFC EQUIPMT	37,596	(538)	236,503	10.00%	11,825	37,604	(538)	273,568	10.00%	13,679		25503.5
3912	1331090	5501070	OFFICE FURN & EQUIP-COMPUTER HARDW	1,220,000	(3,556)	2,533,560	10.00%	126,678	374,000	(3,556)	2,904,004	10.00%	145,200		271878
392	1331090	5501060	AUTOS & TRUCKS	392,300	(18,188)	7,110,815	8.14%	289,410	257,700	(18,188)	7,350,327	8.14%	299,159		588568.5
393	1331090	5501070	STORES EQUIPMENT	-	(97)	35,707	2.00%	-	-	(97)	35,611	2.00%	-	Fully Depr	0
394	1331090	5501070	TOOLS & WORK EQUIPMENT	15,000	(2,955)	1,106,694	4.00%	22,134	15,000	(2,955)	1,118,739	4.00%	22,375		44509
39401	1331090	5501070	COMP NG STAT & EQUIP	-	(7)	2,699	4.00%	-	-	(7)	2,692	4.00%	-	Fully Depr	0
395	1331090	5501070	LABORATORY EQUIPMENT	-	(525)	194,020	5.00%	4,851	-	(525)	193,495	5.00%	4,838		9688
396	1331090	5501060	POWER OPERATED EQUIPMENT	75,600	(13,307)	4,991,187	2.00%	49,912	137,600	(13,307)	5,115,480	2.00%	51,155		101067
397	1331090	5501070	COMMUNICATION EQUIPMENT	-	(638)	235,622	5.00%	5,891	-	(638)	234,984	5.00%	5,875		11765
398	1331090	5501070	MISCELLANEOUS EQUIPMENT	-	(135)	49,709	2.00%	497	-	(135)	49,575	2.00%	496		992.5
39901	1331090	5501070	OTHER TANG EQUIP-MAPPING COST	-	(713)	263,300	4.00%	-	-	(713)	262,587	4.00%	-	Fully Depr	0
			SUB TOTAL	1,853,496	(61,415)	24,540,305		578,206	1,118,904	(61,415)	25,597,793		612,575		1190780
															0
			TOTAL	8,949,696	(769,893)	293,347,729		4,757,764	8,662,538	(769,893)	301,240,374		4,902,194		9659957.5

DELTA
PLANT BALANCES AND CALCULATED DEPRECIATION EXPENSE

Delta Natural Gas Co., Inc.
Case No. 2021-00185
Jurisdictional Rate Base Summary

Jan - Dec 2022

FERC NO	ASSET GL	DEPR EXP GL	DESCRIPTION	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total	
				Capital Budget by Month													
			INTANGIBLE														
301	1311020	Non Depr	ORGANIZATION													0	
303	1311020	5505010	COMPUTER SOFTWARE OTHER													0	
303	1311020	5505010	COMPUTER SOFTWARE MAJOR	40000	40000	130000	230000	230000	130000	40000	70000	40000	130000	130000	133704	1343704	$ 1,343,704
			SUB TOTAL													1343704	1343704
			PRODUCTION														
3254	1311030	5501010	RIGHT OF WAYS													0	
327	1311050	5501030	COMP STAT STRUCTURES													0	
331	1311050	5501030	WELL EQUIPMENT														
332	1311050	5501030	FIELD LINES	0	0	12000	0	0	12000	0	0	12000	0	0	12000	48000	$ 48,000
333	1311050	5501030	COMPRESSOR STAT EQUIPMENT	0	0	0	0	57700	0	0	0	0	0	0	0	57700	$ 57,700
334	1311050	5501030	MEASURING & REG STATIONS	0	0	6700	0	0	0	6700	0	0	0	6600	0	20000	$ 20,000
			SUB TOTAL													125700	125700
			STORAGE & PROCESSING														
35001	1311030	Non Depr	STORAGE LAND													0	
35002	1311030	Non Depr	STORAGE RIGHT OF WAY													0	
351	1311052	5501033	STRUCTURES & IMPROVEMENTS													0	
352	1311052	5501033	STORAGE WELLS	0	0	0	0	0	0	240000	0	0	0	0	0	240000	$ 240,000
35201	1311030	5505300	STORAGE RIGHTS													0	
35202	1311052	5501033	STORAGE RESERVOIRS													0	
35203	1311052	5501033	NONRECOVERABLE NATURAL GAS													0	
353	1311052	5501033	STORAGE LINES	0	0	0	0	6500	6500	0	0	0	0	0	0	13000	$ 13,000
354	1311052	5501033	STORAGE COMPRESSOR STAT EQUIP	0	0	0	0	0	20500	0	20500	0	0	0	0	41000	$ 41,000
355	1311052	5501033	STORAGE MEASURING & REG EQUIP	0	0	0	11800	0	0	0	0	0	0	0	0	11800	$ 11,800
356	1311052	5501033	PURIFICATION EQUIPMENT	0	0	0	0	12000	0	0	12000	0	0	0	0	24000	$ 24,000
357	1311052	5501033	STORAGE OTHER EQUIPMENT													0	
			SUB TOTAL													329800	329800
			TRANSMISSION														
3651	1311030	Non Depr	LAND & RIGHTS													0	
3652	1311030	Non Depr	RIGHTS OF WAY	145800	145800	145800	145800	145800	145800	145800	145800	145800	145800	145800	146500	1750300	$ 1,750,300
366	1311060	5501040	STRUCTURES & IMPROVMENTS													0	
367	1311060	5501040	TRANSMISSION MAINS	0	0	0	0	551400	551400	551500	0	0	0	0	0	1654300	$ 1,654,300
368	1311060	5501040	COMPRESSOR STATTION EQUIPMENT	0	0	0	0	17500	0	0	0	17500	0	0	0	35000	$ 35,000
369	1311060	5501040	MEASURING & REG STAT EQUIPMENT	4200	4200	4200	4200	4200	4200	4200	4200	4200	4200	4200	3800	50000	$ 50,000
371	1311060	5501040	OTHER EQUIP	0	0	0	0	0	0	0	4600	0	4600	0	0	9200	$ 9,200
			SUB TOTAL													3498800	3498800
			DISTRIBUTION														
374	1311030	Non Depr	DISTRIBUTION RIGHTS OF WAYS	500	500	500	500	500	500	500	500	500	500	500	500	6000	$ 6,000
37401	1311030	Non Depr	DISTRIBUTION LAND													0	
375	1311070	5501050	STRUCTURES & IMPROVMENTS													0	
376	1311070	5501050	DISTRIBUTION MAINS	50000	50000	160000	660000	760000	760000	760000	760000	760000	760000	560000	360000	6400000	$ 6,400,000
378	1311070	5501050	MEAS & REG STAT - GENERAL	5800	5800	5800	5800	5800	5800	5800	5800	5800	5800	5800	6200	70000	$ 70,000
379	1311070	5501050	MEAS & REG STAT - CITY GATE	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	30000	$ 30,000
380	1311070	5501050	SERVICES	45000	45000	90000	180000	180000	180000	180000	180000	90000	90000	90000	90000	1440000	$ 1,440,000
381	1311070	5501050	METERS	100520	54570	39190	347010	54780	56130	32300	27640	30300	42200	23960	57930	866530	$ 866,530
382	1311070	5501050	METER & REGULATOR INSTALLATION	25000	25000	25000	25000	25000	25000	25000	25000	25000	25000	25000	25000	300000	$ 300,000
383	1311070	5501050	HOUSE REGULATORS	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	14300	179300	$ 179,300
385	1311070	5501050	INDUSTRIAL METER SETS	4200	4200	4200	4200	4200	4200	4200	4200	4200	4200	4200	3800	50000	$ 50,000
			SUB TOTAL													9341830	9341830
			GENERAL														
389	1331030	Non Depr	LAND & RIGHTS													0	
390	1331090	5501020	STRUCTURES & IMPROVEMENTS	5000	5000	25000	6000	22000	50000	93000	38000	58000	60000	45000	3000	410000	$ 410,000
391	1331090	5501070	OFFICE FURN & EQUIP-FURNITURE													0	
391	1331090	5501070	OFFICE FURN & EQUIP-OFFC EQUIPMT	6266	6266	6266	6266	6266	6266	6266	6266	6266	6266	6266	6274	75200	$ 75,200
3912	1331090	5501070	OFFICE FURN & EQUIP-COMPUTER HARDW	75000	75000	170000	340000	340000	220000	162000	162000	50000	0	0	0	1594000	$ 1,594,000
392	1331090	5501060	AUTOS & TRUCKS	79700	88200	27500	0	79900	117000	6500	13400	0	20900	126800	90100	650000	$ 650,000
393	1331090	5501070	STORES EQUIPMENT													0	
394	1331090	5501070	TOOLS & WORK EQUIPMENT	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	30000	$ 30,000
39401	1331090	5501070	COMP NG STAT & EQUIP													0	
395	1331090	5501070	LABORATORY EQUIPMENT													0	
396	1331090	5501060	POWER OPERATED EQUIPMENT	4600	4600	52600	4600	4600	4600	4600	4600	4600	4600	114600	4600	213200	$ 213,200
397	1331090	5501070	COMMUNICATION EQUIPMENT													0	
398	1331090	5501070	MISCELLANEOUS EQUIPMENT													0	
39901	1331090	5501070	OTHER TANG EQUIP-MAPPING COST													0	
			SUB TOTAL													2972400	2972400
			TOTAL	611,586	574,136	924,756	1,991,176	2,528,146	2,319,896	2,288,366	1,504,506	1,274,166	1,324,066	1,308,726	962,708	17,612,234	17,612,234

DELTA
PLANT BALANCES AND CALCULATED DEPRECIATION EXPENSE

Delta Natural Gas Co., Inc.
Case No. 2021-00185
Jurisdictional Rate Base Summary

FERC NO	ASSET GL	DEPR EXP GL	DESCRIPTION	12/31/2021	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	12/31/2022	13 Mo. Ave.	DEPR RATE	DEPR @ 13 Mo. Ave.	
			INTANGIBLE																	
301	1311020	Non Depr	ORGANIZATION	52,845	52,822	52,798	52,774	52,750	52,726	52,703	52,679	52,655	52,631	52,608	52,584	52,560	52,703	0.0%	-	
303	1311020	5505010	COMPUTER SOFTWARE OTHER	1,369,805	1,369,188	1,368,572	1,367,956	1,367,339	1,366,723	1,366,107	1,365,490	1,364,874	1,364,257	1,363,641	1,363,025	1,362,408	1,366,107	10.0%	-	Fully Depr
303	1311020	5505010	COMPUTER SOFTWARE MAJOR	5,614,172	5,651,646	5,689,120	5,816,594	6,044,068	6,271,541	6,399,015	6,436,489	6,503,963	6,541,437	6,668,911	6,796,384	6,927,562	6,258,531	10.0%	625,853	
			SUB TOTAL	7,036,822	7,073,656	7,110,490	7,237,323	7,464,157	7,690,991	7,817,824	7,854,658	7,921,492	7,958,326	8,085,159	8,211,993	8,342,531	7,677,340		625,853	
			PRODUCTION																	
3254	1311030	5501010	RIGHT OF WAYS	96,497	96,453	96,410	96,367	96,323	96,280	96,236	96,193	96,149	96,106	96,063	96,019	95,976	96,236	3.0%	2,887	
327	1311050	5501030	COMP STAT STRUCTURES	47,670	47,649	47,627	47,606	47,584	47,563	47,542	47,520	47,499	47,477	47,456	47,434	47,413	47,542	3.0%	1,426	
331	1311050	5501030	WELL EQUIPMENT	24,000	23,989	23,978	23,968	23,957	23,946	23,935	23,924	23,914	23,903	23,892	23,881	23,870	23,935	0.0%	-	
332	1311050	5501030	FIELD LINES	2,319,128	2,318,084	2,317,041	2,327,997	2,326,953	2,325,910	2,336,866	2,335,823	2,334,779	2,345,736	2,344,692	2,343,649	2,354,605	2,333,174	2.3%	52,496	
333	1311050	5501030	COMPRESSOR STAT EQUIPMENT	885,749	885,351	884,952	884,553	884,155	941,456	941,058	940,659	940,261	939,862	939,464	939,065	938,666	918,866	4.0%	36,755	
334	1311050	5501030	MEASURING & REG STATIONS	371,489	371,322	371,155	377,688	377,521	377,354	377,186	383,719	383,552	383,385	383,218	389,651	389,483	379,748	2.7%	10,329	
			SUB TOTAL	3,744,533	3,742,848	3,741,163	3,758,178	3,756,494	3,812,509	3,822,824	3,827,839	3,826,154	3,836,469	3,834,784	3,839,699	3,850,014	3,799,501		103,893	
			STORAGE & PROCESSING																	
35001	1311030	Non Depr	STORAGE LAND	73,868	73,834	73,801	73,768	73,735	73,702	73,668	73,635	73,602	73,569	73,535	73,502	73,469	73,668	0.0%	-	
35002	1311030	Non Depr	STORAGE RIGHT OF WAY	185,747	185,663	185,579	185,496	185,412	185,329	185,245	185,162	185,078	184,994	184,911	184,827	184,744	185,245	0.0%	-	
351	1311052	5501033	STRUCTURES & IMPROVEMENTS	719,407	719,083	718,759	718,436	718,112	717,788	717,465	717,141	716,817	716,493	716,170	715,846	715,522	717,465	2.6%	18,511	
352	1311052	5501033	STORAGE WELLS	8,212,437	8,208,742	8,205,046	8,201,351	8,197,656	8,193,960	8,190,265	8,426,570	8,422,874	8,419,179	8,415,484	8,411,788	8,408,093	8,301,034	3.2%	264,803	
35201	1311030	5505300	STORAGE RIGHTS	855,448	855,063	854,678	854,293	853,908	853,523	853,138	852,753	852,369	851,984	851,599	851,214	850,829	853,138	1.9%	15,783	
35202	1311052	5501033	STORAGE RESERVOIRS	1,749,267	1,748,480	1,747,693	1,746,906	1,746,118	1,745,331	1,744,544	1,743,757	1,742,970	1,742,183	1,741,396	1,740,609	1,739,822	1,744,544	1.8%	31,925	
35203	1311052	5501033	NONRECOVERABLE NATURAL GAS	292,614	292,483	292,351	292,219	292,088	291,956	291,824	291,693	291,561	291,429	291,298	291,166	291,034	291,824	1.8%	5,107	
353	1311052	5501033	STORAGE LINES	6,061,840	6,059,112	6,056,384	6,053,657	6,050,929	6,054,702	6,058,474	6,055,746	6,053,019	6,050,291	6,047,564	6,044,836	6,042,108	6,052,974	2.1%	124,086	
354	1311052	5501033	STORAGE COMPRESSOR STAT EQUIP	4,583,048	4,580,986	4,578,923	4,576,861	4,574,799	4,572,737	4,591,175	4,589,112	4,607,550	4,605,488	4,603,426	4,601,363	4,599,301	4,589,598	2.0%	89,956	
355	1311052	5501033	STORAGE MEASURING & REG EQUIP	1,168,555	1,168,029	1,167,503	1,166,977	1,178,251	1,177,725	1,177,200	1,176,674	1,176,148	1,175,622	1,175,096	1,174,571	1,174,045	1,173,569	2.6%	30,395	
356	1311052	5501033	PURIFICATION EQUIPMENT	6,496,841	6,493,917	6,490,994	6,488,071	6,485,147	6,494,224	6,491,301	6,488,377	6,497,454	6,494,530	6,491,607	6,488,684	6,485,760	6,491,301	3.2%	207,072	
357	1311052	5501033	STORAGE OTHER EQUIPMENT	109,164	109,114	109,065	109,016	108,967	108,918	108,869	108,820	108,771	108,721	108,672	108,623	108,574	108,869	0.5%	555	
			SUB TOTAL	30,508,233	30,494,506	30,480,778	30,467,050	30,465,123	30,469,895	30,483,168	30,709,440	30,728,212	30,714,485	30,700,757	30,687,029	30,673,302	30,583,229		788,193	
			TRANSMISSION																	
3651	1311030	Non Depr	LAND & RIGHTS	422,611	422,420	422,230	422,040	421,850	421,660	421,470	421,279	421,089	420,899	420,709	420,519	420,329	421,470	0.0%	-	
3652	1311030	Non Depr	RIGHTS OF WAY	1,699,025	1,844,060	1,989,096	2,134,131	2,279,167	2,424,202	2,569,238	2,714,273	2,859,309	3,004,344	3,149,380	3,294,415	3,440,151	2,569,292	0.0%	-	
366	1311060	5501040	STRUCTURES & IMPROVMENTS	353,360	353,201	353,042	352,883	352,724	352,565	352,406	352,247	352,088	351,929	351,770	351,611	351,452	352,406	2.3%	8,105	
367	1311060	5501040	TRANSMISSION MAINS	50,541,777	50,519,035	50,496,293	50,473,551	50,450,809	50,979,467	51,508,125	52,036,883	52,014,141	51,991,399	51,968,657	51,945,915	51,923,173	51,296,094	2.9%	1,477,328	
368	1311060	5501040	COMPRESSOR STATTION EQUIPMENT	9,142,514	9,138,401	9,134,287	9,130,173	9,126,059	9,139,445	9,135,332	9,131,218	9,127,104	9,140,490	9,136,376	9,132,263	9,128,149	9,133,985	3.2%	292,288	
369	1311060	5501040	MEASURING & REG STAT EQUIPMENT	5,188,774	5,190,639	5,192,505	5,194,370	5,196,235	5,198,100	5,199,966	5,201,831	5,203,696	5,205,561	5,207,427	5,209,292	5,210,757	5,199,935	3.5%	181,998	
371	1311060	5501040	OTHER EQUIP	398,085	397,905	397,726	397,547	397,368	397,189	397,010	396,831	401,252	401,072	405,493	405,314	405,135	399,841	2.2%	8,757	
			SUB TOTAL	67,746,145	67,865,662	67,985,179	68,104,695	68,224,212	68,912,628	69,583,545	70,254,562	70,378,678	70,515,695	70,639,812	70,759,328	70,879,145	69,373,022		1,968,476	
			DISTRIBUTION																	
374	1311030	Non Depr	DISTRIBUTION RIGHTS OF WAYS	291,714	292,083	292,452	292,821	293,189	293,558	293,927	294,296	294,664	295,033	295,402	295,770	296,139	293,927	0.0%	-	
37401	1311030	Non Depr	DISTRIBUTION LAND	71,175	71,143	71,111	71,079	71,047	71,015	70,983	70,951	70,919	70,887	70,855	70,823	70,791	70,983	0.0%	-	
375	1311070	5501050	STRUCTURES & IMPROVMENTS	117,725	117,672	117,619	117,566	117,513	117,460	117,407	117,354	117,301	117,248	117,195	117,142	117,089	117,407	2.3%	2,747	
376	1311070	5501050	DISTRIBUTION MAINS	102,769,291	102,773,048	102,776,805	102,890,563	103,504,320	104,218,078	104,931,835	105,645,593	106,359,350	107,073,108	107,786,865	108,300,622	108,614,380	105,203,374	3.1%	3,208,703	
378	1311070	5501050	MEAS & REG STAT - GENERAL	2,253,714	2,258,500	2,263,286	2,268,072	2,272,858	2,277,644	2,282,430	2,287,216	2,292,002	2,296,788	2,301,574	2,306,359	2,311,545	2,282,461	3.2%	72,582	
379	1311070	5501050	MEAS & REG STAT - CITY GATE	953,185	955,256	957,327	959,398	961,470	963,541	965,612	967,683	969,754	971,825	973,896	975,967	978,038	965,612	2.2%	20,954	
380	1311070	5501050	SERVICES	24,190,710	24,224,825	24,258,940	24,338,055	24,507,170	24,676,285	24,845,400	25,014,515	25,183,630	25,262,745	25,341,860	25,420,975	25,500,090	24,828,093	3.1%	769,671	
381	1311070	5501050	METERS	10,667,132	10,762,852	10,812,622	10,847,012	11,189,222	11,239,202	11,290,533	11,318,033	11,340,873	11,366,373	11,403,773	11,422,933	11,476,064	11,164,356	2.9%	319,301	
382	1311070	5501050	METER & REGULATOR INSTALLATION	5,664,456	5,686,907	5,709,359	5,731,810	5,754,261	5,776,712	5,799,163	5,821,615	5,844,066	5,866,517	5,888,968	5,911,419	5,933,871	5,799,163	4.0%	231,967	
383	1311070	5501050	HOUSE REGULATORS	4,581,478	4,594,416	4,607,355	4,620,293	4,633,232	4,646,170	4,659,109	4,672,047	4,684,986	4,697,924	4,710,863	4,723,801	4,736,040	4,659,055	4.0%	184,499	
385	1311070	5501050	INDUSTRIAL METER SETS	1,823,387	1,826,766	1,830,146	1,833,526	1,836,905	1,840,285	1,843,664	1,847,044	1,850,423	1,853,803	1,857,182	1,860,562	1,863,541	1,843,633	2.6%	48,672	
			SUB TOTAL	153,383,967	153,563,470	153,697,023	153,970,195	155,141,188	156,119,951	157,100,063	158,056,346	159,007,968	159,872,251	160,748,434	161,406,376	161,897,589	157,228,063		4,859,096	
			GENERAL																	
389	1331030	Non Depr	LAND & RIGHTS	992,828	992,382	991,935	991,488	991,041	990,595	990,148	989,701	989,254	988,808	988,361	987,914	987,467	990,148	0.0%	-	
390	1331090	5501020	STRUCTURES & IMPROVEMENTS	6,516,007	6,518,075	6,520,143	6,542,211	6,545,279	6,564,347	6,611,415	6,701,483	6,736,551	6,791,619	6,848,687	6,890,755	6,890,823	6,667,492	2.0%	133,350	
391	1331090	5501070	OFFICE FURN & EQUIP-FURNITURE	179,410	179,330	179,249	179,168	179,087	179,007	178,926	178,845	178,764	178,684	178,603	178,522	178,442	178,926	1.0%	1,789	
391	1331090	5501070	OFFICE FURN & EQUIP-OFFC EQUIPMT	199,445	205,622	211,798	217,974	224,150	230,327	236,503	242,679	248,855	255,032	261,208	267,384	273,568	236,504	10.0%	23,650	
3912	1331090	5501070	OFFICE FURN & EQUIP-COMPUTER HARDW	1,317,116	1,391,523	1,465,930	1,635,338	1,974,745	2,314,152	2,533,560	2,694,967	2,856,374	2,905,782	2,905,189	2,904,596	2,904,004	2,292,560	10.0%	229,256	
392	1331090	5501060	AUTOS & TRUCKS	6,736,702	6,813,371	6,898,540	6,923,009	6,919,977	6,996,846	7,110,815	7,114,283	7,124,652	7,121,621	7,139,490	7,263,258	7,350,327	7,039,453	8.1%	573,011	
393	1331090	5501070	STORES EQUIPMENT	35,804	35,788	35,772	35,756	35,739	35,723	35,707	35,691	35,675	35,659	35,643	35,627	35,611	35,707	2.0%	-	Fully Depr
394	1331090	5501070	TOOLS & WORK EQUIPMENT	1,094,649	1,096,657	1,098,664	1,100,672	1,102,679	1,104,687	1,106,694	1,108,702	1,110,709	1,112,716	1,114,724	1,116,731	1,118,739	1,106,694	4.0%	44,268	
39401	1331090	5501070	OTHER NG STAT & EQUIP	2,707	2,705	2,704	2,703	2,702	2,700	2,699	2,698	2,697	2,696	2,694	2,693	2,692	2,699	4.0%	-	Fully Depr
395	1331090	5501070	LABORATORY EQUIPMENT	194,546	194,458	194,371	194,283	194,196	194,108	194,020	193,933	193,845	193,758	193,670	193,583	193,495	194,020	5.0%	9,701	
396	1331090	5501060	POWER OPERATED EQUIPMENT	4,928,894	4,931,276	4,933,658	4,984,040	4,986,423	4,988,805	4,991,187	4,993,569	4,995,951	4,998,333	5,000,716	5,113,098	5,115,480	4,997,033	2.0%	99,941	
397	1331090	5501070	COMMUNICATION EQUIPMENT	236,259	236,153	236,047	235,940	235,834	235,728	235,622	235,515	235,409	235,303	235,196	235,090	234,984	235,622	5.0%	11,781	
398	1331090	5501070	MISCELLANEOUS EQUIPMENT	49,844	49,821	49,799	49,776	49,754	49,732	49,709	49,687	49,664	49,642	49,619	49,597	49,575	49,709	2.0%	994	
39901	1331090	5501070	OTHER TANG EQUIP-MAPPING COST	264,013	263,894	263,775	263,656	263,538	263,419	263,300	263,181	263,063	262,944	262,825	262,706	262,587	263,300	4.0%	-	Fully Depr
			SUB TOTAL	22,748,224	22,911,054	23,082,384	23,356,015	23,705,145	24,150,175	24,540,305	24,804,935	25,021,465	25,132,595	25,216,625	25,501,555	25,597,793	24,289,867		1,127,741	
			TOTAL	285,167,926	285,651,196	286,097,017	286,893,457	288,756,318	291,156,148	293,347,729	295,507,779	296,883,970	298,029,820	299,225,571	300,405,981	301,240,374	292,951,022	3.23%	9,473,252	

CONFIDENTIAL INFORMATION REDACTED

Delta Natural Gas Co., Inc.
Case No. 2021-00185

Jurisdictional Rate Base Summary

	Work Order Number	WBS#	Agreemt Date	Expiration Date	Name	Agreement Requirement	Customers On Service	12/31/2020 Balance	Receipts	Refund	Agreement Released	12/31/2021 Balance
CASH DEPOSITS												
1	501-301		12/18/2014	12/18/2024	[redacted]	1		7,000.00				7,000.00
1	10068393	501.19.021.1	5/17/2019	8/1/2024	[redacted]	1		85,668.91		43,458.71		42,210.20
1	10080425	501.20.026.1	7/15/2020	7/15/2030	[redacted]	1		3,350.00				3,350.00
2					[redacted]	1			300,000.00			300,000.00
2					[redacted]	1			85,500.00			85,500.00
3	10069041	503.19.020.1	7/10/2019	7/10/2029	[redacted]	1		5,500.00				5,500.00
7	507-197		08/30/2012	08/30/2022	[redacted]	1		3,500.00				3,500.00
7	10082603	507.20.008.1	9/15/2020	9/15/2030	[redacted]	1		470.00				470.00
8	508-221		7/29/2011	7/29/2021	[redacted]	1		2,270.00				2,270.00
8	508-231		5/14/2013	5/14/2023	[redacted]	1		4,800.00				4,800.00
11	511-03-650		09/06/2013	09/13/2023	[redacted]	1		3,000.00				3,000.00
TOTAL CASH DEPOSITS								115,558.91	385,500.00	43,458.71	-	457,600.20

Delta Natural Gas Co., Inc.
Case No. 2021-00185
Jurisdictional Rate Base Summary

ACCUMULATED DEFERRED TAXES		Source: Provision report 51051 Q1 2021			Source: Provision report 51051 Q1 2021					
3/31/2021		Co #1600			Co #1300					
SAP	**PowerTax**	**Delta Natural Gas**			**PKY**			**Combined**		
A/C#	**Description**	**Rate Base**	**Non Rate Base**	**Total**	**Rate Base**	**Non Rate Base**	**Total**	**Rate Base**	**Non Rate Base**	**Total**
242										
1.242.13	DEF INC TAX DEFERRED GAS COST	-	45,917	45,917	-	(5,487)	(5,487)	-	40,430	40,430
1.242.14	DEF INC TAX BAD DEBT RESERVE	-	(152,142)	(152,142)	-	(14,866)	(14,866)	-	(167,008)	(167,008)
1.242.22	DEF INC TAX ACCRUED VACATION		(8,433)	(8,433)		3,516	3,516	-	(4,917)	(4,917)
1.242.16	DEF INC TAX PREPAID INS	-		-	-		-	-	-	-
	DEF INC TAX ACCRUED INCENTIVE		(88,298)	(88,298)		(1,133)	(1,133)	-	(89,431)	(89,431)
	DEF INC TAX CHARITABLE CONTRIB LIMIT-FED	-	(10,112)	(10,112)	-		-	-	(10,112)	(10,112)
	DEF INC TAX CHARITABLE CONTRIB LIMIT-STATE	-	(1,902)	(1,902)	-		-	-	(1,902)	(1,902)
	DEF INC TAX NET OPER LOSS FED 2014			-	(82,775)	-	(82,775)	(82,775)	-	(82,775)
	DEF INC TAX NET OPER LOSS FED 2016			-	(162,607)	-	(162,607)	(162,607)	-	(162,607)
	DEF INC TAX NET OPER LOSS FED 2017	-	(1,508)	(1,508)	-		-	-	(1,508)	(1,508)
	DEF INC TAX NET OPER LOSS FED 2019	-	(7,647)	(7,647)	-		-	-	(7,647)	(7,647)
	DEF INC TAX IBNR		(2,968)	(2,968)			-	-	(2,968)	(2,968)
	CONTINGENT LIABILITY AMORTIZATION			-		24,035	24,035	-	24,035	24,035
	WORKERS COMP			-		6,449	6,449	-	6,449	6,449
	PERFORMANCE STOCK/RESTRICTED STOCK UNITS		(464)	(464)			-	-	(464)	(464)
	DEF INC TAX UNICAP 263A	(6,060)	-	(6,060)		-	-	(6,060)	-	(6,060)
		(6,060)	(227,557)	(233,617)	(245,382)	12,514	(232,868)	(251,442)	(215,043)	(466,485)
282	**282**									
1.282.02	DEF INC TAX PENSION PLAN		(587,044)	(587,044)			-	-	(587,044)	(587,044)
1.282.06	DEF INC TAX ANNUAL LEAVE PLAN		-	-			-	-	-	-
1.282.01	DEF INC TAX ACCEL DEPR - FEDERAL	26,057,218		26,057,218	114,367		114,367	26,171,585	-	26,171,585
1.282.01	DEF INC TAX ACCEL DEPR - STATE	4,294,872		4,294,872	31,816		31,816	4,326,688	-	4,326,688
	DEF INC TAX BOOK DEPRECIATION	(1,972,466)		(1,972,466)			-	(1,972,466)	-	(1,972,466)
	DEF INC TAX BOOK AMORTIZATION INTANGIBLES	(90,500)		(90,500)			-	(90,500)	-	(90,500)
	DEF INC TAX BOOK AMORTIZATION	(4,141)		(4,141)			-	(4,141)	-	(4,141)
1.282.07	DEF INC TAX CONSTRUCTION CONTRIBUTIONS	(11,069)		(11,069)			-	(11,069)	-	(11,069)
1.282.10	DEF INC TAX DEBT EXPENSE	423,915	-	423,915			-	423,915	-	423,915
1.282.18	DEF INC TAX COST OF REMOVAL	700,500		700,500			-	700,500	-	700,500
	EXCESS DIT - 2005 KY ADOPTION (RATE CHANGE)	-	(278,356)	(278,356)			-	-	(278,356)	(278,356)
	EXCESS DIT - 2005 KY AMORTIZATION	-	207,263	207,263			-	-	207,263	207,263
	EXCESS DIT - 2018 FEDERAL AMORTIZATION	-	617,183	617,183		-	-	-	617,183	617,183
	EXCESS DIT - 2018 FEDERAL RATE CHANGE	-	(4,749,050)	(4,749,050)			-	-	(4,749,050)	(4,749,050)
	EXCESS DIT - KY ADOPTION (RATE CHANGE)	-	(258,161)	(258,161)			-	-	(258,161)	(258,161)
	EXCESS DIT - 2018 KY AMORTIZATION	-	3,146	3,146	-		-	-	3,146	3,146
	EXCESS DIT - PGKY AMORTIZATION	-	-	-		94,263	94,263	-	94,263	94,263
	APB28 ADJ or TOPSIDE ENTRY		(317,251)	(317,251)		(81,314)	(81,314)	-	(398,565)	(398,565)
		29,398,329	(5,362,270)	24,036,059	146,183	12,949	159,132	29,544,512	(5,349,321)	24,195,191
283	**283**									
1.283.03	DEF INC TAX SUPPLEMENTAL RETIREMENT PLAN		(352,722)	(352,722)		(664)	(664)	-	(353,386)	(353,386)
	OPEB			-		(32,846)	(32,846)	-	(32,846)	(32,846)
		-	(352,722)	(352,722)	-	(33,510)	(33,510)	-	(386,232)	(386,232)
	254									
	REGULATORY LIABILITY EXCESS - FED (NET)	13,194,158		13,194,158	(230,617)		(230,617)	12,963,541	-	12,963,541
	REGULATORY LIABILITY EXCESS - STATE (NET)	215,500		215,500	-		-	215,500	-	215,500
	Total	42,801,927	(5,942,549)	36,859,378	(329,816)	(8,047)	(337,863)	$\boxed{42,472,111}$	(5,950,596)	36,521,515

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 56 - 807 KAR 5:001 Section 16(8)(c)
Sponsoring Witness: John B. Brown

Description of Filing Requirement:

A jurisdictional operating income summary for both the base period and the forecasted period with supporting schedules which provide breakdowns by major account group and by individual account.

Response:

See attached.

Delta Natural Gas Company, Inc.
Operating Income Summary
Forecasted Test Period 12 ME 12/31/22
Base Period 12 ME 8/31/21

Witness: John B. Brown

Line Number		Base Period 12ME 8/31/21 (7 Actual + 5 Budget)	Adjustments	Forecast Period at Current Rates	Proposed Increase	Forecast Period at Proposed Rates
1	**Operating Revenues**					
2	Gas Sales Revenues	(45,830,343)	(3,401,538)	(49,231,881)	(9,135,170)	(58,367,051)
3	Other Operating Revenues	(82,420)	-	(82,420)	-	(82,420)
4	**Total Operating Revenues**	(45,912,763)	(3,401,538)	(49,314,301)	(9,135,170)	(58,449,471)
5	**Operating Expenses**					
6	Operating and Maintenance Expense	27,786,936	4,041,987	31,828,923	-	31,828,923
7	Depreciation and Amortization	8,346,047	1,556,983	9,903,030	-	9,903,030
8	Taxes Other Than Income Taxes	3,521,376	371,975	3,893,351	-	3,893,351
9	Total Income Taxes	966,765	(733,416)	233,349	2,279,225	2,512,574
10	**Total Operating Expenses**	40,621,124	5,237,529	45,858,653	2,279,225	48,137,878
11	**Net Operating Income**	(5,291,639)	1,835,991	(3,455,648)	(6,855,945)	(10,311,593)

Delta Natural Gas Company, Inc.
Adjusted Operating Income Statement
Forecasted Test Period 12 ME 12/31/22
Base Period 12 ME 8/31/21

Witness: John B. Brown

Line Number		Base Period 12ME 8/31/21 (7 Actual + 5 Budget)	Adjustments	Forecast Period at Current Rates	Proposed Increase	Forecast Period at Proposed Rates
1	INCOME STATEMENT					
2	INCOME BEFORE EXTRAORDINARY INCOME					
3	UTILITY OPERATING INCOME					
4	Operating Revenues (400)					
5	Sales of Gas (480-484)	(39,433,725)	(4,043,597)	(43,477,323)	(9,135,170)	(52,612,493)
6	Other Operating Revenues (485-496)	(6,479,037)	642,059	(5,836,979)		(5,836,979)
7	Total Operating Revenues (400)	(45,912,763)	(3,401,538)	(49,314,302)	(9,135,170)	(58,449,472)
8	Operating Expenses:					
9	Operation Expenses (401)					
10	Gas Production Operating Expense:					
11	Natural Gas Production Oper Exp:					
12	Natural Gas Prod & Gath Operation Exp	176,338	5,519	181,857		
13	Total Natural Gas Production Oper Exp	176,338		181,857		
14	Other Gas Supply Operation Expenses	12,327,011	3,313,015	15,640,026		
15	Total Gas Production Operating Exp	12,503,349		15,821,883		
16	Nat Gas Storage, Term & Proc Oper Exp:					
17	Underground Storage Operation Expense	319,489		321,913		
18	Ttl Nat Gas Strg, Term & Proc Oper Exp	319,489	2,424	321,913		
19	Gas Transmission Operations Exp	3,593,355	160,027	3,753,382		
20	Gas Distribution Operations Exp	2,050,422	63,905	2,114,327		
21	Customer Accounts Expense	1,447,307	21,156	1,468,463		
22	Customer Service and Informational Expen	592		592		
23	Sales Expense	553		553		
24	Administrative & General Operations Exp	7,345,484	470,504	7,815,988		
25	Total Operation Expenses (401)	27,260,551		31,297,101		
26	Maintenance Expenses (402)					
27	Gas Production Maintenance Expenses			-		
28	Natural Gas Prod & Gath Maint Exp	36,816		38,105		
29	Total Nat Gas Production Maint Exp	36,816		38,105		
30	Total Gas Production Maintenance Exp	36,816	1,289	38,105		
31	Nat Gas Storage, Term & Proc Maint Exp			-		
32	Underground Storage Maintenance Exp	26,011	762	26,773		
33	Ttl Nat Gas Stor, Term & Proc Maint	26,011		26,773		
34	Gas Transmission Maintenance Expense	(80,962)		(80,962)		
35	Gas Distribution Maintenance Expense	487,552	3,383	490,935		
36	Administrative & General Maintenance Exp	56,968		56,968		
37	Total Maintenance Expenses (402)	526,385		531,819		
38	Operations and Maintenance Expenses	27,786,936	4,041,984	31,828,920		31,828,920
39	Depreciation Expense (403)	7,916,269	1,556,983	9,473,252		
40	Amort & Depletion of Util Plnt (404-405)	429,778		429,778		
41	Taxes Other than Income Taxes (408.1)	3,521,376	371,975	3,893,351		
42	Income Taxes (409.1)	1,654,654	(733,416)	921,238	2,279,225	3,200,463
43	Prov for Deferred Income Taxes (410.1)	(687,889)		(687,889)		
44	Total Operating Expenses	40,621,124	5,237,526	45,858,650	2,279,225	48,137,875
45	NET UTILITY OPERATING INCOME	(5,291,639)	1,835,988	(3,455,652)	(6,855,945)	(10,311,597)

Delta Natural Gas Company, Inc.
Adjusted Operating Revenues and Expenses by Accounts
Forecasted Test Period 12 ME 12/31/22
Base Period 12 ME 8/31/21

Witness: John B. Brown

Line Number	Account Number		Base Period 12ME 8/31/21 (7 Actual + 5 Budget)	Adjustments	Forecast Period at Current Rates	Proposed Increase	Forecast Period at Proposed Rates
1		INCOME STATEMENT					
2		INCOME BEFORE EXTRAORDINARY INCOME					
3		UTILITY OPERATING INCOME					
4		Operating Revenues (400)					
5	9480000	9480000 Residential Sales	(23,881,894)	(2,835,753)	(26,717,647)		
6	9481000	9481000 Commercial and Industrial Sales	(15,551,832)	(1,207,844)	(16,759,676)		
7		Sales of Gas (480-484)	(39,433,725)	(4,043,597)	(43,477,323)	(9,135,170)	(52,612,493)
8	9487000	9487000 Forfeited Discounts	(1,244)	1,244	-		
9	9488000	9488000 Miscellaneous Service Revenues	(82,420)	-	(82,420)		
10	9489300	9489300 Revs from Transp of Gas of Others thru Distri Fac.	(7,846,694)	732,799	(7,113,895)		
11	9490000	9490000 Sales of Products Extracted from Natural Gas	-	-	-		
12	9495000	9495000 Other Gas Revenues	(1,248,100)	-	(1,248,100)		
13	9496000	9496000 Provision for Rate Refunds	2,699,420	(91,984)	2,607,436		
14		Other Operating Revenues (485-496)	(6,479,037)	642,059	(5,836,979)		
15		Total Operating Revenues (400)	(45,912,763)	(3,401,538)	(49,314,302)	(9,135,170)	(58,449,472)
16		Operating Expenses:			-		
17		Operation Expenses (401)			-		
18		Gas Production Operating Expense:			-		
19		Natural Gas Production Oper Exp:			-		
20	9753000	9753000 Nat Gas Prod/Gath Op - Field Lines Expenses	46,826	5,519	52,345		
21	9754000	9754000 Nat Gas Prod/Gath Op - Field Compressor Sta Exps	129,512	-	129,512		
22		Natural Gas Prod & Gath Operation Exp	176,338		181,857		
23		Total Natural Gas Production Oper Exp	176,338		181,857		
24	9803000	9803000 Oth Gas Supply Op - Nat Gas Transm Line Pur	11,955,982	3,313,015	15,268,997		
25	9805100	9805100 Oth Gas Supply Op - Pur Gas Cost Adjustments	369,965	-	369,965		
26	9813000	9813000 Oth Gas Supply Op - Other Gas Suppl	1,064	-	1,064		
27		Other Gas Supply Operation Expenses	12,327,011		15,640,026		
28		Total Gas Production Operating Exp	12,503,349		15,821,883		
29		Nat Gas Storage, Term & Proc Oper Exp:			-		
30	9816000	9816000 UG Storage Op - Well Expenses	73,226	2,424	75,650		
31	9818000	9818000 UG Storage Op - Compressor Station Expenses	87,868	-	87,868		
32	9821000	9821000 UG Storage Op - Purification Expenses	102,594	-	102,594		
33	9823000	9823000 Gas Losses	1,686	-	1,686		
34	9824000	9824000 UG Storage Op - Other Expenses	3,546	-	3,546		
35	9825000	9825000 UG Storage Op - Storage Well Royalties	50,569	-	50,569		
36		Underground Storage Operation Expense	319,489		321,913		
37		Ttl Nat Gas Strg, Term & Proc Oper Exp	319,489		321,913		
38	9851000	9851000 Gas Transmission Op - Sys Control & Load Dispatch	111,655	-	111,655		
39	9856000	9856000 Gas Transmission Op - Mains Expenses	3,191,457	160,026	3,351,483		
40	9858000	9858000 Gas Transmission Op - Transm/Compres Gas by Others	290,244	-	290,244		
41		Gas Transmission Operations Exp	3,593,355		3,753,382		
42	9870000	9870000 Gas Distribution Op - Supervision and Engineering	(23,722)	-	(23,722)		
43	9872000	9872000 Gas Distribution Op - Compr Sta Labor & Expense	334,963	63,906	398,869		
44	9874000	9874000 Gas Distribution Op - Mains and Services Exps	1,028,079	-	1,028,079		
45	9878000	9878000 Gas Distribution Op - Meter/House Reg Exps	170,849	-	170,849		
46	9879000	9879000 Gas Distribution Op - Customer Installations Exps	126,421	-	126,421		
47	9880000	9880000 Gas Distribution Op - Other Expenses	413,831	-	413,831		
48		Gas Distribution Operations Exp	2,050,422		2,114,327		
49	9902000	9902000 Customer Accounts - Meter Reading Expenses	410,092	-	410,092		
50	9903000	9903000 Customer Accounts - Customer Records & Collections	875,506	21,155	896,661		
51	9904000	9904000 Customer Accounts - Uncollectible Accounts	161,710	-	161,710		
52		Customer Accounts Expense	1,447,307		1,468,463		
53	9909000	9909000 Customer Service/Info - Info & Instructional Adver	592	-	592		
54		Customer Service and Informational Expen	592		592		
55	9912000	9912000 Sales Expense - Demonstrating & Selling	553	-	553		
56		Sales Expense	553		553		
57	9920000	9920000 Admin & General - Salaries	2,120,737	74,999	2,195,736		
58	9921000	9921000 Admin & General - Office Supplies & Expenses	1,516,190	-	1,516,190		
59	9922000	9922000 Admin & General - Admin Exp Transferred - Credit	(1,930,381)	-	(1,930,381)		
60	9923000	9923000 Admin & General - Outside Services Employed	1,114,263	202,650	1,316,913		
61	9924000	9924000 Admin & General - Property Insurance	256,870	-	256,870		
62	9925000	9925000 Admin & General - Injuries & Damages	1,093,498	-	1,093,498		
63	9926000	9926000 Admin & General - Employee Benefits	2,832,340	215,901	3,048,241		

Delta Natural Gas Company, Inc.
Adjusted Operating Revenues and Expenses by Accounts
Forecasted Test Period 12 ME 12/31/22
Base Period 12 ME 8/31/21

64	9928000	9928000 Admin & General - Regulatory Commission Expenses	199,612	-	199,612		
65	9930100	9930100 Admin & General - General Advertising Expenses	23,044	(23,044)	-		
66	9930200	9930200 Admin & General - Miscellaneous Expenses	111,482	-	111,482		
67	9931000	9931000 Admin & General - Rents	7,828	-	7,828		
68		Administrative & General Operations Exp	7,345,484		7,815,988		
69		Total Operation Expenses (401)	27,260,551		31,297,102		
70		Maintenance Expenses (402)			-		
71		Gas Production Maintenance Expenses			-		
72	9764000	9764000 Nat Gas Prod/Gath Maint - Field Lines	1,075	-	1,075		
73	9765000	9765000 Nat Gas Prod/Gath Maint - Fld Compres Sta Equip	35,741	1,289	37,030		
74		Natural Gas Prod & Gath Maint Exp	36,816		38,105		
75		Total Nat Gas Production Maint Exp	36,816		38,105		
76		Total Gas Production Maintenance Exp	36,816		38,105		
77		Nat Gas Storage, Term & Proc Maint Exp			-		
78	9831000	9831000 UG Storage Maint - Structures/Improvements	2,525	-	2,525		
79	9832000	9832000 UG Storage Maint - Reservoirs and Wells	14,034	762	14,796		
80	9834000	9834000 UG Storage Maint - Compressor Station Equipment	8,819	-	8,819		
81	9835000	9835000 UG Main Meas/Reg Equip	189	-	189		
82	9837000	9837000 UG Storage Maint - Other Equipment	444	-	444		
83		Underground Storage Maintenance Exp	26,011		26,773		
84		Ttl Nat Gas Stor, Term & Proc Maint	26,011		26,773		
85	9863000	9863000 Gas Transmission Maint - Mains	(80,962)	-	(80,962)		
86		Gas Transmission Maintenance Expense	(80,962)		(80,962)		
87	9885000	9885000 Gas Distribution Maint - Supervision & Engineering	103,774	3,384	107,158		
88	9886000	9886000 Gas Distribution Maint - Structures/Improvements	33,078	-	33,078		
89	9887000	9887000 Gas Distribution Maint - Mains	(65,395)	-	(65,395)		
90	9889000	9889000 Gas Distribution Maint - Main Meas/Reg Eq-Gen	5	-	5		
91	9892000	9892000 Gas Distribution Maint - Services	50,454	-	50,454		
92	9893000	9893000 Gas Distribution Maint - Meters/House Regulators	177,602	-	177,602		
93	9894000	9894000 Gas Distribution Maint - Other Equipment	188,033	-	188,033		
94		Gas Distribution Maintenance Expense	487,552		490,935		
95	9932000	9932000 Admin & General Maint -Other General Plant -Gas	56,968	-	56,968		
96		Administrative & General Maintenance Exp	56,968		56,968		
97		Total Maintenance Expenses (402)	526,385		531,819		
98		Operations and Maintenance Expenses	27,786,936	4,041,986	31,828,921		31,828,921
99	9403000	9403000 Depreciation Expense - Utility Plant	7,916,269	1,556,983	9,473,252		
100		Depreciation Expense (403)	7,916,269		9,473,252		
101	9404000	9404000 Amortization Expense - Utility Plant	413,993	-	413,993		
102	9404200	9404200 Amort & Depl of UG Storage Land & Land Rights	15,785	-	15,785		
103		Amort & Depletion of Util Plnt (404-405)	429,778		429,778		
104	9408100	9408100 Taxes Other than Income Taxes - Utility Operating	3,521,376	371,975	3,893,351		3,893,351
105		Taxes Other than Income Taxes (408.1)	3,521,376		3,893,351		
106	9409100	9409100 Income Taxes - Utility Operating Income	1,654,654	-	1,654,654		
107		Income Taxes (409.1)	1,654,654	(733,416)	921,238	2,279,225	3,200,463
108	9410100	9410100 Provision for Deferred Income Taxes - Utility Op I	(687,889)	-	(687,889)		
109		Prov for Deferred Income Taxes (410.1)	(687,889)		(687,889)		
110		Total Operating Expenses	40,621,124	5,237,528	45,858,651	2,279,225	48,137,876
111		NET UTILITY OPERATING INCOME	(5,291,639)	1,835,990	(3,455,651)	(6,855,945)	(10,311,596)

Delta Natural Gas Company, Inc.
Comparison of Total Account Balances
Base Period 12 ME 8/31/21

Witness: John B. Brown

Line Number	Account Number	Account Description	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast		
1		INCOME STATEMENT	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21		TOTAL
2		INCOME BEFORE EXTRAORDINARY INCOME														
3		UTILITY OPERATING INCOME														
4		Operating Revenues (400)														
5	9480000	9480000 Residential Sales	(1,036,986)	(1,384,802)	(2,013,430)	(3,935,675)	(3,402,185)	(3,730,138)	(2,622,155)	(1,754,316)	(1,036,875)	(1,035,473)	(970,692)	(959,168)		(23,881,894)
6	9481000	9481000 Commercial and Industrial Sales	(635,624)	(818,586)	(1,169,474)	(2,687,932)	(2,161,326)	(2,552,610)	(1,627,981)	(1,205,100)	(664,800)	(699,600)	(678,100)	(650,700)		(15,551,832)
7		Sales of Gas (480-484)	(1,672,610)	(2,203,387)	(3,182,904)	(6,623,607)	(5,563,511)	(6,282,747)	(4,250,136)	(2,959,416)	(1,701,675)	(1,735,073)	(1,648,792)	(1,609,868)		(39,433,725)
8	9487000	9487000 Forfeited Discounts	(15)	(20)	0	0	(3)	0	(1,205)	(1)	0	0	0	0		(1,244)
9	9488000	9488000 Miscellaneous Service Revenues	(1,940)	(6,028)	(25,801)	(22,870)	(18,638)	(2,190)	(2,453)	(500)	(500)	(500)	(500)	(500)		(82,420)
10	9489300	9489300 Revs from Transp of Gas of Others thru Distri Fac.	(571,584)	(639,817)	(717,914)	(878,506)	(1,052,044)	(991,811)	(861,416)	(417,901)	(442,700)	(445,100)	(388,300)	(439,601)		(7,846,694)
11	9495000	9495000 Other Gas Revenues								(260,900)	(252,000)	(243,100)	(244,700)	(247,400)		(1,248,100)
12	9496000	9496000 Provision for Rate Refunds	211,392	212,084	215,785	220,492	223,122	223,747	340,298	218,200	214,800	209,700	205,500	204,300		2,699,420
13		Other Operating Revenues (485-496)	(362,147)	(433,781)	(527,930)	(680,884)	(847,564)	(770,254)	(524,776)	(461,102)	(480,400)	(479,000)	(428,000)	(483,201)		(6,479,037)
14		Total Operating Revenues (400)	(2,034,757)	(2,637,168)	(3,710,833)	(7,304,491)	(6,411,074)	(7,053,001)	(4,774,912)	(3,420,518)	(2,182,075)	(2,214,073)	(2,076,792)	(2,093,069)		(45,912,763)
15		Operating Expenses:														
16		Operation Expenses (401)														
17		Gas Production Operating Expense:														
18		Natural Gas Production Oper Exp:														
19	9753000	9753000 Nat Gas Prod/Gath Op - Field Lines Expenses	2,683	2,909	2,004	3,307	10,791	2,603	1,632	4,197	4,081	4,185	4,197	4,236		46,826
20	9754000	9754000 Nat Gas Prod/Gath Op - Field Compressor Sta Exps	8,622	8,947	5,429	22,012	8,406	6,394	11,210	11,748	11,423	11,715	11,748	11,858		129,512
21		Natural Gas Prod & Gath Operation Exp	11,305	11,856	7,433	25,320	19,197	8,996	12,843	15,945	15,504	15,900	15,945	16,094		176,338
22		Total Natural Gas Production Oper Exp	11,305	11,856	7,433	25,320	19,197	8,996	12,843	15,945	15,504	15,900	15,945	16,094		176,338
23	9803000	9803000 Oth Gas Supply Op - Nat Gas Transm Line Pur	225,407	266,176	487,341	962,034	2,452,882	2,204,149	3,216,726	953,283	290,012	327,335	294,029	276,607		11,955,982
24	9805100	9805100 Oth Gas Supply Op - Pur Gas Cost Adjustments	48,102	213,138	485,807	1,716,743	(476,090)	185,292	(1,895,551)	18,520	18,081	18,659	18,404	18,860		369,965
25	9813000	9813000 Oth Gas Supply Op - Other Gas Suppl	133	135	57	75	81	79	79	85	83	86	84	87		1,064
26		Other Gas Supply Operation Expenses	273,642	479,450	973,205	2,678,852	1,976,873	2,389,520	1,321,254	971,888	308,176	346,080	312,517	295,554		12,327,011
27		Total Gas Production Operating Exp	284,948	491,306	980,638	2,704,172	1,996,070	2,398,516	1,334,097	987,833	323,680	361,980	328,462	311,648		12,503,349
28		Nat Gas Storage, Term & Proc Oper Exp:														
29	9816000	9816000 UG Storage Op - Well Expenses	572	1,948	2,955	10,341	10,435	11,510	8,717	5,372	5,224	5,357	5,372	5,422		73,226
30	9818000	9818000 UG Storage Op - Compressor Station Expenses	8,094	6,883	5,647	20,385	(1,682)	2,024	7,078	7,921	7,702	7,899	7,922	7,995		87,868
31	9821000	9821000 UG Storage Op - Purification Expenses					9,295	0	5,000	8,473	8,239	8,449	8,474	8,552		56,482
32	9823000	9823000 Gas Losses								338	329	338	339	342		1,686
33	9824000	9824000 UG Storage Op - Other Expenses					808	0	0	550	535	548	550	555		3,546
34	9825000	9825000 UG Storage Op - Storage Well Royalties	0	143	12,000	1,071	0	60	13,643	4,750	4,619	4,737	4,751	4,795		50,569
35		Underground Storage Operation Expense	8,666	8,975	33,847	64,665	18,856	13,594	34,438	27,404	26,648	27,328	27,408	27,661		319,489
36		Ttl Nat Gas Strg, Term & Proc Oper Exp	8,666	8,975	33,847	64,665	18,856	13,594	34,438	27,404	26,648	27,328	27,408	27,661		319,489
37	9851000	9851000 Gas Transmission Op - Sys Control & Load Dispatch	9,778	10,308	9,374	10,299	9,374	9,026	7,509	9,236	8,981	9,210	9,237	9,323		111,655
38	9856000	9856000 Gas Transmission Op - Mains Expenses	298,263	320,720	266,632	254,482	226,767	227,990	186,473	283,216	275,383	282,425	283,236	285,869		3,191,457
39	9858000	9858000 Gas Transmission Op - Transm/Compres Gas by Others	3,683	5,236	12,780	27,047	53,600	50,628	47,736	17,885	17,504	18,132	17,703	18,311		290,244
40		Gas Transmission Operations Exp	311,724	336,264	288,787	291,827	289,741	287,644	241,718	310,337	301,868	309,767	310,176	313,503		3,593,355
41	9870000	9870000 Gas Distribution Op - Supervision and Engineering	6,516	(3,207)	(591)	(4,527)	(7,532)	(2,989)	(3,798)	(1,525)	(1,483)	(1,521)	(1,525)	(1,539)		(23,722)
42	9872000	9872000 Gas Distribution Op - Compr Sta Labor & Expense	29,334	30,924	28,123	30,897	28,121	27,078	22,527	27,708	26,942	27,631	27,710	27,968		334,963
43	9874000	9874000 Gas Distribution Op - Mains and Services Exps	90,567	97,129	87,981	85,216	72,926	74,310	62,721	91,831	89,292	91,575	91,838	92,692		1,028,079
44	9878000	9878000 Gas Distribution Op - Meter/House Reg Exps	(76)	6,878	21,956	27,268	11,102	9,770	16,726	15,426	15,098	15,639	15,269	15,794		170,849
45	9879000	9879000 Gas Distribution Op - Customer Installations Exps	3,537	7,005	7,454	20,209	19,774	27,084	9,132	6,437	6,300	6,526	6,372	6,591		126,421
46	9880000	9880000 Gas Distribution Op - Other Expenses	41,880	36,980	26,424	35,144	31,364	31,132	31,009	36,126	35,133	36,042	36,118	36,479		413,831
47		Gas Distribution Operations Exp	171,759	175,709	171,347	194,207	155,755	166,385	138,317	176,003	171,282	175,892	175,782	177,985		2,050,422
48	9902000	9902000 Customer Accounts - Meter Reading Expenses	42,071	46,258	26,830	28,537	36,446	30,319	39,299	32,027	31,345	32,469	31,701	32,790		410,092
49	9903000	9903000 Customer Accounts - Customer Records & Collections	67,544	71,079	75,216	75,247	40,371	68,878	106,575	74,396	72,380	74,297	74,335	75,187		875,506
50	9904000	9904000 Customer Accounts - Uncollectible Accounts	919	7,764	6,146	2,198	15,240	18,126	32,844	22,005	22,814	22,971	4,982	5,702		161,710
51		Customer Accounts Expense	110,535	125,100	108,192	105,981	92,057	117,323	178,718	128,428	126,539	129,737	111,018	113,679		1,447,307
52	9909000	9909000 Customer Service/Info - Info & Instructional Adver	0	0	0	394	0	0	0	40	39	40	39	40		592
53		Customer Service and Informational Expen	0	0	0	394	0	0	0	40	39	40	39	40		592
54	9912000	9912000 Sales Expense - Demonstrating & Selling	41	73	43	43	44	43	42	45	44	45	44	46		553
55		Sales Expense	41	73	43	43	44	43	42	45	44	45	44	46		553

Delta Natural Gas Company, Inc.
Comparison of Total Account Balances
Base Period 12 ME 8/31/21

56	9920000	9920000 Admin & General - Salaries	177,038	206,215	188,635	208,894	186,123	181,374	(78,752)	211,085	205,299	210,629	211,018	213,179	2,120,737
57	9921000	9921000 Admin & General - Office Supplies & Expenses	51,591	86,340	90,584	94,381	62,198	96,802	505,510	106,174	103,272	105,967	106,126	107,246	1,516,190
58	9922000	9922000 Admin & General - Admin Exp Transferred - Credit	(216,352)	(240,562)	(194,251)	(323,191)	(6,085)	(12,257)	(23,876)	(182,768)	(182,768)	(182,768)	(182,735)	(182,768)	(1,930,381)
59	9923000	9923000 Admin & General - Outside Services Employed	39,254	93,598	65,182	352,177	98,745	94,998	114,720	51,299	49,920	51,261	51,239	51,871	1,114,263
60	9924000	9924000 Admin & General - Property Insurance	4,860	37,380	46,999	47,008	47,038	(26,953)	9,678	18,248	17,744	18,199	18,248	18,421	256,870
61	9925000	9925000 Admin & General - Injuries & Damages	72,870	(3,035)	91,974	90,582	88,412	158,477	116,308	95,975	93,333	95,739	95,962	96,902	1,093,498
62	9926000	9926000 Admin & General - Employee Benefits	195,174	120,548	85,905	209,837	200,783	236,623	248,567	309,414	296,826	309,787	309,411	309,464	2,832,340
63	9928000	9928000 Admin & General - Regulatory Commission Expenses	15,847	15,933	15,832	15,832	15,832	15,832	15,163	17,944	17,448	17,894	17,945	18,112	199,612
64	9930100	9930100 Admin & General - General Advertising Expenses	1,193	1,193	0	1,825	8,365	1,206	1,582	1,543	1,500	1,539	1,543	1,557	23,044
65	9930200	9930200 Admin & General - Miscellaneous Expenses	9,119	17,562	6,620	3,118	12,504	11,035	7,069	8,928	8,682	8,904	8,929	9,012	111,482
66	9931000	9931000 Admin & General - Rents	922	922	922	922	0	0	0	827	809	838	818	847	7,828
67		Administrative & General Operations Exp	351,515	336,093	398,402	701,385	713,914	757,135	915,969	638,669	612,065	637,989	638,504	643,843	7,345,484
68		Total Operation Expenses (401)	1,239,187	1,473,520	1,981,255	4,062,675	3,266,436	3,740,640	2,843,299	2,268,759	1,562,165	1,642,778	1,591,433	1,588,405	27,260,552
69		Maintenance Expenses (402)			0	0	0	0	0						
70		Gas Production Maintenance Expenses			0	0	0	0	0						
71	9764000	9764000 Nat Gas Prod/Gath Maint - Field Lines								216	210	215	216	218	1,075
72	9765000	9765000 Nat Gas Prod/Gath Maint - Fld Compres Sta Equip	3,517	1,984	2,167	1,800	5,266	769	3,308	3,400	3,306	3,391	3,401	3,432	35,741
73		Natural Gas Prod & Gath Maint Exp	3,517	1,984	2,167	1,800	5,266	769	3,308	3,616	3,516	3,606	3,617	3,650	36,816
74		Total Nat Gas Production Maint Exp	3,517	1,984	2,167	1,800	5,266	769	3,308	3,616	3,516	3,606	3,617	3,650	36,816
75		Total Gas Production Maintenance Exp	3,517	1,984	2,167	1,800	5,266	769	3,308	3,616	3,516	3,606	3,617	3,650	36,816
76		Nat Gas Storage, Term & Proc Maint Exp													
77	9831000	9831000 UG Storage Maint - Structures/Improvements	0	777	1,171	0	0	0	438	28	27	28	28	28	2,525
78	9832000	9832000 UG Storage Maint - Reservoirs and Wells					0	330	317	2,689	2,614	2,681	2,689	2,714	14,034
79	9834000	9834000 UG Storage Maint - Compressor Station Equipment	1,332	199	692	1,339	1,016	0	0	852	828	849	852	860	8,819
80	9835000	9835000 UG Main Meas/Reg Equip								38	37	38	38	38	189
81	9837000	9837000 UG Storage Maint - Other Equipment					183	0	0	29	28	29	29	29	327
82		Underground Storage Maintenance Exp	1,332	976	1,980	1,339	1,199	330	755	3,636	3,534	3,625	3,636	3,669	26,011
83		Ttl Nat Gas Stor, Term & Proc Maint	1,332	976	1,980	1,339	1,199	330	755	3,636	3,534	3,625	3,636	3,669	26,011
84	9863000	9863000 Gas Transmission Maint - Mains	(5,658)	(3,968)	(4,143)	(7,987)	(7,732)	(5,443)	(11,503)	(6,935)	(6,743)	(6,915)	(6,935)	(7,000)	(80,962)
85		Gas Transmission Maintenance Expense	(5,658)	(3,968)	(4,143)	(7,987)	(7,732)	(5,443)	(11,503)	(6,935)	(6,743)	(6,915)	(6,935)	(7,000)	(80,962)
86	9885000	9885000 Gas Distribution Maint - Supervision & Engineering	12,002	(6,498)	(4,200)	25,150	3,312	11,592	14,012	9,722	9,453	9,695	9,723	9,813	103,774
87	9886000	9886000 Gas Distribution Maint - Structures/Improvements	2,370	2,535	2,595	2,425	3,529	4,005	4,244	2,273	2,224	2,304	2,249	2,327	33,078
88	9887000	9887000 Gas Distribution Maint - Mains	(11,826)	(10,795)	(5,996)	(1,410)	3,649	42,254	(34,739)	(9,347)	(9,087)	(9,318)	(9,348)	(9,432)	(65,395)
89	9889000	9889000 Gas Distribution Maint - Main Meas/Reg Eq-Gen								1	1	1	1	1	5
90	9892000	9892000 Gas Distribution Maint - Services	2,719	2,929	879	3,658	2,768	7,976	10,448	3,816	3,729	3,853	3,786	3,893	50,454
91	9893000	9893000 Gas Distribution Maint - Meters/House Regulators	13,573	11,609	22,858	31,707	4,330	4,543	8,498	16,165	15,718	16,120	16,165	16,317	177,602
92	9894000	9894000 Gas Distribution Maint - Other Equipment	18,825	12,339	17,224	6,973	10,538	8,501	50,149	12,747	12,399	12,721	12,742	12,875	188,033
93		Gas Distribution Maintenance Expense	37,664	12,119	33,358	68,503	28,125	78,870	52,611	35,377	34,437	35,376	35,318	35,794	487,552
94	9932000	9932000 Admin & General Maint -Other General Plant -Gas	1,990	1,460	3,707	1,222	6,333	8,743	2,776	6,173	6,002	6,157	6,173	6,232	56,968
95		Administrative & General Maintenance Exp	1,990	1,460	3,707	1,222	6,333	8,743	2,776	6,173	6,002	6,157	6,173	6,232	56,968
96		Total Maintenance Expenses (402)	38,844	12,570	37,070	64,878	33,192	83,269	47,946	41,867	40,746	41,849	41,809	42,345	526,384
97	9403000	9403000 Depreciation Expense - Utility Plant	637,564	643,729	646,116	648,885	648,563	648,999	650,272	678,018	678,127	678,425	678,584	678,987	7,916,269
98		Depreciation Expense (403)	637,564	643,729	646,116	648,885	648,563	648,999	650,272	678,018	678,127	678,425	678,584	678,987	7,916,269
99	9404000	9404000 Amortization Expense - Utility Plant	31,263	31,129	31,496	33,908	32,931	32,936	33,585	37,306	37,331	37,331	37,383	37,395	413,993
100	9404200	9404200 Amort & Depl of UG Storage Land & Land Rights	1,326	1,326	1,326	1,326	1,326	1,326	1,326	1,300	1,300	1,300	1,300	1,300	15,785
101		Amort & Depletion of Util Plnt (404-405)	32,589	32,455	32,823	35,234	34,258	34,262	34,911	38,606	38,631	38,631	38,683	38,695	429,778
102	9408100	9408100 Taxes Other than Income Taxes - Utility Operating	295,810	294,455	287,254	294,923	125,147	312,129	294,721	324,021	320,870	323,410	323,763	324,874	3,521,376
103		Taxes Other than Income Taxes (408.1)	295,810	294,455	287,254	294,923	125,147	312,129	294,721	324,021	320,870	323,410	323,763	324,874	3,521,376
104	9409100	9409100 Income Taxes - Utility Operating Income	(18,288)	27,482	110,621	334,750	350,831	340,203	137,648	10,547	(69,826)	(77,831)	(90,999)	(88,373)	966,765
105		Income Taxes (409.1)	(18,288)	27,482	110,621	334,750	350,831	340,203	137,648	10,547	(69,826)	(77,831)	(90,999)	(88,373)	966,765
106	9410100	9410100 Provision for Deferred Income Taxes - Utility Op I													0
107		Prov for Deferred Income Taxes (410.1)													0
108		Total Operating Expenses	2,225,706	2,484,212	3,095,139	5,441,344	4,458,426	5,159,502	4,008,796	3,361,818	2,570,713	2,647,262	2,583,273	2,584,933	40,621,125
109		NET UTILITY OPERATING INCOME	190,950	(152,956)	(615,695)	(1,863,147)	(1,952,648)	(1,893,498)	(766,116)	(58,700)	388,638	433,189	506,481	491,864	(5,291,638)

Delta Natural Gas Company, Inc.
Comparison of Total Account Balances
Forecasted Test Period 12 ME 12/31/22

Line Number	Account Number	Account Description	Monthly Adjustment	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	TOTAL
1		INCOME STATEMENT		Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	TOTAL
2		INCOME BEFORE EXTRAORDINARY INCOME														
3		UTILITY OPERATING INCOME														
4		Operating Revenues (400)														
5	9480000	9480000 Residential Sales	(236,313)	(3,638,497)	(3,966,450)	(2,858,468)	(1,990,629)	(1,273,188)	(1,271,786)	(1,207,005)	(1,195,481)	(1,273,299)	(1,621,114)	(2,249,742)	(4,171,988)	(26,717,647)
6	9481000	9481000 Commercial and Industrial Sales	(100,654)	(2,261,980)	(2,653,263)	(1,728,635)	(1,305,754)	(765,454)	(800,254)	(778,754)	(751,354)	(736,278)	(919,239)	(1,270,128)	(2,788,585)	(16,759,676)
7		Sales of Gas (480-484)		(5,900,477)	(6,619,714)	(4,587,102)	(3,296,382)	(2,038,641)	(2,072,039)	(1,985,758)	(1,946,834)	(2,009,576)	(2,540,354)	(3,519,870)	(6,960,573)	(43,477,323)
8	9487000	9487000 Forfeited Discounts	104	100	104	(1,101)	103	104	104	104	104	89	84	104	104	0
9	9488000	9488000 Miscellaneous Service Revenues		(18,638)	(2,190)	(2,453)	(500)	(500)	(500)	(500)	(500)	(1,940)	(6,028)	(25,801)	(22,870)	(82,420)
10	9489300	9489300 Revs from Transp of Gas of Others thru Distri Fac.	61,067	(990,978)	(930,744)	(800,349)	(356,834)	(381,633)	(384,033)	(327,233)	(378,534)	(510,517)	(578,751)	(656,847)	(817,439)	(7,113,895)
11	9495000	9495000 Other Gas Revenues		0	0	0	(260,900)	(252,000)	(243,100)	(244,700)	(247,400)	0	0	0	0	(1,248,100)
12	9496000	9496000 Provision for Rate Refunds	(7,665)	215,456	216,082	332,633	210,535	207,135	202,035	197,835	196,635	203,726	204,419	208,120	212,827	2,607,436
13		Other Operating Revenues (485-496)		(794,059)	(716,749)	(471,271)	(407,597)	(426,895)	(425,495)	(374,495)	(429,696)	(308,642)	(380,276)	(474,425)	(627,379)	(5,836,978)
14		Total Operating Revenues (400)		(6,694,536)	(7,336,462)	(5,058,373)	(3,703,980)	(2,465,537)	(2,497,535)	(2,360,254)	(2,376,531)	(2,318,218)	(2,920,630)	(3,994,295)	(7,587,952)	(49,314,301)
15		Operating Expenses:														0
16		Operation Expenses (401)														0
17		Gas Production Operating Expense:														0
18		Natural Gas Production Oper Exp:														0
19	9753000	9753000 Nat Gas Prod/Gath Op - Field Lines Expenses	460	11,251	3,063	2,092	4,657	4,541	4,645	4,657	4,696	3,143	3,369	2,464	3,767	52,345
20	9754000	9754000 Nat Gas Prod/Gath Op - Field Compressor Sta Exps		8,406	6,394	11,210	11,748	11,423	11,715	11,748	11,858	8,622	8,947	5,429	22,012	129,512
21		Natural Gas Prod & Gath Operation Exp		19,657	9,456	13,303	16,405	15,964	16,360	16,405	16,554	11,765	12,316	7,893	25,780	181,857
22		Total Natural Gas Production Oper Exp		19,657	9,456	13,303	16,405	15,964	16,360	16,405	16,554	11,765	12,316	7,893	25,780	181,857
23	9803000	9803000 Oth Gas Supply Op - Nat Gas Transm Line Pur	276,085	2,728,967	2,480,233	3,492,811	1,229,368	566,097	603,420	570,114	552,692	501,492	542,261	763,426	1,238,119	15,268,997
24	9805100	9805100 Oth Gas Supply Op - Pur Gas Cost Adjustments		(476,090)	185,292	(1,895,551)	18,520	18,081	18,659	18,404	18,860	48,102	213,138	485,807	1,716,743	369,965
25	9813000	9813000 Oth Gas Supply Op - Other Gas Suppl		81	79	79	85	83	86	84	87	133	135	57	75	1,064
26		Other Gas Supply Operation Expenses		2,252,958	2,665,604	1,597,339	1,247,973	584,261	622,165	588,602	571,639	549,727	755,534	1,249,289	2,954,937	15,640,026
27		Total Gas Production Operating Exp		2,272,615	2,675,060	1,610,641	1,264,378	600,225	638,525	605,007	588,193	561,492	767,850	1,257,182	2,980,717	15,821,883
28		Nat Gas Storage, Term & Proc Oper Exp:														0
29	9816000	9816000 UG Storage Op - Well Expenses	202	10,637	11,712	8,919	5,574	5,426	5,559	5,574	5,624	774	2,150	3,157	10,543	75,650
30	9818000	9818000 UG Storage Op - Compressor Station Expenses		(1,682)	2,024	7,078	7,921	7,702	7,899	7,922	7,995	8,094	6,883	5,647	20,385	87,868
31	9821000	9821000 UG Storage Op - Purification Expenses		9,295	0	5,000	8,473	8,239	8,449	8,474	8,552	0	32,867	13,245	0	102,594
32	9823000	9823000 Gas Losses		0	0	0	338	329	338	339	342	0	0	0	0	1,686
33	9824000	9824000 UG Storage Op - Other Expenses		808	0	0	550	535	548	550	555	0	0	0	0	3,546
34	9825000	9825000 UG Storage Op - Storage Well Royalties		0	60	13,643	4,750	4,619	4,737	4,751	4,795	0	143	12,000	1,071	50,569
35		Underground Storage Operation Expense		19,058	13,796	34,640	27,606	26,850	27,530	27,610	27,863	8,868	42,044	34,049	31,999	321,913
36		Ttl Nat Gas Strg, Term & Proc Oper Exp		19,058	13,796	34,640	27,606	26,850	27,530	27,610	27,863	8,868	42,044	34,049	31,999	321,913
37	9851000	9851000 Gas Transmission Op - Sys Control & Load Dispatch		9,374	9,026	7,509	9,236	8,981	9,210	9,237	9,323	9,778	10,308	9,374	10,299	111,655
38	9856000	9856000 Gas Transmission Op - Mains Expenses	13,335	240,103	241,326	199,808	296,551	288,718	295,760	296,571	299,204	311,599	334,056	279,967	267,817	3,351,482
39	9858000	9858000 Gas Transmission Op - Transm/Compres Gas by Others		53,600	50,628	47,736	17,885	17,504	18,132	17,703	18,311	3,683	5,236	12,780	27,047	290,244
40		Gas Transmission Operations Exp		303,076	300,979	255,053	323,672	315,203	323,102	323,511	326,838	325,059	349,599	302,122	305,163	3,753,381
41	9870000	9870000 Gas Distribution Op - Supervision and Engineering		(7,532)	(2,989)	(3,798)	(1,525)	(1,483)	(1,521)	(1,525)	(1,539)	6,516	(3,207)	(591)	(4,527)	(23,722)
42	9872000	9872000 Gas Distribution Op - Compr Sta Labor & Expense	5,326	33,446	32,403	27,853	33,034	32,268	32,957	33,036	33,294	34,660	36,250	33,449	36,223	398,870
43	9874000	9874000 Gas Distribution Op - Mains and Services Exps		72,926	74,310	62,721	91,831	89,292	91,575	91,838	92,692	90,567	97,129	87,981	85,216	1,028,079
44	9878000	9878000 Gas Distribution Op - Meter/House Reg Exps		11,102	9,770	16,726	15,426	15,098	15,639	15,269	15,794	(76)	6,878	21,956	27,268	170,849
45	9879000	9879000 Gas Distribution Op - Customer Installations Exps		19,774	27,084	9,132	6,437	6,300	6,526	6,372	6,591	3,537	7,005	7,454	20,209	126,421
46	9880000	9880000 Gas Distribution Op - Other Expenses		31,364	31,132	31,009	36,126	35,133	36,042	36,118	36,479	41,880	36,980	26,424	35,144	413,831
47		Gas Distribution Operations Exp		161,080	171,711	143,643	181,329	176,608	181,218	181,108	183,311	177,084	181,034	176,672	199,533	2,114,329
48	9902000	9902000 Customer Accounts - Meter Reading Expenses		36,446	30,319	39,299	32,027	31,345	32,469	31,701	32,790	42,071	46,258	26,830	28,537	410,092
49	9903000	9903000 Customer Accounts - Customer Records & Collections	1,763	42,134	70,641	108,338	76,159	74,143	76,060	76,098	76,950	69,307	72,842	76,979	77,009	896,661
50	9904000	9904000 Customer Accounts - Uncollectible Accounts		15,240	18,126	32,844	22,005	22,814	22,971	4,982	5,702	919	7,764	6,146	2,198	161,710
51		Customer Accounts Expense		93,820	119,086	180,481	130,191	128,302	131,500	112,781	115,442	112,298	126,863	109,955	107,744	1,468,462
52	9909000	9909000 Customer Service/Info - Info & Instructional Adver		0	0	0	40	39	40	39	40	0	0	0	394	592
53		Customer Service and Informational Expen		0	0	0	40	39	40	39	40	0	0	0	394	592
54	9912000	9912000 Sales Expense - Demonstrating & Selling		44	43	42	45	44	45	44	46	41	73	43	43	553
55		Sales Expense		44	43	42	45	44	45	44	46	41	73	43	43	553
56	9920000	9920000 Admin & General - Salaries	6,250	192,373	187,624	(72,502)	217,335	211,549	216,879	217,268	219,429	183,288	212,465	194,885	215,144	2,195,735
57	9921000	9921000 Admin & General - Office Supplies & Expenses		62,198	96,802	505,510	106,174	103,272	105,967	106,126	107,246	51,591	86,340	90,584	94,381	1,516,190
58	9922000	9922000 Admin & General - Admin Exp Transferred - Credit		(6,085)	(12,257)	(23,876)	(182,768)	(182,768)	(182,768)	(182,735)	(182,768)	(216,352)	(240,562)	(194,251)	(323,191)	(1,930,381)
59	9923000	9923000 Admin & General - Outside Services Employed	16,888	115,633	111,885	131,607	68,187	66,808	68,149	68,127	68,759	56,141	110,486	82,069	369,064	1,316,913

Delta Natural Gas Company, Inc.
Comparison of Total Account Balances
Forecasted Test Period 12 ME 12/31/22

60	9924000	9924000 Admin & General - Property Insurance			47,038	(26,953)	9,678	18,248	17,744	18,199	18,248	18,421	4,860	37,380	46,999	47,008		256,870
61	9925000	9925000 Admin & General - Injuries & Damages			88,412	158,477	116,308	95,975	93,333	95,739	95,962	96,902	72,870	(3,035)	91,974	90,582		1,093,498
62	9926000	9926000 Admin & General - Employee Benefits	17,992		218,775	254,615	266,559	327,406	314,818	327,779	327,403	327,456	213,166	138,540	103,897	227,829		3,048,240
63	9928000	9928000 Admin & General - Regulatory Commission Expenses			15,832	15,832	15,163	17,944	17,448	17,894	17,945	18,112	15,847	15,933	15,832	15,832		199,612
64	9930100	9930100 Admin & General - General Advertising Expenses	(1,920)		6,445	(714)	(339)	(377)	(420)	(381)	(377)	(363)	(728)	(728)	(1,920)	(95)		0
65	9930200	9930200 Admin & General - Miscellaneous Expenses			12,504	11,035	7,069	8,928	8,682	8,904	8,929	9,012	9,119	17,562	6,620	3,118		111,482
66	9931000	9931000 Admin & General - Rents			0	0	0	827	809	838	818	847	922	922	922	922		7,828
67		Administrative & General Operations Exp			753,123	796,344	955,178	677,878	651,274	677,198	677,713	683,052	390,724	375,302	437,611	740,593		7,815,989
68		Total Operation Expenses (401)			3,602,816	4,077,020	3,179,678	2,605,138	1,898,544	1,979,157	1,927,812	1,924,784	1,575,566	1,842,767	2,317,634	4,366,186		31,297,103
69		Maintenance Expenses (402)			0	0	0	0	0	0	0	0	0	0	0	0		0
70		Gas Production Maintenance Expenses			0	0	0	0	0	0	0	0	0	0	0	0		0
71	9764000	9764000 Nat Gas Prod/Gath Maint - Field Lines			0	0	0	216	210	215	216	218	0	0	0	0		1,075
72	9765000	9765000 Nat Gas Prod/Gath Maint - Fld Compres Sta Equip	107		5,373	876	3,415	3,507	3,413	3,498	3,508	3,539	3,624	2,091	2,274	1,907		37,030
73		Natural Gas Prod & Gath Maint Exp			5,373	876	3,415	3,723	3,623	3,713	3,724	3,757	3,624	2,091	2,274	1,907		38,105
74		Total Nat Gas Production Maint Exp			5,373	876	3,415	3,723	3,623	3,713	3,724	3,757	3,624	2,091	2,274	1,907		38,105
75		Total Gas Production Maintenance Exp			5,373	876	3,415	3,723	3,623	3,713	3,724	3,757	3,624	2,091	2,274	1,907		38,105
76		Nat Gas Storage, Term & Proc Maint Exp																0
77	9831000	9831000 UG Storage Maint - Structures/Improvements			0	0	438	28	27	28	28	28	0	777	1,171	0		2,525
78	9832000	9832000 UG Storage Maint - Reservoirs and Wells	64		64	394	381	2,753	2,678	2,745	2,753	2,778	64	64	64	64		14,796
79	9834000	9834000 UG Storage Maint - Compressor Station Equipment			1,016	0	0	852	828	849	852	860	1,332	199	692	1,339		8,819
80	9835000	9835000 UG Main Meas/Reg Equip			0	0	0	38	37	38	38	38	0	0	0	0		189
81	9837000	9837000 UG Storage Maint - Other Equipment			183	0	0	29	28	29	29	29	0	0	117	0		444
82		Underground Storage Maintenance Exp			1,263	394	818	3,700	3,598	3,689	3,700	3,733	1,395	1,040	2,043	1,403		26,773
83		Ttl Nat Gas Stor, Term & Proc Maint			1,263	394	818	3,700	3,598	3,689	3,700	3,733	1,395	1,040	2,043	1,403		26,773
84	9863000	9863000 Gas Transmission Maint - Mains			(7,732)	(5,443)	(11,503)	(6,935)	(6,743)	(6,915)	(6,935)	(7,000)	(5,658)	(3,968)	(4,143)	(7,987)		(80,962)
85		Gas Transmission Maintenance Expense			(7,732)	(5,443)	(11,503)	(6,935)	(6,743)	(6,915)	(6,935)	(7,000)	(5,658)	(3,968)	(4,143)	(7,987)		(80,962)
86	9885000	9885000 Gas Distribution Maint - Supervision & Engineering	282		3,594	11,874	14,294	10,004	9,735	9,977	10,005	10,095	12,284	(6,216)	(3,918)	25,432		107,159
87	9886000	9886000 Gas Distribution Maint - Structures/Improvements			3,529	4,005	4,244	2,273	2,224	2,304	2,249	2,327	2,370	2,535	2,595	2,425		33,078
88	9887000	9887000 Gas Distribution Maint - Mains			3,649	42,254	(34,739)	(9,347)	(9,087)	(9,318)	(9,348)	(9,432)	(11,826)	(10,795)	(5,996)	(1,410)		(65,395)
89	9889000	9889000 Gas Distribution Maint - Main Meas/Reg Eq-Gen			0	0	0	1	1	1	1	1	0	0	0	0		5
90	9892000	9892000 Gas Distribution Maint - Services			2,768	7,976	10,448	3,816	3,729	3,853	3,786	3,893	2,719	2,929	879	3,658		50,454
91	9893000	9893000 Gas Distribution Maint - Meters/House Regulators			4,330	4,543	8,498	16,165	15,718	16,120	16,165	16,317	13,573	11,609	22,858	31,707		177,602
92	9894000	9894000 Gas Distribution Maint - Other Equipment			10,538	8,501	50,149	12,747	12,399	12,721	12,742	12,875	18,825	12,339	17,224	6,973		188,033
93		Gas Distribution Maintenance Expense			28,407	79,152	52,893	35,659	34,719	35,658	35,600	36,076	37,946	12,401	33,640	68,785		490,936
94	9932000	9932000 Admin & General Maint -Other General Plant -Gas			6,333	8,743	2,776	6,173	6,002	6,157	6,173	6,232	1,990	1,460	3,707	1,222		56,968
95		Administrative & General Maintenance Exp			6,333	8,743	2,776	6,173	6,002	6,157	6,173	6,232	1,990	1,460	3,707	1,222		56,968
96		Total Maintenance Expenses (402)			33,645	83,721	48,399	42,320	41,199	42,302	42,262	42,798	39,297	13,023	37,523	65,331		531,820
97	9403000	9403000 Depreciation Expense - Utility Plant	129,749		778,311	778,748	780,020	807,767	807,876	808,174	808,333	808,736	767,312	773,478	775,865	778,633		9,473,252
98		Depreciation Expense (403)			778,311	778,748	780,020	807,767	807,876	808,174	808,333	808,736	767,312	773,478	775,865	778,633		9,473,252
99	9404000	9404000 Amortization Expense - Utility Plant			32,931	32,936	33,585	37,306	37,331	37,331	37,383	37,395	31,263	31,129	31,496	33,908		413,993
100	9404200	9404200 Amort & Depl of UG Storage Land & Land Rights			1,326	1,326	1,326	1,300	1,300	1,300	1,300	1,300	1,326	1,326	1,326	1,326		15,785
101		Amort & Depletion of Util Plnt (404-405)			34,258	34,262	34,911	38,606	38,631	38,631	38,683	38,695	32,589	32,455	32,823	35,234		429,778
102	9408100	9408100 Taxes Other than Income Taxes - Utility Operating	30,998		156,145	343,126	325,719	355,019	351,868	354,408	354,761	355,872	326,808	325,453	318,252	325,921		3,893,352
103		Taxes Other than Income Taxes (408.1)			156,145	343,126	325,719	355,019	351,868	354,408	354,761	355,872	326,808	325,453	318,252	325,921		3,893,352
104	9409100	9409100 Income Taxes - Utility Operating Income	(61,118)		289,713	279,085	76,530	(50,571)	(130,944)	(138,949)	(152,117)	(149,491)	(79,406)	(33,636)	49,503	273,632		233,349
105		Income Taxes (409.1)			289,713	279,085	76,530	(50,571)	(130,944)	(138,949)	(152,117)	(149,491)	(79,406)	(33,636)	49,503	273,632		233,349
106	9410100	9410100 Provision for Deferred Income Taxes - Utility Op I			0	0	0	0	0	0	0	0	0	0	0	0		0
107		Prov for Deferred Income Taxes (410.1)			0	0	0	0	0	0	0	0	0	0	0	0		0
108		Total Operating Expenses			4,894,887	5,595,963	4,445,257	3,798,279	3,007,174	3,083,723	3,019,734	3,021,394	2,662,166	2,953,540	3,531,599	5,844,937		45,858,653
109		NET UTILITY OPERATING INCOME			(1,799,648)	(1,740,500)	(613,116)	94,299	541,637	586,188	659,480	644,863	343,948	32,911	(462,696)	(1,743,015)		(3,455,648)

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 57 - 807 KAR 5:001 Section 16(8)(d)
Sponsoring Witness: John B. Brown

Description of Filing Requirement:

A summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors

Response:

See attached.

Delta Natural Gas Company, Inc.
Adjustments By Account
Forecasted Test Period 12 ME 12/31/22
Base Period 12 ME 8/31/21

Witness: John B. Brown

Line Number	Acct. No.	Account Title	Base Period 12ME 8/31/21 (7 Actual + 5 Budget)	Adjustments	Forecast Period at Current Rates	Description of the Adjustment
1		INCOME STATEMENT				
2		INCOME BEFORE EXTRAORDINARY INCOME				
3		UTILITY OPERATING INCOME				
4		Operating Revenues (400)				
5	9480000	9480000 Residential Sales	(23,881,894)	(2,835,753)	(26,717,647)	Increase gas cost to current GCR rate, PRP increase and Peoples KY rate increase
6	9481000	9481000 Commercial and Industrial Sales	(15,551,832)	(1,207,844)	(16,759,676)	Increase gas cost to current GCR rate, PRP increase
7		Sales of Gas (480-484)	(39,433,725)		(43,477,323)	
8	9487000	9487000 Forfeited Discounts	(1,244)	1,244	-	Variance not significant
9	9488000	9488000 Miscellaneous Service Revenues	(82,420)	-	(82,420)	
10	9489300	9489300 Revs from Transp of Gas of Others thru Distri Fac.	(7,846,694)	732,799	(7,113,895)	Reduction for some non-recurring revenue in base period
11	9490000	9490000 Sales of Products Extracted from Natural Gas	-	-	-	
12	9495000	9495000 Other Gas Revenues	(1,248,100)	-	(1,248,100)	
13	9496000	9496000 Provision for Rate Refunds	2,699,420	(91,984)	2,607,436	Balance to consumption analysis
14		Other Operating Revenues (485-496)	(6,479,037)		(5,836,979)	
15		Total Operating Revenues (400)	(45,912,763)		(49,314,302)	
16		Operating Expenses:			-	
17		Operation Expenses (401)			-	
18		Gas Production Operating Expense:			-	
19		Natural Gas Production Oper Exp:			-	
20	9753000	9753000 Nat Gas Prod/Gath Op - Field Lines Expenses	46,826	5,519	52,345	Labor
21	9754000	9754000 Nat Gas Prod/Gath Op - Field Compressor Sta Exps	129,512	-	129,512	

Delta Natural Gas Company, Inc.
Adjustments By Account
Forecasted Test Period 12 ME 12/31/22
Base Period 12 ME 8/31/21

Witness: John B. Brown

Line Number	Acct. No.	Account Title	Base Period 12ME 8/31/21 (7 Actual + 5 Budget)	Adjustments	Forecast Period at Current Rates	Description of the Adjustment
22		Natural Gas Prod & Gath Operation Exp	176,338		181,857	
23		Total Natural Gas Production Oper Exp	176,338		181,857	
24	9803000	9803000 Oth Gas Supply Op - Nat Gas Transm Line Pur	11,955,982	3,313,015	15,268,997	Increase gas cost to current GCR rate
25	9805100	9805100 Oth Gas Supply Op - Pur Gas Cost Adjustments	369,965	-	369,965	
26	9813000	9813000 Oth Gas Supply Op - Other Gas Suppl	1,064	-	1,064	
27		Other Gas Supply Operation Expenses	12,327,011		15,640,026	
28		Total Gas Production Operating Exp	12,503,349		15,821,883	
29		Nat Gas Storage, Term & Proc Oper Exp:			-	
30	9816000	9816000 UG Storage Op - Well Expenses	73,226	2,424	75,650	Labor
31	9818000	9818000 UG Storage Op - Compressor Station Expenses	87,868	-	87,868	
32	9821000	9821000 UG Storage Op - Purification Expenses	102,594	-	102,594	
33	9823000	9823000 Gas Losses	1,686	-	1,686	
34	9824000	9824000 UG Storage Op - Other Expenses	3,546	-	3,546	
35	9825000	9825000 UG Storage Op - Storage Well Royalties	50,569	-	50,569	
36		Underground Storage Operation Expense	319,489		321,913	
37		Ttl Nat Gas Strg, Term & Proc Oper Exp	319,489		321,913	
38	9851000	9851000 Gas Transmission Op - Sys Control & Load Dispatch	111,655	-	111,655	
39	9856000	9856000 Gas Transmission Op - Mains Expenses	3,191,457	160,026	3,351,483	Labor
40	9858000	9858000 Gas Transmission Op - Transm/Compres Gas by Others	290,244	-	290,244	
41		Gas Transmission Operations Exp	3,593,355		3,753,382	
42	9870000	9870000 Gas Distribution Op - Supervision and Engineering	(23,722)	-	(23,722)	
43	9872000	9872000 Gas Distribution Op - Compr Sta Labor & Expense	334,963	63,906	398,869	Labor
44	9874000	9874000 Gas Distribution Op - Mains and Services Exps	1,028,079	-	1,028,079	
45	9878000	9878000 Gas Distribution Op - Meter/House Reg Exps	170,849	-	170,849	
46	9879000	9879000 Gas Distribution Op - Customer Installations Exps	126,421	-	126,421	
47	9880000	9880000 Gas Distribution Op - Other Expenses	413,831	-	413,831	
48		Gas Distribution Operations Exp	2,050,422		2,114,327	
49	9902000	9902000 Customer Accounts - Meter Reading Expenses	410,092	-	410,092	
50	9903000	9903000 Customer Accounts - Customer Records & Collections	875,506	21,155	896,661	Labor
51	9904000	9904000 Customer Accounts - Uncollectible Accounts	161,710	-	161,710	
52		Customer Accounts Expense	1,447,307		1,468,463	
53	9909000	9909000 Customer Service/Info - Info & Instructional Adver	592	-	592	
54		Customer Service and Informational Expen	592		592	

Delta Natural Gas Company, Inc.
Adjustments By Account
Forecasted Test Period 12 ME 12/31/22
Base Period 12 ME 8/31/21

Witness: John B. Brown

Line Number	Acct. No.	Account Title	Base Period 12ME 8/31/21 (7 Actual + 5 Budget)	Adjustments	Forecast Period at Current Rates	Description of the Adjustment
55	9912000	9912000 Sales Expense - Demonstrating & Selling	553	-	553	
56		Sales Expense	553		553	
57	9920000	9920000 Admin & General - Salaries	2,120,737	74,999	2,195,736	Labor
58	9921000	9921000 Admin & General - Office Supplies & Expenses	1,516,190	-	1,516,190	
59	9922000	9922000 Admin & General - Admin Exp Transferred - Credit	(1,930,381)	-	(1,930,381)	
60	9923000	9923000 Admin & General - Outside Services Employed	1,114,263	202,650	1,316,913	Rate case expenses less lobbying expenses removed
61	9924000	9924000 Admin & General - Property Insurance	256,870	-	256,870	
62	9925000	9925000 Admin & General - Injuries & Damages	1,093,498	-	1,093,498	
63	9926000	9926000 Admin & General - Employee Benefits	2,832,340	215,901	3,048,241	Increase in medical, 401k and dental offset by reduction in pension expense
64	9928000	9928000 Admin & General - Regulatory Commission Expenses	199,612	-	199,612	
65	9930100	9930100 Admin & General - General Advertising Expenses	23,044	(23,044)	-	Advertising expense removed
66	9930200	9930200 Admin & General - Miscellaneous Expenses	111,482	-	111,482	
67	9931000	9931000 Admin & General - Rents	7,828	-	7,828	
68		Administrative & General Operations Exp	7,345,484		7,815,989	
69		Total Operation Expenses (401)	27,260,551		31,297,102	
70		Maintenance Expenses (402)			-	
71		Gas Production Maintenance Expenses			-	
72	9764000	9764000 Nat Gas Prod/Gath Maint - Field Lines	1,075	-	1,075	
73	9765000	9765000 Nat Gas Prod/Gath Maint - Fld Compres Sta Equip	35,741	1,289	37,030	Labor
74		Natural Gas Prod & Gath Maint Exp	36,816		38,105	
75		Total Nat Gas Production Maint Exp	36,816		38,105	
76		Total Gas Production Maintenance Exp	36,816		38,105	
77		Nat Gas Storage, Term & Proc Maint Exp			-	
78	9831000	9831000 UG Storage Maint - Structures/Improvements	2,525	-	2,525	
79	9832000	9832000 UG Storage Maint - Reservoirs and Wells	14,034	762	14,796	Labor
80	9834000	9834000 UG Storage Maint - Compressor Station Equipment	8,819	-	8,819	
81	9835000	9835000 UG Main Meas/Reg Equip	189	-	189	
82	9837000	9837000 UG Storage Maint - Other Equipment	444	-	444	
83		Underground Storage Maintenance Exp	26,011		26,773	
84		Ttl Nat Gas Stor, Term & Proc Maint	26,011		26,773	
85	9863000	9863000 Gas Transmission Maint - Mains	(80,962)	-	(80,962)	

Delta Natural Gas Company, Inc.
Adjustments By Account
Forecasted Test Period 12 ME 12/31/22
Base Period 12 ME 8/31/21

Witness: John B. Brown

Line Number	Acct. No.	Account Title	Base Period 12ME 8/31/21 (7 Actual + 5 Budget)	Adjustments	Forecast Period at Current Rates	Description of the Adjustment
86		Gas Transmission Maintenance Expense	(80,962)		(80,962)	
87	9885000	9885000 Gas Distribution Maint - Supervision & Engineering	103,774	3,384	107,158	Labor
88	9886000	9886000 Gas Distribution Maint - Structures/Improvements	33,078	-	33,078	
89	9887000	9887000 Gas Distribution Maint - Mains	(65,395)	-	(65,395)	
90	9889000	9889000 Gas Distribution Maint - Main Meas/Reg Eq-Gen	5	-	5	
91	9892000	9892000 Gas Distribution Maint - Services	50,454	-	50,454	
92	9893000	9893000 Gas Distribution Maint - Meters/House Regulators	177,602	-	177,602	
93	9894000	9894000 Gas Distribution Maint - Other Equipment	188,033	-	188,033	
94		Gas Distribution Maintenance Expense	487,552		490,935	
95	9932000	9932000 Admin & General Maint -Other General Plant -Gas	56,968	-	56,968	
96		Administrative & General Maintenance Exp	56,968		56,968	
97		Total Maintenance Expenses (402)	526,385		531,819	
		Operations and Maintenance Expenses	27,786,936		31,828,922	
98	9403000	9403000 Depreciation Expense - Utility Plant	7,916,269	1,556,983	9,473,252	Increase primarily due to increased plant in service
99		Depreciation Expense (403)	7,916,269		9,473,252	
100	9404000	9404000 Amortization Expense - Utility Plant	413,993	-	413,993	
101	9404200	9404200 Amort & Depl of UG Storage Land & Land Rights	15,785	-	15,785	
102		Amort & Depletion of Util Plnt (404-405)	429,778		429,778	
103	9408100	9408100 Taxes Other than Income Taxes - Utility Operating	3,521,376	371,975	3,893,351	Increase in property tax due to increased plant in service
104		Taxes Other than Income Taxes (408.1)	3,521,376		3,893,351	
105	9409100	9409100 Income Taxes - Utility Operating Income	1,654,654	-	1,654,654	
106		Income Taxes (409.1)	1,654,654	(733,416)	921,238	
107	9410100	9410100 Provision for Deferred Income Taxes - Utility Op I	(687,889)	-	(687,889)	
108		Prov for Deferred Income Taxes (410.1)	(687,889)		(687,889)	
109		Total Operating Expenses	40,621,124		45,858,652	
110		NET UTILITY OPERATING INCOME	(5,291,639)	1,835,991	(3,455,650)	

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Adjustments by Account
Forecast Test Period 12 ME 12/31/22 Base Period 12 ME 8/31/21

Tab 57 - Schedule D-2
Witness: John B. Brown

	Base Period 12 Mos Ended 8/31/21	D-2.1 Billed Basis	D-2.2 Revenue	D-2.3 Gas Cost	D-2.4 Removed Amounts	D-2.5 Benefits	D-2.6 Labor	D-2.7 Property Related	D-2.8 Interest Expense	D-2.9 Rate Case Expense	Total Adjustments	**2022 Forecasted Test Year**
Operating Revenues	**(45,912,763)**	497,288	(270,931)	(3,629,139)	1,244	-					(3,401,538)	(49,314,301)
Purchased Gas	**12,503,349**	(316,124)	-	3,629,139	-	-	5,519	-	-	-	3,318,534	**15,821,883**
Gross Margin	**(33,409,414)**	181,164	(270,931)	-	1,244	-	5,519	-	-	-	(83,004)	**(33,492,418)**
	-										-	
Operation & Maintenance	**15,283,587**				78,521	106,986	327,946			210,000	723,453	**16,007,040**
	-										-	
Depreciation & Amortization	**8,346,047**							1,556,983			1,556,983	**9,903,030**
	-										-	
Other Taxes	**3,521,376**						36,664	335,312			371,975	**3,893,351**
	-										-	
	-										-	
Interest Expense	**2,383,594**	-	-	-	-	-	-	-	370,137	-	370,137	**2,753,731**
	-											
Net Income Before Income Taxes	**(3,874,810)**	181,164	(270,931)	-	79,765	106,986	370,129	1,892,295	370,137	210,000	2,939,544	**(935,266)**
Taxes at 24.95%	966,765	(45,200)	67,597	-	(19,901)	(26,693)	(92,347)	(472,128)	(92,349)	(52,395)	(733,416)	233,349

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Adjustments by Account
Forecast Test Period 12 ME 12/31/22 Base Period 12 ME 8/31/21

Tab 57 - Schedule D-2.1
Witness: John B. Brown

Income Statement Impact of Unbilled		7 Months Ended 3/31/21
4111020	Residential Gas Sales - Unbilled	(332,509)
4112020	Commercial Gas Sales - Unbilled	(442,306)
4113020	Industrial Gas Sales - Unbilled	277,527
		(497,288)
5205430	Purchased Gas Cost Adjustments - Unbilled Revenue	316,125
		(181,163)

Delta completes its consumption and revenue analysis on the billed revenue method.

Delta makes this adjustment to remove the amount of unbilled revenues recorded during the base period to arrive at revenues for the 7 billed months ending 3/31/21 so that the base period represents 7 actual billed months and 5 budgeted months.

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Adjustments by Account
Forecast Test Period 12 ME 12/31/22 Base Period 12 ME 8/31/21

Tab 57 - Schedule D-2.2
Witness: John B. Brown

	Calendar 2020											
	Delta	PKY	Combined	Remove CEP	Subtotal	Adj for Rev Present Rates	Balance to Consumption Study	Temp Norm	Projected Increase in Use	Grand Total 2022 Pro Forma	Base Period 7+5	ADJUST
Residental Gas Sales - Billed	(22,662,092)	(1,286,216)	(23,948,308)	119,852	(23,828,456)	(1,100,777)	196,606	70,158		(24,662,468)	(23,549,385)	(1,113,083)
Commercial Gas Sales - Billed	(6,587,910)		(6,587,910)		(6,587,910)	(300,175)		16,763		(6,871,323)	(9,500,383)	2,629,060
Industrial Gas Sales - Billed	(8,280,960)		(8,280,960)	-	(8,280,960)	(33,434)	-	-	-	(8,314,394)	(5,886,670)	(2,427,724)
GROSS BILLED	(37,530,962)	(1,286,216)	(38,817,178)	119,852	(38,697,326)	(1,434,386)	196,606	86,921	-	(39,848,184)	(38,936,438)	
Provision for Rate Refunds **	2,382,636		2,382,636	-	2,382,636	-	-	-	-	2,382,636	2,699,420	(316,784)
TOTAL RETAIL	(35,148,326)	(1,286,216)	(36,434,542)	119,852	(36,314,690)	(1,434,386)	196,606	86,921	-	(37,465,548)	(36,237,018)	
			-									
Rev from Transp of Gas - Commercial	(108,126)		(108,126)		(108,126)					(108,126)	(114,098)	5,972
Rev from Transp of Gas - Industrial	(3,884,825)		(3,884,825)		(3,884,825)					(3,884,825)	(4,243,148)	358,323
Rev from Transp of Gas - Residential	(1,477)		(1,477)		(1,477)					(1,477)	(1,676)	199
Provision for Rate Refunds **	224,800		224,800		224,800					224,800	-	224,800
Transm & Compr of Gas by Affil - 1600	(1,208,800)		(1,208,800)		(1,208,800)				(459,043)	(1,667,843)	(1,378,573)	(289,270)
TOTAL ON SYSTEM	(4,978,428)	-	(4,978,428)		(4,978,428)	-	-	-	(459,043)	(5,437,471)	(5,737,495)	
			-									
Rev from Transp of Gas - Off System	(929,552)		(929,552)		(929,552)					(929,552)	(1,021,911)	92,359
Transm & Compr of Gas by Affil - 1600	(1,770,171)		(1,770,171)		(1,770,171)					(1,770,171)	(2,335,387)	565,216
TOTAL OFF SYSTEM	(2,699,723)	-	(2,699,723)		(2,699,723)					(2,699,723)	(3,357,298)	
			-									
TOTAL GAS AND TRANSPORTATION	(42,826,477)	(1,286,216)	(44,112,693)	119,852	(43,992,841)	(1,434,386)	196,606	86,921	(459,043)	(45,602,742)	(45,331,811)	
Miscellaneous Revenue	(125,705)	(7,433)	(133,138)	-	(133,138)	50,718	-			(82,420)	(82,420)	-
** booked in same account					-							
TOTAL OPERATING INCOME (BILLED BASIS)	(42,952,182)	(1,293,649)	(44,245,831)	119,852	(44,125,979)	(1,383,668)	196,606	86,921	(459,043)	(45,685,162)	(45,414,231)	(270,931)

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Adjustments by Account
st Test Period 12 ME 12/31/22 Base Period 12 ME 8/31/21

Tab 57 - Schedule D-2.3
Witness: John B. Brown

		Base Period
9753000 Nat Gas Prod/Gath Op - Field Lines Expenses		52,345
9754000 Nat Gas Prod/Gath Op - Field Compressor Sta Exps		129,512
9803000 Oth Gas Supply Op - Nat Gas Transm Line Pur		11,955,982
9805100 Oth Gas Supply Op - Pur Gas Cost Adjustments		369,965
9813000 Oth Gas Supply Op - Other Gas Suppl		1,064
Remove Unbilled		(316,124)
Gas Cost in Base Period		12,192,744
Gas Cost in Forecasted Period		
Residential	1,401,423	
Less: temp norm	(16,246)	
Small Non Res	493,224	
Less: temp norm	(3,882)	
Large Non Res	736,644	
Interruptible	25,937	
Farm Tap	212,047	
	2,849,147	
Current GCR	5.5532	
Pro Forma Gas Cost		15,821,883
Adjustment for Change in GCR Rate		3,629,139
Res + Farm Tap	56.6%	2,055,179
Others	43.4%	1,573,960
		3,629,139

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Adjustments by Account
Forecast Test Period 12 ME 12/31/22 Base Period 12 ME 8/31/21

Tab 57 - Schedule D-2.4
Witness: John B. Brown

Forfeited Discounts - Gas	(1,244)
Advertising	23,044
Lobbying	7,350
Increase of cash surrender value of life insurance s/b below the line	(108,915)
	(78,521)
Total	(79,765)

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Adjustments by Account
Forecast Test Period 12 ME 12/31/22 Base Period 12 ME 8/31/21

Tab 57 - Schedule D-2.5
Witness: John B. Brown

	2022 Test Year Expense	Base Year Expense	Adjustment
Pension			
Pension benefit frozen 5/1/21 resulting in income from the pension plan during the test year	(389,705)	418,734	(808,439)
401K			
Increase due to raising employer contribution due to freezing the pension plan	714,994	404,796	310,198
Medical			
Three months ended 3/31/21	499,378		
	4		
Annualized	1,997,512		
Expected increase	5%		
	2,097,388	1,574,112	523,276
Dental			
Three months ended 3/31/21	50,278		
	4		
Annualized	201,113		
Expected increase	5%		
	211,169	129,221	81,948
Total Adjustments for Benefits			106,983

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Adjustments by Account
Forecast Test Period 12 ME 12/31/22 Base Period 12 ME 8/31/21

Tab 57 - Schedule D-2.6
Witness: John B. Brown

	Gross Payroll - 12 Months ended 8/31/21							
	Straight	OT	Incentive	Non-recurring Vacation Accrual	**Total**	**Capitalized**	**Expensed**	**Adjustment**
	9,372,351	310,223	1,041,781	(505,192)	**10,219,163**	**(2,212,736)**	**8,006,427**	
Reversal of non-recurring vacation accrual				505,192	**505,192**			
Reversal of incentive	-	-	(1,041,781)	-	**(1,041,781)**			
	9,372,351	310,223	-	-	**9,682,574**			
Cost of living/ merit raises/ mkt adjustments	440,849	14,592			**455,441**			
Incentive compensation estimate	-	-	545,959	-	**545,959**			
	9,813,200	324,815	545,959	-	**10,683,974**	**(2,344,082)**	**8,339,892**	
Net Payroll Adjustment								**333,465**

Payroll Tax Adjustment

					Total	Capitalized	Expensed	Adjustment
Base Period Payroll Tax					**742,151**	**(162,828)**	**579,323**	
	FICA	Medicare	FUTA	SUTA				
	10,683,974	10,683,974	1,176,000	1,814,400				
Dental	28,626	28,626						
Medical	298,157	298,157						
Dep Care	695	695						
Health Care	24,625	24,625						
Vision	4,624	4,624						
FICA Exempt	274,886	-	-	-				
Exemptions	631,613	356,727	-	-				

	FICA	Medicare	FUTA	SUTA	Total	Capitalized	Expensed	Adjustment
Taxable Amount	10,052,361	10,327,247	1,176,000	1,814,400				
Tax Rate	0.062	0.0145	0.006	0.005				
	623,246	149,745	7,056	9,072	**789,119**	**(173,133)**	**615,987**	
					46,968			**36,664**
								370,129

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Adjustments by Account
Forecast Test Period 12 ME 12/31/22 Base Period 12 ME 8/31/21

Tab 57 - Schedule D-2.7
Witness: John B. Brown

Pro Forma Depreciation Expense			9,473,252	(see Tab 55 Page 10)
Base Year			7,916,269	
Adjustment				1,556,983
Property Tax				
Tax Year 2020 Property Tax		2,924,425		
Gross Plant				
Actual at 12/31/2019	268,574,121			
Projected at 12/31/2021	294,053,370			
	25,479,249			
Increase factor		1.095		
Pro Forma Property Tax			3,201,861	
Base Year			2,866,550	
Adjustment				335,311
				1,892,294

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Adjustments by Account
Forecast Test Period 12 ME 12/31/22 Base Period 12 ME 8/31/21

Tab 57 - Schedule D-2.8
Witness: John B. Brown

Line Number			Amounts	Ratios	Cost Rates	Weighted Cost of Capital
1	Equity					
2		Pro Forma	71,903,674			
3			-			
4	Equity		71,903,674	51.76%	10.950%	5.668%
5	Long Term Debt		67,017,890	48.24%	4.109%	1.982%
6	Short Term Debt		-	0.00%	0.000%	0.000%
7			138,921,565			7.650%

Calculation of Pro Forma Interest Expense and Adjustment

Line Number				
8	4.260%	LTD	41,384,615	1,762,985
9	4.100%	LTD	181,200	7,429
10	4.250%	LTD	137,600	5,848
11	3.097%	LTD	25,314,475	783,989
			-	-
			67,017,890	2,560,251
12	Debt Expense Amortization			193,480
13	Annual Long Term Debt Expense			2,753,731
14	Rate		67,017,890	4.109%

Line Number		
15	Total Calculated Interest Expense	2,753,731
16	Per Books	2,383,594
17	Adjustment	370,137

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Adjustments by Account
Forecast Test Period 12 ME 12/31/22 Base Period 12 ME 8/31/21

Tab 57 - Schedule D-2.9
Witness: John B. Brown

Description of Expense	Estimated Billed Hours If Applicable	Vendor	Company Contact	Estimated Expense
Regulatory	400	Peoples Regulatory/Legal	Victoria Green	54,000
Aqua Service - Rate Dept. Expenses	200	Aqua Services, Inc.	Danny Allen	18,000
Case Preparation Assistance Lead Lag Study		The Prime Group LLC.	Steve Seelye	44,000
Billing Analysis/Rate Design		The Prime Group LLC.	Steve Seelye	44,000
Depreciation Study		The Prime Group LLC.	Steve Seelye	40,000
Rate of Return		Verizon	Paul Moul	70,000
Legal		Stoll Keenon Ogden	Monica Braun	200,000
Cost of Service Study		The Prime Group LLC.	Steve Seelye	30,000
Tax Consulting		Regulated Capital Consultants	Panpilis Fischer	30,000
Travel Expenses				14,000
Other Expenses: supplies, conference calls, transcripts, notification, printing, copying, postage, etc.		Delta Natural Gas Company	Emily Bennett	86,000
Projected	600			630,000
Amortization Period				3
Pro Forma Costs				210,000

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 58 - 807 KAR 5:001 Section 16(8)(e)
Sponsoring Witness: William Packer

Description of Filing Requirement:

A jurisdictional federal and state income tax summary for both the base period and the forecasted period with all supporting schedules of the various components of jurisdictional income taxes.

Response:

See attached.

COMPUTATION OF FEDERAL AND STATE INCOME TAX
FOR THE BASE PERIOD TME AUGUST 31, 2021 AND FORECAST PERIOD TME DECEMBER 31, 2022

Data:__X___Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated
Workpaper Reference No(s). ____________________

TAB 58
SHEET 1 OF 2
WITNESS: PACKER

			At Current Rates			At Proposed Rates	
Line No.	Description		Base Period TME 8/31/21	Proforma Adjustments	Forecast Period TME 12/31/22	Proforma Adjustments	Forecast Period TME 12/31/22
			(1)	(2)	(3)	(4)	(5)
			$	$	$	$	$
1	Operating Income Before Income Taxes		3,689,086	9,135,169	12,824,255	0	12,824,255
2	Interest Charges		2,753,731	(43,323)	2,710,408	0	2,710,408
3	Book Net Income before Income Tax & Credits	LN 1 - 2	935,355	9,178,492	10,113,847	0	10,113,847
4	Statutory Adjustments to Taxable Income	PG 2	133,829	(189,242)	(55,413)	0	(55,413)
5	State Taxable Income	LN 3+4	1,069,184	8,989,250	10,058,434	0	10,058,434
6	State Income Tax	LN 5 X Rate	53,459	449,462	502,922	0	502,922
7	Other Adjustments		(2,194)	2,194	0	0	0
8	Total State Income Tax	LN 6+7	51,265	451,657	502,922	0	502,922
9	Federal Taxable Income	LN 5 - 8	1,017,919	8,537,593	9,555,512	0	9,555,512
10	Federal Net Operating Loss Carryforward		0		0		0
11	Federal Income Tax	LN 9 x Rate	213,763	1,792,895	2,006,658	0	2,006,658
12	Prior Adjustment to Federal Income Tax		0	0	0	0	0
13	Other Adjustments to Federal Income Tax		0	0	0	0	0
14	Current Federal Income Tax	LN 10+11+12	213,763	1,792,895	2,006,658	0	2,006,658
15	Current State Income Tax		51,265	451,657	502,922	0	502,922
16	Total Current Income Tax	LN 13+14	265,028	2,244,551	2,509,579	0	2,509,579
17	Amortization of Excess ADIT-Federal		0	0	0	0	0
18	Provision for Deferred Federal Income Tax		(32,183)	32,183	0	0	0
19	Deferred Federal Income Tax	LN 16+17	(32,183)	32,183	0	0	0
20	Amortization of Excess ADIT-State		0	0	0	0	0
21	Provision for Deferred State Income Tax		(5,756)	5,756	0	0	0
22	Deferred State Income Tax	LN 19+20	(5,756)	5,756	0	0	0
23	Total Provision for Deferred Income Taxes	LN 18+21	(37,940)	37,940	0	0	0
24	Total Federal Income Taxes	LN 13+18	181,580	1,825,078	2,006,658	0	2,006,658
25	Amortization of Investment Tax Credit		0	0	0	0	0
26	Net Federal Income Taxes	LN 23+24	181,580	1,825,078	2,006,658	0	2,006,658
27	Net State Income Taxes	LN 14+21	45,509	457,413	502,922	0	502,922
28	Total Income Tax Expense	LN 25+26	227,088	2,282,491	2,509,579	0	2,509,579
		Tab 58e	*233,371*		*2,512,596*		
	Difference (Permanent items Sheet 2, Line 6 X 24.95%)		*(6,283)*		*(3,016)*		
			708,267				

COMPUTATION OF FEDERAL AND STATE INCOME TAX
FOR THE BASE PERIOD TME AUGUST 31, 2021 AND FORECAST PERIOD TME DECEMBER 31, 2022

Data:__X___Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated
Workpaper Reference No(s). ____________________

TAB 58
SHEET 2 OF 2
WITNESS: PACKER

		At Current Rates			At Proposed Rates	
Line No.	Description	Base Period TME 8/31/21	Proforma Adjustments	Forecast Period TME 12/31/22	Proforma Adjustments	Forecast Period TME 12/31/22
		(1)	(2)	(3)		
		$	$	$		
1	Other Reconciling Items-Flow Through					
2	Political Action Expense/Penalties	30,232	(30,232)	0	0	0
3	Employee Fringe Benefits	50,989	0	50,989	0	50,989
4	Cash Surrender Value Life Insurance	(108,915)	0	(108,915)	0	(108,915)
5	Meals & Entertainment	2,513	0	2,513	0	2,513
6	Total Other Recon. Items-Flow Thru	(25,181)	(30,232)	(55,413)	0	(55,413)
7	Other Reconciling Items-Deferred					
8	Excess of Tax Accelerated over Book Depreciation	(236,049)	236,049	0	0	0
9	Cost of Removal	(187,311)	187,311	0	0	0
10	Basis Differences	78,137	(78,137)	0	0	0
11	Other Property	(40,879)	40,879	0	0	0
12	Bad Debts	364,321	(364,321)	0	0	0
13	Charitable Contr Limit	46,983	(46,983)	0	0	0
14	Accrued Liabilities	(81,506)	81,506	0	0	0
15	Unicap 263A	(38,549)	38,549	0	0	0
16	Accrued Incentive	(124,437)	124,437	0	0	0
17	Pension	(1,965)	1,965	0	0	0
18	Purchase Gas Adj - Cur Per	398,157	(398,157)	0	0	0
19	Performance Stock Units	1,174	(1,174)	0	0	0
20	Restricted Stock Units	684	(684)	0	0	0
21	Supplemental Executive Retirement Plan	137,780	(137,780)	0	0	0
22	Vacation Accrued	(45,131)	45,131	0	0	0
23	Contingent Liability Amortization	(14,406)	14,406	0	0	0
24	ASC 842 Lease Asset/Obligation	0	0	0	0	0
25	OPEB	(4,449)	4,449	0	0	0
26	Worker's Compensation	(93,544)	93,544	0	0	0
27	Other	0	0	0	0	0
28	Total Other Recon. Items-Deferred	159,010	(159,010)	0	0	0
29	Total Other Reconciling Items	133,829	(189,242)	(55,413)	0	(55,413)
30	State Bonus Disallowance & Fed Char Contr Limit	(43,884)	43,884	0	0	0
31	Total Other Reconciling Items-State	89,945	231,195	(55,413)	0	(55,413)

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 59 - 807 KAR 5:001 Section 16(8)(f)
Sponsoring Witness: Andrea Schroeder

Description of Filing Requirement:

Summary schedules for both the base period and the forecasted period (the utility may also provide a summary segregating those items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures at country clubs; charitable contributions; marketing, sales, and advertising; professional service expenses; civic and political activity expenses; expenditures for employee parties and outings; employee gift expenses; and rate case expenses.

Response:

See attached.

	Base Period			Future Test Year 2022		
	Delta	Peoples Kentucky	Total	Delta	Peoples Kentucky	Total
Rate Case Expense [Tab 57 - Schedule D-2.9 has breakdown]	-	-	-	210,000	-	210,000
Outside Services						
Legal	-	-	-	-	-	-
Darrell L Saunders	2,970.50	-	2,970.50	2,971.00	-	2,971.00
Goss Samford	1,101.00	-	1,101.00	1,101.00	-	1,101.00
McCarter & English LLP	5,855.75	-	5,855.75	5,856.00	-	5,856.00
Stoll Keenon & Ogden PLLC	104,866.05	-	104,866.05	104,866.00	-	104,866.00
	114,793.30	-	114,793.30	114,794.00	-	114,794.00
Accounting - Annual Audit	45,451.07	-	45,451.07	45,451.00	-	45,451.00
Accounting - Other						
ADP	25,494.84	3,405.40	28,900.24	25,495.00	3,405.00	28,900.00
PwC	47,659.05	5,191.32	52,850.37	47,659.00	5,191.00	52,850.00
Schneider Downs	30,514.00	1,365.17	31,879.17	30,514.00	1,365.00	31,879.00
Various Accounting	41,486.00	67.11	41,553.11	41,486.00	67.00	41,553.00
	145,153.89	10,029.00	155,182.89	145,154.00	10,028.00	155,182.00
Professional Service Expenses						
ALPHAGRAPHICS #514	-	19.17	19.17	-	19.00	19.00
AVEVA SOFTWARE LLC	-	105.00	105.00	-	105.00	105.00
BLUEGRASS NEWSMEDIA LLC	386.00	-	386.00	386.00	-	386.00
CAPITAL LINK CONSULTANTS (1)	26,550.00	-	26,550.00	26,550.00	-	26,550.00
COLUMBIA GULF TRANSMISSION LLC	18,360.00	-	18,360.00	18,360.00	-	18,360.00
COVERALL SERVICE COMPANY	14,407.74	-	14,407.74	14,408.00	-	14,408.00
DATATRANS SOLUTIONS INC	589.95	877.73	1,466.69	590.00	878.00	1,467.00
DBA ZONE INC (THE)	30.71	316.46	346.18	31.00	316.00	346.00
Delgasco	(206,627.85)	-	(206,627.85)	(206,628.00)	-	(206,628.00)
ELINK DESIGN INC	45.25	-	45.25	45.00	-	45.00
ESKER INC	5.28	29.08	35.36	5.00	29.00	35.00
Essential Utilities Inc	1,107,762.71	34,106.53	1,141,869.24	1,107,763.00	34,107.00	1,141,869.00
EVAPAR INC	4,524.02	-	4,524.02	4,524.00	-	4,524.00
IDI CONSULTING LLC	9,479.57	15,736.43	25,215.00	9,480.00	15,736.00	25,215.00
INTERNATIONAL BUSINESS MACHINES	1,967.80	2,927.70	4,895.49	1,968.00	2,928.00	4,895.00
IRON MOUNTAIN INC	5,277.87	-	5,277.87	5,278.00	-	5,278.00
IRTH SOLUTIONS LLC	19.10	28.52	47.62	19.00	29.00	48.00
ITERES GROUP LP	1,229.30	1,829.20	3,059.49	1,229.00	1,829.00	3,059.00
KENTUCKY MSO LLC	189.00	-	189.00	189.00	-	189.00
KING BEE DELIVERY LLC	45,768.10	-	45,768.10	45,768.00	-	45,768.00
MARVEL TECHNOLOGIES INC	1,151.38	1,711.88	2,863.25	1,151.00	1,712.00	2,863.00
MCGREGOR & ASSOCIATES INC	1,932.00	-	1,932.00	1,932.00	-	1,932.00
MIMECAST NORTH AMERICA INC	-	334.17	334.17	-	334.00	334.00
NATIONAL FIRE PROTECTION ASSOCIATION	391.60	-	391.60	392.00	-	392.00
NATURAL ENERGY ENGINEERING SERVICES	6,691.88	-	6,691.88	6,692.00	-	6,692.00
NEW VISTA OF THE BLUEGRASS INC	852.55	-	852.55	853.00	-	853.00
OPEN TEXT INC	504.18	750.68	1,254.85	504.00	751.00	1,255.00
PANTECHS LABORATORIES INC	16,924.97	-	16,924.97	16,925.00	-	16,925.00
PEAK TECHNICAL STAFFING USA	101.12	150.96	252.08	101.00	151.00	252.00
Peoples Natural Gas	-	5,460.46	5,460.46	-	5,460.00	5,460.00
PNG COMPANIES LLC	4,488.34	3,424.11	7,912.45	4,488.00	3,424.00	7,912.00
PRESIDIO NETWORKED SOLUTIONS INC	-	98.86	98.86	-	99.00	99.00
PRIME GROUP LLC THE	11,177.00	-	11,177.00	11,177.00	-	11,177.00
SCHNEIDER DOWNS & CO INC	-	16.61	16.61	-	17.00	17.00
SECUREWORKS INC	-	957.24	957.24	-	957.00	957.00
SMART ENERGY WATER	16.54	28.48	45.02	17.00	28.00	45.00

TACTICAL IT GROUP LLC	1,812.50	-	1,812.50	1,813.00	-	1,813.00
TESTA CONSULTING SERVICES INC	89.48	134.08	223.56	89.00	134.00	224.00
TIME WARNER	697.90	-	697.90	698.00	-	698.00
TOM MCCAY	12,000.00	-	12,000.00	12,000.00	-	12,000.00
S&P Global Platts	15,965.14	-	15,965.14	15,965.00	-	15,965.00
PNC Bank	11,546.55	-	11,546.55	11,547.00	-	11,547.00
Various vendors < $1,000	10,267.61	(931.53)	9,336.08	10,268.00	(932.00)	9,336.00
	1,126,575.28	68,111.80	1,194,686.08	1,126,577.00	68,111.00	1,194,686.00
Charitable Contributions (Delta not proposing to recover) [(2)]						
Delta Energy Assistance Program	77,143.00	-	77,143.00	77,143.00	-	77,143.00
44TH DISTRICT PROGRAM	129.00	-	129.00	129.00	-	129.00
DELTA NATURAL GAS - 10	51.00	-	51.00	51.00	-	51.00
Other < $1,000	3,304.55	-	3,304.55	3,305.00	-	3,305.00
	80,627.55	-	80,627.55	80,628.00	-	80,628.00
Expenditures for Certain Civic, Political and Related Activities	-	-	-	-	-	-
KENTUCKY UTILITIES COMPANY	708.21	-	708.21	708.00	-	708.00
NORTH MANCHESTER WATER ASSOC	833.41	-	833.41	833.00	-	833.00
Other < $1,000	2,284.63	4.69	2,289.32	2,285.00	5.00	2,289.00
	3,826.25	4.69	3,830.94	3,826.00	5.00	3,830.00
Marketing, Sales, and Advertising (Delta not proposing to recover)						
MANCHESTER ENTERPRISE (THE)	1,286.00	-	1,286.00	1,286.00	-	1,286.00
BEREA CITIZEN THE	454.00	-	454.00	454.00	-	454.00
SENTINEL-ECHO THE	1,543.00	-	1,543.00	1,543.00	-	1,543.00
TIMES-TRIBUNE THE	2,191.04	-	2,191.04	2,191.00	-	2,191.00
KY NEWSGROUP/MC INVESTMENTS INC	617.00	-	617.00	617.00	-	617.00
SOUTHLAND PRINTING COMPANY INC	19,061.40	-	19,061.40	19,061.00	-	19,061.00
BLUEGRASS NEWSMEDIA LLC	771.00	-	771.00	771.00	-	771.00
MIDDLESBORO DAILY NEWS	411.00	-	411.00	411.00	-	411.00
	26,334.44	-	26,334.44	26,334.00	-	26,334.00
Organization Membership Dues						
American Gas Association	10,716.44	-	10,716.44	10,716.00	-	10,716.00
Kentucky Chamber of Commerce	4,286.00	-	4,286.00	4,286.00	-	4,286.00
KENTUCKY GAS ASSOCIATION	6,775.30	-	6,775.30	6,775.00	-	6,775.00
KENTUCKY OIL & GAS ASSOCIATION	1,311.00	-	1,311.00	1,311.00	-	1,311.00
KENTUCKY UTILITIES COMPANY	10,716.44	-	10,716.44	10,716.00	-	10,716.00
KNOX COUNTY CHAMBER OF COMMERCE	514.00	-	514.00	514.00	-	514.00
NORTH MANCHESTER WATER ASSOC	12,615.08	-	12,615.08	12,615.00	-	12,615.00
SOUTHERN GAS ASSOCIATION	13,507.00	-	13,507.00	13,507.00	-	13,507.00
Winchester Clark County Chamber of Commerce/Kentucky	2,571.00	-	2,571.00	2,571.00	-	2,571.00
WINDSTREAM CORPORATION	10,521.37	-	10,521.37	10,521.00	-	10,521.00
Other < $1,000	7,819.80	117.99	7,938.79	7,820.00	118.00	7,939.00
	81,353.43	117.99	81,472.42	81,352.00	118.00	81,471.00
Director's Fees and Expenses	33,429.00	-	33,429.00	33,429.00	-	33,429.00
Country Clubs	-	-	-	-	-	-
Initiation Fees	-	-	-	-	-	-
Employee Parties and Outings						
The Thoroughbred Club Lexington	545.00	-	545.00	545.00	-	545.00
KY Association for Economic Dev	197.00	-	197.00	197.00	-	197.00
Essential Employee Expenses	600.44	-	600.44	600.00	-	600.00
	1,342.44	-	1,342.44	1,342.00	-	1,342.00

Employee Gift Expense						
The Craft Nook	1,306.15	-	1,306.15	1,306.00	-	1,306.00
Pilor	16.60	-	16.60	17.00	-	17.00
Papalenos	52.11	-	52.11	52.00	-	52.00
Boone Tavern	238.18	-	238.18	238.00	-	238.00
Essential Service Awards	6,349.86	-	6,349.86	6,350.00	-	6,350.00
AD-Aventure Promotions	9,813.22	-	9,813.22	9,813.00	-	9,813.00
Kroger	4,836.49	-	4,836.49	4,836.00	-	4,836.00
Maiden Drug Company	81.70	-	81.70	82.00	-	82.00
Corbin Flower Shop	191.30	-	191.30	191.00	-	191.00
Walgreens	618.95	-	618.95	619.00	-	619.00
Grover Floral Co	108.55	-	108.55	109.00	-	109.00
Williamsburg Flower Sho;	100.30	-	100.30	100.00	-	100.00
Southland Printing Company	979.87	-	979.87	980.00	-	980.00
Walmart	91.47	-	91.47	91.00	-	91.00
Circle K	33.96	-	33.96	34.00	-	34.00
Berea Drug	300.00	-	300.00	300.00	-	300.00
	25,118.71	-	25,118.71	25,118.00	-	25,118.00
	1,684,005.36	78,263.48	1,762,268.84	1,894,005.00	78,262.00	1,972,265.00

(1) $7,350 has been excluded from Capital Link Consultants fees as this portion is deemed to be lobbying.

(2) Additional Charitable Contributions are made in Kentucky from the Essential Foundation.

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 60 - 807 KAR 5:001 Section 16(8)(g)
Sponsoring Witness: William Packer

Description of Filing Requirement:

Analyses of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title.

Response:

See attached. A portion of the attachment is confidential and is being filed pursuant to a petition for confidential protection. Delta is also providing a copy of the 2021 Rate Case Compensation Overview.

Delta Natural Gas Company, Inc. — Tab 60
Case No. 2021-00185 — Sheet 1 of 2
Payroll Costs — Witness: Packer
Base Period 12ME 8/31/21 Forecast Test Period 12 ME 12/31/22

Line No.	Description	Base Period	% Change	Forecasted Period
1	**Man Hours**			
2	Salary/Straight Time Hours	337,691	0.0%	337,691
3	OverTime Hours	9,140	0.0%	9,140
4	Total Man Hours	346,831	0.0%	346,831
5				
6	Ratio of OT Hours to ST Hours	2.7%		2.7%
7				
8	**Straight, OT/Premium Dollars**			
9	Salary/Straight Time Dollars	8,900,480	4.7%	9,319,133
10	OverTime Dollars	308,434	4.7%	322,942
11	Total Labor Dollars	9,208,914	4.7%	9,642,075
12				
13	Ratio of OT Dollars to ST Dollars	3.5%		3.5%
14				
15	O&M Labor Dollars	7,182,953	4.7%	7,520,819
16				
17	Ratio of O&M Labor Dollars to Total Labor Dollars	78.0%		78.0%
18				
19	**Employee Benefits**			
20	Medical	1,588,132	32.9%	2,111,410
21	Dental	129,220	63.4%	211,169
22	Disability	50,848	0.0%	50,848
23	Retirement	1,166,858	-42.7%	668,617
24	Other	243,343	0.0%	243,343
25	Total Employee Benefits	3,178,403	3.4%	3,285,388
26				
27	Employee Benefits O&M	2,479,154		2,562,602
28				
29	Ratio of Employee Benefits O&M to Total Employee Benefits	78%		78%
30				
31	**Payroll Taxes**			
32	F.I.C.A.	585,181		623,246
33	Medicare	140,843		149,745
34	Federal Unemployment	7,056		7,056
35	State Unemployment	9,072		9,072
36	Total Payroll Taxes	742,151	6.3%	789,119
37	Payroll Taxes O&M	579,323	6.4%	616,302
38				
39	Ratio of Payroll Taxes O&M to Total Payroll Taxes	78.1%		78.1%
40				
41	**Employee Levels**			
42	Average Employee Levels	160	1.4%	162
43	Period-End Employee Levels	162	0.0%	162

Confidential Information Redacted

Delta Natural Gas Company, Inc. — Tab 60
Case No. 2021-00185 — Sheet 2 of 2
Payroll Costs — Witness: Packer
Base Period 12ME 8/31/21 Forecast Test Period 12 ME 12/31/22

Line No.	Title of Executive: President			
1				
2	**Base Period (September 1, 2020 - August 31, 2021):**	[redacted]	**Forecasted Period (Calendar 2022):**	[redacted]
3	Total Salary		Total Salary	
4	Other Allowances and Compensation		Other Allowances and Compensation	
5	Subtoal		Subtoal	
6				
7	Employee Benefits:		Employee Benefits:	
8	Pension		Pension	
9	Medical		Medical	
10	Dental		Dental	
11	Vision		Vision	
12	Long Term Disability		Long Term Disability	
13	Employee Assistance Program		Employee Assistance Program	
14	Life Insurance		Life Insurance	
15	Defined Contribution Plans		Defined Contribution Plans	
16	Subtoal		Subtoal	
17				
18	Payroll Taxes:		Payroll Taxes:	
19	F.I.C.A.		F.I.C.A.	
20	Medicare		Medicare	
21	Federal Unemployment		Federal Unemployment	
22	State Unemployment		State Unemployment	
23	Subtoal		Subtoal	
24				
25	Total Compensation and Taxes		Total Compensation and Taxes	
26				

27 The President's compensation is covered under an employment contract entered into 10/4/2017 effective upon the closing of the merger between PNG Companies LLC and Delta Natural Gas Company, Inc. expiring in 2022

28 Note that the labor cost for Officers of the Holding Company who also serve as Officers or Directors of the Kentucky subsidiaries are charged under Management Fees.

Essential Utilities

2021 Rate Case Compensation Overview

May 2021

Case No. 2021- 00185

Mission/Vision

Essential Utilities is dedicated to providing safe and reliable water, wastewater and natural gas services that families and businesses rely on in their everyday lives. Our mission is to be the best possible provider of essential resources by serving the needs and expectations of our customers, shareholders, employees, and the communities we serve both today and for future generations.

We recognize our employees are our greatest asset in delivering life's most essential resources. We are committed to providing professional opportunities for career growth, competitive benefits, and market-based compensation packages.

Executive Compensation Program

Essential Utilities believes in being transparent about our compensation philosophy with our employees, customers, and investors. Our goal is to embed a pay-for-performance culture throughout our company. As communicated in our proxy, our compensation program for named executive officers is designed to:

Provide compensation that is competitive with our industry peers and appropriately correlates incentive compensation to the achievement of the company's short- and long- term goals.

Providing a total compensation package that is aligned with industry standards enhances our ability to:

- Motivate and reward our named executive officers for contributions to our success
- Attract and retain talented and experienced named executive officers; and
- Ensure a portion of pay is performance based to better align pay with the successful achievement of our objectives.

We reward our named executive officers for leadership excellence and contribution to the organization's success.

We maintain an important focus on environmental, social, and governance issues while building shareholder value.

In 2020, we introduced a revised compensation program design for our Essential executives based on an extensive study of industry benchmarks specific to Essential's peer group, which includes water and gas companies. Our March 2021 Shareholders meeting confirmed shareholders support of Essential's executive compensation program with a 96.4% Say on Pay approval rating.

The Executive Compensation Committee of the Essential Utilities' Board of Directors takes an active role in reviewing and approving all elements of Essential's executive compensation programs. Some activities outlined in their charter include:

- Overseeing the development of an internally consistent and externally competitive executive compensation program
- Making recommendations to the Board of Directors with respect to short-term and long-term incentive compensation plans and equity-based compensation plans and any changes thereto.
- Reviewing and approving awards under the Company's long-term incentive compensation plans.

They are assisted in their program assessments by an Independent Compensation Consulting firm.

Independent Compensation Consultant

Essential Utilities uses various services of an independent compensation consulting firm, Pay Governance, to determine the competitiveness of the packages for our Chief Executive Officer, Named Executive Officers, and Officers of the holding company.

For all other employees, we use a combination of surveys and market compensation information including, the Willis Towers Watson Energy Services Survey, The Willis Towers Watson General Industry Survey, CompAnalyst reported data through Salary.com, and the American Gas Association survey by Willis Towers Watson to benchmark our base pay and incentive levels. Our philosophy is to pay our employees at the market median.

Competitive Pay Packages

The acquisition of Peoples Natural Gas closed on March 16, 2020. After the close, Essential Utilities spent the remainder of 2020 and first quarter of 2021 on aligning the Peoples Natural Gas and Delta Natural Gas compensation and benefit programs to the Essential Utilities program. Specifically, the compensation program was reviewed to establish how the program could support Essential Utilities focus on growing our customer base, prudently investing capital to renew our aging infrastructure, creating efficiencies across the organization, and continued safe and reliable service.

One efficiency that the compensation and benefits programs focused on was ensuring that our total rewards package rewards all employees on working together in the best interest of our key stakeholders including customers, employees, and shareholders. We work best together under a single compensation and benefits program designed to reward employees similarly who have an equivalent impact on company objectives. We also believe in treating employees acquired through acquisitions in a fair and equitable manner, therefore we focused on harmonizing the Peoples Natural Gas and Delta Natural gas compensation elements packages as employees migrated to the Essential program.

This compensation realignment project used a phased in approach to harmonize the pay between the three organizations. Peoples Natural Gas assimilated into the Essential Program on 1/1/2021 while Delta Natural Gas employees were harmonized effective 5/1/2021.

In conducting the assessment for Delta, we found that the benefits and compensation programs were tightly interwoven. Our focus is to bring our legacy companies together with comparable compensation programs for 2021 and beyond. A key benefits decision was to align the Delta retirement benefits with the majority of employees who participate in the Essential retirement program. Effective May 1, 2021, the company froze Part E of the Pension Plan (formerly known as the Delta Natural Gas Company, Inc. Defined Benefit Retirement Plan). This meant that active participants of the plan will no longer accrue benefits under the Pension Plan after April 30, 2021. Their compensation and years of service determined through April 30,2021 will be used to calculate the benefit payable when the employee becomes eligible for Early or Normal Retirement. Our commitment to help prepare employees for retirement is unchanged. Beginning May 1, we committed to contributing up to 6% of the employee's eligible compensation in the Savings Plan matching program and introduced a new 3% non-elective company contribution to the Savings Plan Account.

At the same time, we announced the integration of the compensation programs. Essential Utilities used three key principles to drive the changes:

- Paying market competitive wages targeting pay around the industry market median in the locations in which we operate.
- Individual performance matters. Our goal is to attract, motivate and retain high performing employees at all levels.
- Organizational performance is a key component of the variable pay programs such as the Achievement Awards, Short Term Incentives (STI) and Long-Term Incentives (LTI).

One of the key aspects of integrating the gas operations was benchmarking the roles between Peoples and Delta including aligning the titles of the positions. We worked closely with the business leadership team throughout the project.

This resulted in introducing individualized compensation ranges for each position as well as aligning base pay and incentive levels appropriately. $135,625 was moved to base salaries from the STI program to align compensation with market benchmarks and the Essential compensation program. An additional market adjustment was made in the amount of $161,796 for 38 current Delta employees who were historically below market.

Merit Program Alignment

Delta Natural Gas and Peoples Natural Gas employees were moved to the Essential merit increase program effective with the 4/1/2021 merit and performance review cycle. The 2021 merit increase program and associated budgets were used throughout the entire Essential footprint.

In 2021, The Essential merit increase budget was set at 3% based on data from various salary budget surveys.

Source	2020 Actual Increases	2021 Projected Increases
World at Work Salary Budget Survey	3.0%	3.0%
Willis Towers Watson Salary Budget Survey	3.0%	2.8%
Salary.com National Salary Budget Survey	3.0%	3.0%
Empsight: Policies, Practices & Merit Survey Report (Aug 2020). Published by SHRM	NA	3.0%

Essential uses a merit matrix, as well as a performance distribution to ensure that merit dollars are distributed based on our philosophy of paying for performance. Performance rating categories go from (1) Does Not Meet to (5) Outstanding. Managers must also meet their budgetary allocations. Note that we do prohibit future salary increases once an employee's base salary exceeds a compa-ratio of 1.25.

Conclusion:

Overall, we find the Essential Utilities compensation packages for the employees working in Kentucky to be competitive and aligned with utility and general industry norms so that we retain and attract our workforce.

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 61 - 807 KAR 5:001 Section 16(8)(h)
Sponsoring Witness: Andrea Schroeder

Description of Filing Requirement:

A computation of the gross revenue conversion factor for the forecasted period.

Response:

See attached.

Delta Natural Gas Company, Inc.
Gross Revenue Conversion Factor
Forecasted Test Period 12ME 12/31/22
Base Period 12ME 8/31/21

Witness: Andrea Schroeder

Line Number		Amount
1	Assume pre-tax income of	100
2	State income tax rate of	5.00%
3	State income tax	5.00
4	Taxable income for Federal income tax computation	95.00
5	Federal income tax rate	21.00%
6	Federal income tax	19.95
7	Total state and federal income tax	24.95
8	Therefore, the composite rate is	24.95%
9	Federal	19.95%
10	State	5.00%
11	Total	24.95%
12	Tax expansion rate	1.332445

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 62 - 807 KAR 5:001 Section 16(8)(i)
Sponsoring Witness: John B. Brown

Description of Filing Requirement:

Comparative income statements (exclusive of dividends per share or earnings per share), revenue statistics and sales statistics for five (5) most recent calendar years from the application filing date, the base period, the forecasted period, and two (2) calendar years beyond the forecast period;

Response:

See attached. Note that the attached does not reflect any impact from rate case activity beyond 2021.

Delta Preceding Five Years

	2020	2019	2018	2017	2016
Operating Revenues					
Sales of Gas	38,433,852	40,410,794	40,580,239	38,598,753	36,462,315
Other Operating Revenues	5,421,220	7,210,441	9,005,276	9,964,537	9,889,338
Total Operating Revenues	43,855,072	47,621,235	49,585,515	48,563,290	46,351,653
Operating Expenses					
Gas Production Operating Expense	12,200,259	14,569,682	17,202,819	14,655,628	12,567,443
Gas Strg, Term & Proc Oper Exp	307,270	305,499	297,086	341,408	304,821
Gas Transmission Operations Expense	3,521,725	3,017,448	70,788	124,745	-
Gas Distribution Operations Expense	1,797,533	1,625,698	4,439,903	4,266,487	4,119,243
Customer Accounts Expense	914,391	847,617	1,118,569	974,151	1,026,301
Customer Service and Informational Expense	-	-	-	-	-
Sales Expense	-	-	-	-	-
Administrative & General Operations Expense	5,556,360	5,760,815	6,164,624	6,468,855	7,166,572
Maintenance Expense	307,798	493,785	717,736	790,740	730,391
Depreciation Expense	7,518,447	7,133,425	6,368,823	6,389,586	6,315,467
Amortization & Depletion of Utility Plant	354,340	289,197	289,197	-	-
Taxes Other than Income Taxes	3,574,784	3,284,885	3,216,894	3,175,098	2,760,879
Income Taxes	890,721	1,567,462	1,890,661	3,258,899	1,512,895
Provision for Deferred Income Taxes	(411,581)	(377,316)	1,528,309	455,161	1,687,563
Total Operating Expenses	36,532,047	38,518,197	43,305,409	40,900,758	38,191,575
Net Other Income (Deductions)	66,593	184,601	(1,645,857)	(2,277,441)	522,719
Net Interest Charges	2,144,247	2,157,119	2,217,679	2,352,119	2,446,695
Net Income	5,245,371	7,130,520	2,416,570	3,032,972	6,236,102
Sales (Mcf) by Customer class:					
Residential	1,529,058	1,548,713	1,669,818	1,385,937	1,465,438
Commercial	532,156	1,349,889	1,439,156	1,217,345	1,271,506
Industrial	801,829	95,077	99,363	87,400	89,928
Total	2,863,043	2,993,679	3,208,337	2,690,682	2,826,872
Number of Customers by class:					
Residential	30,545	29,911	29,728	29,600	29,540
Commercial	4,184	4,955	4,926	4,920	4,907
Industrial	889	39	38	39	39
Total	35,618	34,905	34,692	34,559	34,486
Average Volume (Mcf) by class:					
Residential	50	52	56	47	50
Commercial	127	272	292	247	259
Industrial	902	2,438	2,615	2,241	2,306
Total	80	86	92	78	82
Revenues by Customer Class					
Residential	$ 23,136,031	$ 23,617,570	$ 23,447,074	$ 22,569,049	$ 21,468,236
Commercial	6,759,574	15,949,914	16,261,236	15,202,710	14,242,581
Industrial	8,538,247	843,310	871,929	826,994	751,498
Total	$ 38,433,852	$ 40,410,794	$ 40,580,239	$ 38,598,753	$ 36,462,315
Average Revenue by Customer Classs					
Residential	$ 757	$ 790	$ 789	$ 762	$ 727
Commercial	$ 1,616	$ 3,219	$ 3,301	$ 3,090	$ 2,903
Industrial	$ 9,604	$ 21,623	$ 22,946	$ 21,205	$ 19,269

Peoples KY Preceding Five Years

	2020	2019	2018	2017	2016
Operating Revenues					
Sales of Gas	$1,329,953	$1,788,367	$1,705,530	$1,430,010	$1,531,880
Other Operating Revenues	7,594	6,016	9,667	10,146	9,265
Total Operating Revenues	1,337,547	1,794,383	1,715,197	1,440,156	1,541,145
Operating Expenses					
Gas Production Operating Expense	422,636	828,844	695,831	549,555	610,359
Gas Transmission Operations Expense	219,113	268,836	288,716	222,233	228,473
Gas Distribution Operations Expense	213,430	411,519	436,157	435,479	352,499
Customer Accounts Expense	623,712	474,306	464,222	423,040	355,006
Customer Service and Informational Expense	394	684	2,859	5,038	1,951
Sales Expense	652	568	883	1,759	0
Administrative & General Operations Expense	518,407	495,852	638,869	692,252	744,822
Maintenance Expense	76,773	87,366	77,709	73,131	67,103
Depreciation Expense	93,710	90,314	84,700	72,206	66,248
Amortization & Depletion of Utility Plant	30,185	20,501	27,846	23,708	19,207
Taxes Other than Income Taxes	99,192	113,919	93,431	73,982	62,927
Income Taxes	(251,470)	(353,064)	0	0	1
Provision for Deferred Income Taxes	492	(36,626)	(311,259)	(473,952)	(390,007)
Total Operating Expenses	2,047,226	2,403,019	2,499,964	2,098,431	2,118,589
Net Other Income and Deductions	15,811	11,580	17,949	20,200	14,819
Net Interest Charges	129,752	203,621	169,556	102,517	52,194
Net Income (Loss)	($823,620)	($800,677)	($936,374)	($740,592)	($614,819)
Sales (Mcf):	199,379	200,756	214,167	185,181	201,713
Number of Customers:	2,929	2,920	2,944	2,940	2,949
Average Volume (Mcf)	68	69	73	63	68
Average Revenue	$454	$612	$579	$486	$519

Combined Preceding Five Years and Base Period

	Base Period	2020	2019	2018	2017	2016
Operating Revenues						
Sales of Gas	39,433,725	39,763,805	42,243,211	41,709,616	40,028,763	37,994,195
Other Operating Revenues	6,479,037	5,428,814	7,172,407	9,591,096	9,974,683	9,898,603
Total Operating Revenues	45,912,762	45,192,619	49,415,618	51,300,712	50,003,446	47,892,798
Operating Expenses						
Gas Production Operating Expense	12,503,349	12,622,895	15,398,526	17,898,650	15,205,183	13,177,802
Gas Strg, Term & Proc Oper Exp	319,489	307,270	305,499	297,086	341,408	304,821
Gas Transmission Operations Expense	3,593,355	3,740,838	3,286,284	359,504	346,978	228,473
Gas Distribution Operations Expense	2,050,422	2,010,963	2,037,217	4,876,060	4,701,966	4,471,742
Customer Accounts Expense	1,447,307	1,538,103	1,321,923	1,582,791	1,397,191	1,381,307
Customer Service and Informational Expense	592	394	684	2,859	5,038	1,951
Sales Expense	553	652	568	883	1,759	-
Administrative & General Operations Expense	7,345,484	6,074,767	6,256,667	6,803,493	7,161,107	7,911,394
Maintenance Expense	526,384	384,571	581,151	795,445	863,871	797,494
Depreciation Expense	7,916,269	7,612,157	7,223,739	6,453,523	6,461,792	6,381,715
Amortization & Depletion of Utility Plant	429,778	384,525	309,698	317,043	23,708	19,207
Taxes Other than Income Taxes	3,521,376	3,673,976	3,398,804	3,310,325	3,249,080	2,823,806
Income Taxes	2,230,132	639,251	1,214,398	1,890,661	3,258,899	1,512,896
Provision for Deferred Income Taxes	(687,889)	(411,089)	(413,942)	1,217,050	(18,791)	1,297,556
Total Operating Expenses	41,196,601	38,579,273	40,921,216	45,805,373	42,999,189	40,310,164
Net Other Income and Deductions	535,763	82,404	196,181	(1,627,908)	(2,257,241)	537,538
Net Interest Charges	2,383,594	2,273,999	2,360,740	2,387,235	2,454,636	2,498,889
Net Income	2,868,330	4,421,751	6,329,843	1,480,196	2,292,380	5,621,283
Number of Customers by class:						
Residential	30,437					
Commercial	4,214					
Industrial	889					
Farm Tap	3,283					
Total	38,824					
Sales (Mcf) by Customer class:						
Residential	1,385,177					
Commercial	489,342					
Industrial	736,645					
Farm Tap	212,047					
Total						
Average Volume (Mcf) by class:						
Residential	46					
Commercial	116					
Industrial	829					
Farm Tap	65					
Revenues by Customer Class						
Residential	22,493,175					
Commercial	9,942,688					
Industrial	5,609,143					
Farm Tap	1,388,719					
Total	39,433,726					
Average Revenue by Customer Classs						
Residential	739.01					
Commercial	2,359.40					
Industrial	6,309.50					
Farm Tap	422.96					

Forecast Period + Two Calendar Years

	2024	2023	2022
Operating Revenues			
Sales of Gas	55,253,676	55,253,676	55,253,676
Other Operating Revenues	3,195,795	3,195,795	3,195,795
Total Operating Revenues	58,449,471	58,449,471	58,449,471
Operating Expenses			
Gas Supply Expense	15,821,883	15,821,883	15,821,883
Other Operations Expense	16,417,660	15,939,476	15,475,220
Maintenance	564,207	547,774	531,819
Depreciation and Amortization	10,793,667	10,369,905	9,903,030
Taxes Other Than Income Taxes	4,292,420	4,088,019	3,893,351
Total Income Taxes	1,995,648	2,415,828	2,512,574
Total Operating Expenses	49,885,485	49,182,885	48,137,877
Net Operating Income	8,563,986	9,266,586	10,311,594
Other Income and Deductions	1,332,617	1,332,617	1,332,617
Interest Charges	2,864,983	2,808,807	2,753,732
Net Income	7,031,620	7,790,396	8,890,479
Number of Customers by class:			
Residential	30,437	30,437	30,437
Commercial	4,214	4,214	4,214
Industrial	889	889	889
Farm Tap	3,283	3,283	3,283
Total	38,824	38,824	38,824
Sales (Mcf) by Customer class:			
Residential	1,385,177	1,385,177	1,385,177
Commercial	489,342	489,342	489,342
Industrial	736,645	736,645	736,645
Farm Tap	212,047	212,047	212,047
Total			
Average Volume (Mcf) by class:			
Residential	46	46	46
Commercial	116	116	116
Industrial	829	829	829
Farm Tap	65	65	65
Revenues by Customer Class			
Residential	27,552,661	27,552,661	27,552,661
Commercial	8,326,327	8,326,327	8,326,327
Industrial	16,557,975	16,557,975	16,557,975
Farm Tap	2,816,713	2,816,713	2,816,713
Total	55,253,676	55,253,676	55,253,676
Average Revenue by Customer Classs			
Residential	905.23	905.23	905.23
Commercial	1,975.83	1,975.83	1,975.83
Industrial	18,625.39	18,625.39	18,625.39
Farm Tap	857.88	857.88	857.88

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 63 - 807 KAR 5:001 Section 16(8)(j)
Sponsoring Witness: William Packer

<u>Description of Filing Requirement:</u>

A cost of capital summary for both the base period and forecasted period with supporting schedules providing details on each component of the capital structure;

<u>Response:</u>

See attached.

Sheet 1 of 2 provides the cost of capital summary for the base period, with supporting schedules embedded that provide details on each component of the capital structure.

Sheet 2 of 2 provides the cost of capital summary for the forecast period, with supporting schedules embedded that provide details on each component of the capital structure.

Delta Natural Gas Co., Inc.
Case No. 2021-00185
Cost of Capital Summary as of 12ME 8/31/21
With supporting schedules embedded

	Interest Rate	Issue Date	Maturity Date	Balance	Wtd Average Interest	Annual Amortization	Cost Rate	Weighting	Weighted Cost
Equity (cost rate per Witness Moul testimony)				$ 58,707,569			10.95%	45.64%	5.00%
Long Term Debt									
Delta - Tranche 2	4.26%	07/15/17	12/31/31	$ 43,000,000	1,831,800	199,147	4.723%		
Peoples KY-Tranche 2	4.10%	12/20/12	12/19/23	181,200	7,429	0	4.100%		
Peoples KY-Tranche 3	4.25%	12/20/12	12/19/25	137,600	5,848	0	4.250%		
Delta - Tranche 3	3.10%	11/21	N/A	0	0	0	0.000%		
				$ 43,318,800	1,845,077	199,147	4.719%	33.68%	1.59%
Short Term Debt				$ 26,593,400			1.000%	20.68%	0.21%
Total Capital				$ 128,619,768				100%	6.79%

Delta Natural Gas Co., Inc.
Case No. 2021-00185
Cost of Capital Summary as of 12ME 12/31/22
With supporting schedules embedded

									Cost Rate	Weighting	Weighted Cost
						Balance					
Equity	(cost rate per Witness Moul testimony)				$	71,903,674			10.95%	51.76%	5.67%
Long Term Debt											
		Interest Rate	Issue Date	Maturity Date			Wtd Average Interest	Annual Amortization			
Delta - Tranche 2		4.26%	07/15/17	12/31/31	$	41,384,615	1,762,985	193,480	4.728%		
Peoples KY-Tranche 2		4.10%	12/20/12	12/19/23		181,200	7,429	0	4.100%		
Peoples KY-Tranche 3		4.25%	12/20/12	12/19/25		137,600	5,848	0	4.250%		
Delta - Tranche 3		3.10%	11/21	N/A		25,314,475	783,989	0	0.000%		
					$	67,017,890	2,560,251	193,480	4.109%	48.24%	1.98%
Short Term Debt					$	-			1.000%	0.00%	0.00%
Total Capital					$	138,921,565				100%	7.65%

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 64 - 807 KAR 5:001 Section 16(8)(k)
Sponsoring Witness: Andrea Schroeder

Description of Filing Requirement:

Comparative financial data and earnings measures for the ten (10) most recent calendar years, the base period, and the forecast period.

Response:

See attached for Delta's comparative financial data and earnings measures for the ten (10) most recent years, base period, and the forecast period. In addition, Delta is also providing the financial data and earnings measures for Peoples Gas KY LLC since 2013, which is when it was formed.

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Comparative Financial Data and Earning Measures

Line No.	Description	Forecasted Period** 12/31/2022	Calendar Yr 2021** 12/31/2021	Base Period** 8/31/2021
1	Gas Plant ($000)			
2	($'s Based on Period-End Amounts)			
3	Total Gas Plant - Gross	$ 309,545	$ 293,473	$ 286,633
4	Less: Accumulated Depreciation and Amortization	(131,869)	(123,936)	(121,691)
5	Gas Plant in Service-Net	$ 177,676	$ 169,537	$ 164,942
6	Capital Structure: ($000)			
7	($'s Based on Period-End Amounts)			
8	Short-Term Debt (Notes Payable to Associated Companies)	$ 863	$ -	$ 26,593
9	Long-Term Debt	65,633	67,133	43,319
10	Common Equity	74,508	68,341	58,708
11	Total	$ 141,004	$ 135,474	$ 128,620
12	Condensed Income Statement Data: ($000)			
13	Operating Revenues	$ 58,449	$ 50,679	$ 45,913
14	Operating Expenses (Excluding Income Taxes)	41,732	40,909	36,134
15	Federal and State Income Taxes	2,513	1,022	1,100
16	Property and Other Taxes	3,893	3,885	3,521
17	Net Operating Income	10,311	4,863	5,158
18	Other Income (Deductions), Net	1,333	844	$ 536
19	Interest Charges	2,754	2,632	$ 2,384
20	Net Income Available for Common Equity	$ 8,890	$ 3,075	$ 3,310
21	**Cost of Capital:**			
22	Embedded Cost of Debt (Short and Long Term)	4.14%	3.92%	3.41%
23	**Fixed Charge Coverages**			
24	Ratio of Earnings to Fixed Charges	5.14	2.56	2.85
25	**Stock and Bond Ratings:***	n/a	n/a	n/a
26	**Common Share Related Data:***	n/a	n/a	n/a
27	Shares Outstanding - Weighted Average	n/a	n/a	n/a
28	Earnings per Common Share	n/a	n/a	n/a
29	Cash Dividends declared per Common Share	n/a	n/a	n/a
30	Dividend Payout Ratio (Declared Basis)	n/a	n/a	n/a
31	Market Price - High/Low*	n/a	n/a	n/a
32	1st Quarter	n/a	n/a	n/a
33	2nd Quarter	n/a	n/a	n/a
34	3rd Quarter	n/a	n/a	n/a
35	4th Quarter	n/a	n/a	n/a
36	Book Value per Share (Year-End)*	n/a	n/a	n/a
37	**Rate of Return Measures:**			
38	Return on Common Equity (Average)	11.75%	4.91%	5.73%
39	Return on Total Capital (Average)	6.09%	2.61%	3.10%
40	Return on Net Plant in Service (Average)	2.45%	0.95%	1.06%
41	**Composite Depreciation Rate**	3.06%	2.77%	2.76%

* As of September 2017, Delta's stock was no longer publicly traded.
**All periods shown include forecasted information.

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Comparative Financial Data and Earning Measures

Delta Natural Gas Company, Inc.

Line No.	Description	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
1	**Gas Plant ($000)**										
2	($'s Based on Period-End Amounts)										
3	Gas Distribution	$ 143,466	$ 138,983	$ 130,183	$ 126,218	$ 123,349	$ 119,537	$ 117,226	$ 113,536	$ 110,523	$ 105,608
4	Gas General Plant	19,759	19,996	23,181	24,267	23,888	23,644	23,033	22,782	22,596	22,579
5	Gas Intangible Plant	4,999	4,578	53	53	53	53	53	53	53	53
6	Gas Production Plant	3,664	3,562	3,130	3,347	3,212	3,104	3,051	3,051	3,050	3,036
7	Gas Underground Storage	30,477	30,476	30,405	30,273	25,960	25,857	25,633	22,478	20,945	20,192
8	Gas Transmission	62,658	61,594	60,800	60,481	60,585	60,176	58,627	57,528	55,777	55,546
9	Total Gas Plant - Gross	265,024	259,190	247,752	244,639	237,047	232,371	227,623	219,428	212,944	207,015
10	Less: Accumulated Depreciation and Amortization	116,730	114,231	111,218	107,443	102,904	97,770	92,196	87,512	82,791	78,118
11	Gas Plant in Service-Net	148,294	144,959	136,534	137,196	134,143	134,601	135,428	131,916	130,153	128,896
11	Construction Work In Progress	4,576	2,600	1,326	565	1,901	996	(374)	1,223	1,245	885
12	Net Utility Plant	$ 152,870	$ 147,559	$ 137,860	$ 137,761	$ 136,044	$ 135,597	$ 135,053	$ 133,139	$ 131,397	$ 129,781
13	**Capital Structure: ($000)**										
14	($'s Based on Period-End Amounts)										
15	Short-Term Debt (Notes Payable to Associated Companies)	$ 15,783	$ 4,337	$ 3,348	$ -	$ -	$ -	$ -	$ -	$ -	$ -
16	Long-Term Debt	43,000	44,500	47,500	49,000	50,500	52,000	53,500	53,500	55,000	56,500
17	Common Equity	56,847	67,300	65,166	69,750	77,100	76,006	75,350	71,597	67,712	63,963
18	Total	$ 115,630	$ 116,137	$ 116,014	$ 118,750	$ 127,600	$ 128,006	$ 128,850	$ 125,097	$ 122,712	$ 120,463
19	**Condensed Income Statement Data: ($000)**										
20	Operating Revenues	$ 43,855	$ 47,621	$ 49,586	$ 48,563	$ 46,352	$ 51,178	$ 61,314	$ 54,437	$ 47,008	$ 51,184
21	Operating Expenses (Excluding Income Taxes)	32,478	34,073	36,670	34,012	32,230	37,603	45,828	39,636	33,858	36,785
22	Federal and State Income Taxes	891	1,387	1,891	3,259	1,518	2,443	3,454	2,430	(368)	802
23	Deferred Federal and State Income Taxes	(412)	(377)	1,528	455	1,688	496	176	1,079	3,224	2,387
24	Property and Other Taxes	3,575	3,285	3,217	3,175	2,761	2,856	2,570	2,261	2,143	2,005
25	Investment Tax Credit Adj. - Net	-	-	-	-	(5)	(12)	(15)	(19)	(23)	(26)
26	Net Operating Income	7,323	9,253	6,280	7,662	8,160	7,792	9,301	9,050	8,174	9,231
27	Other Income (Deductions), Net	67	37	(1,646)	(2,277)	523	155	713	916	1,756	539
29	Interest Charges	2,144	2,157	2,218	2,352	2,447	2,517	2,606	2,643	2,770	3,968
30	Net Income Available for Common Equity	$ 5,246	$ 7,133	$ 2,416	$ 3,033	$ 6,236	$ 5,430	$ 7,408	$ 7,323	$ 7,160	$ 5,802
31	**Cost of Capital:**										
32	Embedded Cost of Debt (Short and Long Term)	3.65%	4.42%	4.36%	4.80%	4.85%	4.84%	4.87%	4.94%	5.04%	7.02%
33	**Fixed Charge Coverages**										
34	Ratio of Earnings to Fixed Charges	3.61	4.60	2.77	4.52	4.48	4.96	5.87	5.14	3.09	3.46
35	**Stock and Bond Ratings:***	n/a	n/a	n/a	**All Long-Term Debt Issues were privately placed and therefore, not rated; Delta had no Preferred Stock**						
36	**Common Share Related Data:***										
37	Shares Outstanding - Weighted Average	n/a	n/a	n/a	7,118,170	7,066,925	7,002,694	6,918,725	6,843,455	6,777,186	6,712,804
38	Earnings per Common Share	n/a	n/a	n/a	0.77	0.78	0.92	1.19	1.05	0.85	0.95
39	Cash Dividends declared per Common Share	n/a	n/a	n/a	1.038	0.82	0.80	0.76	0.72	0.70	0.68
40	Dividend Payout Ratio (Declared Basis)	n/a	n/a	n/a	134.74%	105.13%	86.96%	63.87%	68.57%	82.35%	71.58%
41	Market Price - High/Low*										
42	1st Quarter	n/a	n/a	n/a	27.36 / 23.19	20.75 / 19.96	22.58 / 19.50	25.02 / 18.50	24.82 / 18.41	16.98 / 14.51	15.81 / 13.17
43	2nd Quarter	n/a	n/a	n/a	31.29 / 22.16	21.38 / 20.26	21.54 / 19.50	22.90 / 19.98	22.16 / 17.08	17.24 / 14.12	16.49 / 14.76
44	3rd Quarter	n/a	n/a	n/a	30.85 / 25.00	23.70 / 20.83	21.39 / 19.10	22.29 / 18.44	22.08 / 18.88	19.61 / 16.72	17.00 / 15.10
45	4th Quarter	n/a	n/a	n/a	30.82 / 29.70	28.22 / 22.11	20.84 / 19.39	22.13 / 18.43	24.18 / 19.99	23.15 / 18.83	16.49 / 15.00
46	Book Value per Share (Year-End)*	n/a	n/a	n/a	$ 10.72	$ 10.97	$ 10.99	$ 10.76	$ 10.20	$ 9.73	$ 9.47
47	**Rate of Return Measures:**										
48	Return on Common Equity (Average)	8.45%	10.77%	3.58%	4.13%	7.14%	8.55%	11.43%	10.57%	8.90%	10.22%
49	Return on Total Capital (Average)	4.96%	6.36%	2.09%	2.46%	4.30%	5.05%	6.54%	5.81%	4.76%	5.34%
50	Return on Net Plant in Service (Average)	1.75%	2.50%	0.88%	1.11%	4.01%	4.74%	6.11%	5.34%	4.32%	4.83%
51	**Composite Depreciation Rate**	2.80%	2.90%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	2.60%

* As of September 2017, Delta's stock was no longer publicly traded.

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Comparative Financial Data and Earning Measures

Peoples Gas of Kentucky

Line No.	Description	2020	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *
1	Gas Plant ($000)										
2	($'s Based on Period-End Amounts)										
3	Gas Distribution	$ 2,872	$ 2,508	$ 2,421	$ 2,251	$ 2,026	$ 1,798	$ 1,616	$ 1,355		
4	Total Gas Plant - Gross	2,872	2,508	2,421	2,251	2,026	1,798	1,616	1,355		
5	Less: Accumulated Depreciation and Amortization	848	732	696	608	663	725	668	588		
6	Gas Plant in Service-Net	2,024	1,776	1,725	1,643	1,363	1,073	948	767		
7											
8	Construction Work In Progress	10	69	38	18	51	107	25	74		
9	Net Utility Plant	$ 2,034	$ 1,845	$ 1,763	$ 1,661	$ 1,414	$ 1,180	$ 973	$ 841		
10	Capital Structure: ($000)										
11	($'s Based on Period-End Amounts)										
12	Short-Term Debt (Notes Payable to Associated Companies)	$ 758	$ 5,186	$ 4,380	$ 3,185	$ 2,046	$ 1,173	$ 542	$ -		
13	Long-Term Debt	319	319	319	319	319	500	500	500		
14	Common Equity	1,140	(3,834)	(3,040)	(2,089)	(1,350)	(702)	(338)	66		
15	Total	$ 2,217	$ 1,671	$ 1,659	$ 1,415	$ 1,015	$ 971	$ 704	$ 566		
16	Condensed Income Statement Data: ($000)										
17	Operating Revenues	$ 1,338	$ 1,794	$ 1,715	$ 1,440	$ 1,541	$ 1,797	$ 2,277	$ 132		
18	Operating Expenses (Excluding Income Taxes)	2,199	2,679	2,718	2,498	2,446	2,459	2,696	182		
19	Federal and State Income Taxes	(251)	(353)	-	-	-	-	-	-		
20	Deferred Federal and State Income Taxes	-	(37)	(311)	(474)	(390)	(297)	(189)	(20)		
21	Property and Other Taxes	99	114	93	74	63	72	44	2		
22	Net Operating Income (Loss)	(709)	(609)	(785)	(658)	(578)	(437)	(274)	(32)		
23	Other Income (Deductions), Net	16	12	18	20	15	-	-	-		
24	Interest Charges	114	200	164	99	52	32	24	-		
25	Net Income Available for Common Equity	$ (823)	$ (801)	$ (937)	$ (741)	$ (615)	$ (469)	$ (298)	$ (32)		
26	**Cost of Capital:**										
27	Embedded Cost of Debt (Short and Long Term)	10.58%	3.63%	3.49%	2.83%	2.20%	1.91%	2.30%	0.00%		
28											
29	**Fixed Charge Coverages**										
30	Ratio of Earnings to Fixed Charges	-3.33	-1.16	-4.48	-6.19	-10.83	-13.66	-11.42	0.00		
31	**Stock and Bond Ratings:**	**Peoples was a privately held company until being acquired by Aqua America (now Essential Utilities) in 2020.**									
32	**Common Share Related Data:**	**Peoples was a privately held company until being acquired by Aqua America (now Essential Utilities) in 2020.**									
33	**Rate of Return Measures:**										
34	Return on Common Equity (Average)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
35	Return on Total Capital (Average)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
36	Return on Net Plant in Service (Average)	-43.32%	-45.76%	-55.64%	-49.30%	-50.49%	-46.41%	-34.75%	-8.34%		
37	**Composite Depreciation Rate**	3.30%	3.60%	3.50%	3.20%	3.30%	3.10%	6.90%	0.30%		

* Peoples Gas KY was formed in 2013; no records are available prior to formation.

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 65 - 807 KAR 5:001 Section 16(8)(l)
Sponsoring Witness: John B. Brown

Description of Filing Requirement:

A narrative description and explanation of all proposed tariff changes.

Response:

Please refer to testimony of John B. Brown and William Steven Seelye and also refer to the Proposed Tariff Sheets under KAR 5:001 Section 16(1)(b)(3)[Tab No. 4] and the Side By Side Comparisons under KAR 5:001 Section 16(1)(b)(4)[Tab No. 5].

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 66 - 807 KAR 5:001 Section 16(8)(m)
Sponsoring Witness: William Steven Seelye

Description of Filing Requirement:

A revenue summary for both the base and forecasted period with supporting schedules which provide detailed billing analyses for all customer classes;

Response:

See attached. A portion of the attachment is confidential and is being filed pursuant to a petition for confidential protection.

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
BASE PERIOD REVENUES AT CURRENT RATES
FOR THE 12 MONTHS ENDED AUGUST 31, 2021

DATA: __x__ BASE PERIOD ____ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

SCHEDULE M 1.1
Witness: W.S. Seelye
Page 1 of 1

		Total Revenue at Current Rates
Residential	$	23,711,453
Small Non-Residential	$	7,403,691
Large Non-Residential	$	12,339,654
Interruptible Service	$	1,862,888
Special Contracts	$	359,332
Farm Tap	$	2,112,671
Off-System Transportation	$	3,002,679
Subtotal	$	50,792,369
Other Operating Revenues:		
Miscellaneous Service Revenues	$	82,420
Total	$	50,874,789

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
AVERAGE BILL AT CURRENT RATES
FOR THE 12 MONTHS ENDED AUGUST 31, 2021

DATA: __X__ BASE PERIOD ____ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

SCHEDULE M 1.2
Witness: W.S. Seelye
Page 1 of 1

	Customer Months	MCF	Average Usage Per MCF	Average Bill at Current Rates
Residential (Sales)	366,599	1,620,254	4.4	$ 65.41
Small Non-Residential (Sales)	50,493	575,985	11.4	$ 146.22
Large Non-Residential (Sales)	10,682	808,157	75.7	$ 895.23
Interruptible	414	1,344,678	3,248.0	$ 5,760.84
Transportation Off-System	108	10,625,191	98,381.4	$ 27,802.58
Farm Tap (Sales)	39,482	235,363	6.0	$ 53.51
Residential (Transportation)	351	1,315	3.7	$ 53.06
Small Non-Residential (Transportation)	1,342	21,081	15.7	$ 101.48
Large Non-Residential (Transportation)	1,361	1,600,715	1,176.1	$ 3,477.24
Special Contract	36	2,323,716	64,547.7	$ 9,981.44

DELTA NAtURAL GAS COMPANY
CASE NO. 2021-00185
SUMMARY OF Base Revenue
FOR THE 12 MONTHS ENDED AUGUST 31, 2021

DATA: __x__ BASE PERIOD ____ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

SCHEDULE M 1.3
Witness: W.S. Seelye

	Base Rate Revenue	GCR Revenue	Total Current Revenue
Residential	$ 14,713,860	$ 8,997,593	$ 23,711,453
Small Non-Residential	$ 4,205,132	$ 3,198,559	$ 7,403,691
Large Non-Residential	$ 7,851,795	$ 4,487,859	$ 12,339,654
Interruptible Service	$ 1,678,779	$ 184,109	$ 1,862,888
Special Contracts	$ 359,332	$ -	$ 359,332
Farm Tap	$ 911,881	$ 1,200,791	$ 2,112,671
Off-System Transportation	$ 3,002,679	$ -	$ 3,002,679
Subtotal	$ 32,723,457	$ 18,068,912	$ 50,792,369
Other Operating Revenues:			
Miscellaneous Service Revenues	$ 82,420		$ 82,420
Total	$ 32,805,877	$ 18,068,912	$ 50,874,789

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF BASE PERIOD REVENUES AT CURRENT RATES
FOR THE 12 MONTHS ENDED AUGUST 31, 2021

SCHEDULE M 1.3
Witness: W.S. Seelye
Page 2 of 8

DATA: __x__ BASE PERIOD ____ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

	Current Rates		
Residential	**Billing Units**	**Rate**	**Calculated Billings**
Facilities Charge			
	Customer Months	*Per Customer*	
Customer Charge	366,950	$ 20.70	$ 7,595,865
Pipeline Replacement charge	366,950	$ 5.10	$ 1,871,445
Tax Cut and Job Act Surcredit	366,950	$ (3.83)	$ (1,405,419)
		$ 21.97	$ 8,061,892
Gas Charge			
	mcf	*Per mcf*	
Sales	1,620,254	$ 4.3185	$ 6,997,066
Transportation	2,535	$ 4.3185	$ 10,945
WNA			$ (211,074)
	1,622,788		$ 6,796,938
Total Base Rate			$ 14,858,829
Correction Factor			99.024%
Base Rate Revenue After Application of Correction Factor			$ 14,713,860
Gas Cost Recovery (GCR)	1,620,254	$ 5.5532	$ 8,997,593
Total Revenue			$ 23,711,453

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF BASE PERIOD REVENUES AT CURRENT RATES
FOR THE 12 MONTHS ENDED AUGUST 31, 2021

DATA: __x__ BASE PERIOD ____ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

	Current Rates				
Small Non-Residential	**Billing Units**		**Rate**		**Calculated Billings**
Facilities Charge					
	Customer Months		*Per Customer*		
Customer Charge	51,835	$	31.20	$	1,617,252
Pipeline Replacement	51,835	$	9.77	$	506,428
Tax Cut and Job Act Surcredit	51,835	$	(7.29)	$	(377,877)
Total				$	1,745,803
Gas Charge					
	mcf		*Per mcf*		
Sales	575,985	$	4.3185	$	2,487,391
Transportation	21,081	$	4.3185	$	91,038
WNA				$	(83,795)
				$	2,494,634
Total Base Rate Revenue				$	4,240,437
Correction Factor					99.167%
Base Rate Revenue After Application of Correction Factor				$	4,205,132
Gas Cost Recovery (GCR)	575,985	$	5.5532	$	3,198,559
Total Revenue				$	7,403,691

Confidential Information Redacted

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF BASE PERIOD REVENUES AT CURRENT RATES
FOR THE 12 MONTHS ENDED AUGUST 31, 2021

SCHEDULE M 1.3
Witness: W.S. Seelye
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DATA: __x__ BASE PERIOD ____ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

Large Non-Residential		**Current Rates**			
	Billing Units		**Rate**		**Calculated Billings**
Facilities Charge					
	Customer Months		*Per Customer*		
Customer Charge	12,031	$	131.00	$	1,576,061
[redacted]	12	$	786.00	$	9,432
Pipeline Replacement	12,043	$	71.52	$	861,315
Tax Cut and Job Act Surcredit	12,043	$	(54.58)	$	(657,307)
Total				$	1,789,501
Gas Charge					
	mcf		*Per mcf*		
1 - 200 MCF	678,635	$	4.3185	$	2,930,686
201 - 1,000 MCF	409,076	$	2.6696	$	1,092,069
1,001 - 5,000 MCF	550,987	$	1.8735	$	1,032,273
5,001 - 10,000 MCF	292,164	$	1.4735	$	430,504
Over 10,000 MCF	478,011	$	1.2735	$	608,747
WNA				$	-
	2,408,873			$	6,094,279
Total Base Rate Revenue				$	7,883,781
Correction Factor					99.594%
Base Rate Revenue After Application of Correction Factor				$	7,851,795
Gas Cost Recovery (GCR)	808,157	$	5.5532	$	4,487,859
Total Revenue				$	12,339,654

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF BASE PERIOD REVENUES AT CURRENT RATES
FOR THE 12 MONTHS ENDED AUGUST 31, 2021

SCHEDULE M 1.3
Witness: W.S. Seelye

DATA: __x__ BASE PERIOD ____ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

Interruptible Service	**Current Rates** Billing Units		**Rate**		**Calculated Billings**
Facilities Charge					
	Customer Months		*Per Customer*		
Customer Charge	402	$	250.00	$	100,500
Customer Charge	12	$	500.00	$	6,000
Pipeline Replacement	414	$	549.64	$	227,551
Tax Cut and Job Act Surcredit	414	$	(370.49)	$	(153,383)
Energy Assistance Program	414	$	-	$	-
Total				$	180,668
Gas Charge					
	mcf		*Per mcf*		
Block 1 (1 - 1,000 Mcf)	280,282	$	1.6000	$	448,451
Block 2 (1,001 - 5,000 Mcf)	614,003	$	1.2000	$	736,804
Block 3 (5,001 - 10,000 Mcf)	233,874	$	0.8000	$	187,099
Block 4 (Over 10,000 Mcf)	216,519	$	0.6000	$	129,911
WNA				$	-
	1,344,678			$	1,502,265
Total Base Rate Revenue				$	1,682,934
Correction Factor					99.753%
Base Rate Revenue After Application of Correction Factor				$	1,678,779
Gas Cost Recovery (GCR)	33,154	$	5.5532	$	184,109
Total Revenue				$	1,862,888

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF BASE PERIOD REVENUES AT CURRENT RATES
FOR THE 12 MONTHS ENDED AUGUST 31, 2021

SCHEDULE M 1.3
Witness: W.S. Seelye
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DATA: __x__ BASE PERIOD ____ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

Special Contracts	Billing Units	Current Rates Rate		Calculated Billings
Facilities Charge				
	Customer Months	*Per Customer*		
Customer Charge	36	$ -	$	-
Gas Charge				
	mcf	*Per mcf*		
SC 1	1,120,595	$ 0.1100	$	123,265
SC 2/SC 3 Block 1	277,542	$ 0.4800	$	133,220
SC 2/SC 3 Block 2	180,000	$ 0.2400	$	43,200
SC 2/SC 3 Block 3	745,579	$ 0.0800	$	59,646
WNA			$	-
	2,323,716		$	359,332
Total Base Rate Revenue			$	359,332
Correction Factor				100.000%
Base Rate Revenue After Application of Correction Factor			$	359,332

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF BASE PERIOD REVENUES AT CURRENT RATES
FOR THE 12 MONTHS ENDED AUGUST 31, 2021

SCHEDULE M 1.3
Witness: W.S. Seelye

DATA: __x__ BASE PERIOD ____ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

	Current Rates			
Farm Tap	**Billing Units**	**Rate**		**Calculated Billings**
Facilities Charge				
	Customer Months	*Per Customer*		
Customer Charge	35,222	$ 7.50	$	264,165
Delta's Customer Charge	4,260	$ 20.70	$	88,182
Delta PRP	4,260	$ 5.10	$	21,726
Tax Cut and Job Act Surcredit	4,260	$ (3.83)	$	(16,316)
			$	357,757
Gas Charge				
	mcf	*Per mcf*		
People's Sales	216,234	$ 2.1322	$	461,054
Delta's Sales	19,129	$ 4.3185	$	82,607
WNA			$	12,542
	235,363		$	556,204
Total Base Rate Revenue			$	913,961
Correction Factor				99.772%
Base Rate Revenue After Application of Correction Factor			$	911,881
Gas Cost Recovery (GCR)	216,234	$ 5.5532	$	1,200,791
Total Revenue			$	2,112,671

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF BASE PERIOD REVENUES AT CURRENT RATES
FOR THE 12 MONTHS ENDED AUGUST 31, 2021

SCHEDULE M 1.3
Witness: W.S. Seelye

DATA: __x__ BASE PERIOD ____ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

Off-System Transportation	Current Rates			
	Billing Units	**Rate**		**Calculated Billings**
Facilities Charge				
	Customer Months	*Per Customer*		
Customer Charge	108	$ -	$	-
Gas Charge				
	mcf	*Per mcf*		
Transportation	10,625,191	$ 0.2826	$	3,002,679
WNA			$	-
			$	3,002,679
Total Base Rate Revenue			$	3,002,679
Correction Factor				100.000%
Base Rate Revenue After Application of Correction Factor			$	3,002,679

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: ____ BASE PERIOD __X__ FORECAST PERIOD **SCHEDULE M 2.1**
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED **Witness: W.S. Seelye**
WORK PAPER REFERENCE NO(S): **Page 1 of 1**

	Total Revenue at Current Rates	Total Revenue at Proposed Rates	Change in Total Revenue	Percent Change
Residential	$ 22,750,635	$ 27,552,661	$ 4,802,026	21.1%
Small Non-Residential	$ 6,972,076	$ 8,326,327	$ 1,354,251	19.4%
Large Non-Residential	$ 11,586,771	$ 13,971,321	$ 2,384,550	20.6%
Interruptible Service	$ 2,114,045	$ 2,114,021	$ (24)	0.0%
Special Contracts	$ 354,922	$ 472,633	$ 117,711	33.2%
Farm Tap	$ 2,753,709	$ 2,816,713	$ 63,004	2.3%
Off-System Transportation	$ 2,699,723	$ 3,113,375	$ 413,652	15.3%
Subtotal	$ 49,231,881	$ 58,367,050	$ 9,135,170	18.6%
Other Operating Revenues:				
Miscellaneous Service Revenues	$ 82,420	$ 82,420	$ -	0.0%
Total	$ 49,314,301	$ 58,449,470	$ 9,135,170	18.5%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
AVERAGE BILL COMPARISON AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: ____ BASE PERIOD __X__ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
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SCHEDULE M 2.2
Witness: W.S. Seelye
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	Customer Months	Forecasted MCF	Average Usage Per MCF	Average Bill at Current Rates	Average Bill at Proposed Rates	Change in Average Bill	Percent Change
Residential (Sales)	365,245	1,385,177	3.8	$ 59.48	$ 71.82	$ 12.34	20.7%
Small Non-Residential (Sales)	50,569	489,342	9.7	$ 129.44	$ 153.49	$ 24.05	18.6%
Large Non-Residential (Sales)	10,668	736,645	69.1	$ 830.07	$ 972.19	$ 142.11	17.1%
Interruptible	429	1,630,649	3,801.0	$ 5,390.35	$ 5,583.40	$ 193.05	3.6%
Transportation Off-System	108	9,553,161	88,455.2	$ 24,997.44	$ 28,827.55	$ 3,830.11	15.3%
Farm Tap (Sales)	39,400	212,047	5.4	$ 70.18	$ 71.75	$ 1.57	2.2%
Residential (Transportation)	335	1,315	3.9	$ 38.81	$ 51.29	$ 12.48	32.1%
Small Non-Residential (Transportation)	1,336	19,019	14.2	$ 95.00	$ 125.24	$ 30.24	31.8%
Large Non-Residential (Transportation)	1,367	1,512,104	1,106.1	$ 3,346.10	$ 4,411.49	$ 1,065.39	31.8%
Special Contract	36	2,282,421	63,400.6	$ 9,858.95	$ 13,128.68	$ 3,269.74	33.2%

DELTA NAtURAL GAS COMPANY
CASE NO. 2021-00185
SUMMARY OF PROPOSED REVENUE INCREASE
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: ____ BASE PERIOD __X__ FORECAST PERIOD	**SCHEDULE M 2.3**
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED	**Witness: W.S. Seelye**
WORK PAPER REFERENCE NO(S):	**Page 1 of 8**

		Base Rate Revenue		GCR Revenue		Total Current Revenue		Increase	Percent Change
Residential	$	15,058,468	$	7,692,167	$	22,750,635	$	4,802,026	21.1%
Small Non-Residential	$	4,254,660	$	2,717,416	$	6,972,076	$	1,354,251	19.4%
Large Non-Residential	$	7,496,034	$	4,090,737	$	11,586,771	$	2,384,550	20.6%
Interruptible Service	$	1,970,008	$	144,037	$	2,114,045	$	(24)	0.0%
Special Contracts	$	354,922	$	-	$	354,922	$	117,711	33.2%
Farm Tap	$	1,576,167	$	1,177,542	$	2,753,709	$	63,004	2.3%
Off-System Transportation	$	2,699,723	$	-	$	2,699,723	$	413,652	15.3%
Subtotal	$	33,409,983	$	15,821,898	$	49,231,881	$	9,135,170	18.6%
Other Operating Revenues:									
Miscellaneous Service Revenues	$	82,420			$	82,420			
Total	$	33,492,403	$	15,821,898	$	49,314,301	$	9,135,170	18.5%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

SCHEDULE M 2.3
Witness: W.S. Seelye
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DATA: ____ BASE PERIOD __X__ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

Residential	**Current Rates After Removing Farm Tap Customers**				
	Billing Units		**Rate**		**Calculated Billings**
Facilities Charge					
	Customer Months		*Per Customer*		
Customer Charge	365,580	$	20.70	$	7,567,506
Pipeline Replacement	365,580	$	5.10	$	1,864,458
Tax Cut and Job Act Surcredit	365,580	$	(3.83)	$	(1,400,171)
Total		$	21.97	$	8,031,793
Gas Charge					
	mcf		*Per mcf*		
Sales	1,401,423	$	4.3185	$	6,052,047
Transportation	1,315	$	4.3185	$	5,680
WNA				$	918,410
	1,402,739			$	6,976,136
Total Base Rate Revenue				$	15,007,929
Correction Factor					100.006%
Base Rate Revenue After Application of Correction Factor				$	15,008,775
Temperature Normalization Adjustment	(16,246)	$	4.3185	$	(70,158)
Total Base Rate Revenue				$	14,938,616
CEP Lost Revenue				$	119,852
Gas Cost Recovery (GCR)	1,385,177	$	5.5532	$	7,692,167
Total Revenue				$	22,750,635

	Proposed Rate				
	Billing Units		**Rate**		**Calculated Billings**
Facilities Charge					
	Customer Months		*Per Customer*		
Customer Charge	365,580	$	29.03	$	10,612,787
Pipeline Replacement	365,580	$	-	$	-
Tax Cut and Job Act Surcredit	365,580	$	-	$	-
Total		$	29.03	$	10,612,787
Gas Charge					
	mcf		*Per ccf*		
Sales	1,401,423	$	5.7072	$	7,998,203
Transportation	1,315	$	5.7072	$	7,506
WNA				$	1,213,747
				$	9,219,457
Total Base Rate Revenue				$	19,832,244
Correction Factor					100.006%
Base Rate Revenue After Application of Correction Factor				$	19,833,362
Temperature Normalization Adjustment	(16,246)	$	5.7072	$	(92,719)
Total Base Rate Revenue				$	19,740,643
CEP Lost Revenue				$	119,852
Gas Cost Recovery (GCR)	1,385,177	$	5.5532	$	7,692,167
Total Revenue				$	27,552,661
Increase				$	4,802,026
Percent Increase					21.1%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

SCHEDULE M 2.3
Witness: W.S. Seelye
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DATA: ____ BASE PERIOD __X__ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

Current Rates

Small Non-Residential	Billing Units		Rate		Calculated Billings
Facilities Charge					
	Customer Months		*Per Customer*		
Customer Charge	51,905	$	31.20	$	1,619,436
Pipeline Replacement	51,905	$	9.77	$	507,112
Tax Cut and Job Act Surcredit	51,905	$	(7.29)	$	(378,387)
Total		$	33.68	$	1,748,160
Gas Charge					
	mcf		*Per mcf*		
Sales	493,224	$	4.3185	$	2,129,988
Transportation	19,019	$	4.3185	$	82,135
WNA				$	309,493
	512,243			$	2,521,616
Total Base Rate Revenue				$	4,269,776
Correction Factor					100.039%
Base Rate Revenue After Application of Correction Factor				$	4,271,423
Temperature Normalization Adjustment	(3,882)	$	4.3185	$	(16,763)
Total Base Rate Revenue				$	4,254,660
Gas Cost Recovery (GCR)	489,342	$	5.5532	$	2,717,416
Total Revenue				$	6,972,076

Proposed Rate

	Billing Units		Rate		Calculated Billings
Facilities Charge					
	Customer Months		*Per Customer*		
Customer Charge	51,905	$	44.40	$	2,304,582
Pipeline Replacement	51,905	$	-	$	-
Tax Cut and Job Act Surcredit	51,905	$	-	$	-
Total		$	44.40	$	2,304,582
Gas Charge					
	mcf		*Per ccf*		
Sales	493,224	$	5.6931	$	2,807,974
Transportation	19,019	$	5.6931	$	108,279
WNA				$	408,005
	512,243			$	3,324,257
Total Base Rate Revenue				$	5,628,839
Correction Factor					100.039%
Base Rate Revenue After Application of Correction Factor				$	5,631,009
Temperature Normalization Adjustm	(3,882)	$	5.6931	$	(22,098)
Total Base Rate Revenue				$	5,608,911
Gas Cost Recovery (GCR)	489,342	$	5.5532	$	2,717,416
Total Revenue				$	8,326,327
Increase				$	1,354,251
Percent Increase					19.4%

Confidential Information Redacted

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

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DATA: ____ BASE PERIOD __X__ FORECAST PERIOD
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Large Non-Residential	**Current Rates** Billing Units		Rate		Calculated Billings		**Proposed Rate** Billing Units		Rate		Calculated Billings
Facilities Charge						**Facilities Charge**					
	Customer Months		*Per Customer*				*Customer Months*		*Per Customer*		
Customer Charge	12,023	$	131.00	$	1,575,013	Customer Charge	12,023	$	195.04	$	2,344,966
[redacted]	12	$	786.00	$	9,432	[redacted]	12	$	786.00	$	9,432
Pipeline Replacement	12,023	$	71.52	$	859,885	Pipeline Replacement	12,023	$	-	$	-
Tax Cut and Job Act Surcredit	12,035	$	(54.58)	$	(656,870)	Tax Cut and Job Act Surcredit	12,035	$	-	$	-
Total		$	147.94	$	1,787,460	Total		$	981.04	$	2,354,398
Gas Charge						**Gas Charge**					
	mcf		*Per mcf*				*mcf*		*Per ccf*		
1 - 200 MCF	644,755	$	4.3185	$	2,784,376	1 - 200 MCF	644,755	$	5.6935	$	3,670,914
201 - 1,000 MCF	365,326	$	2.6696	$	975,275	201 - 1,000 MCF	365,326	$	3.5196	$	1,285,802
1,001 - 5,000 MCF	539,345	$	1.8735	$	1,010,462	1,001 - 5,000 MCF	539,345	$	2.4700	$	1,332,181
5,001 - 10,000 MCF	283,857	$	1.4735	$	418,264	5,001 - 10,000 MCF	283,857	$	1.9427	$	551,450
Over 10,000 MCF	415,465	$	1.2735	$	529,095	Over 10,000 MCF	415,465	$	1.6790	$	697,566
WNA				$	-	WNA	-			$	-
	2,248,749			$	5,717,471		2,248,749			$	7,537,913
Total Base Rate Revenue				$	7,504,931	**Total Base Rate Revenue**				$	9,892,311
Correction Factor					111.927%	**Correction Factor**					111.927%
Base Rate Revenue After Application of Correction Factor				$	8,400,062	**Base Rate Revenue After Application of Correction Factor**				$	11,072,190
Gas Cost Recovery (GCR)	736,645	$	5.5532	$	4,090,737	**Gas Cost Recovery (GCR)**	736,645	$	5.5532	$	4,090,737
Total Revenue				$	12,490,799	**Total Revenue**				$	15,162,928
						Increase				$	2,672,129
						Percent Increase					21.4%

Confidential Information Redacted

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

SCHEDULE M 2.3
Witness: W.S. Seelye

DATA: ____ BASE PERIOD __X__ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

Current Rate With [redacted] Addition

Interruptible Service	**Billing Units**		**Rate**		**Calculated Billings**
Facilities Charge					
	Customer Months		*Per Customer*		
Customer Charge	417	$	250.00	$	104,250
Customer Charge	12	$	500.00	$	6,000
Pipeline Replacement	429	$	549.64	$	235,796
Tax Cut and Job Act Surcredit	282	$	(370.49)	$	(104,478)
Total		$	429.15	$	241,567
Gas Charge					
	mcf		*Per mcf*		
Block 1 (1 - 1,000 Mcf)	295,267	$	1.6000	$	472,428
Block 2 (1,001 - 5,000 Mcf)	663,962	$	1.2000	$	796,754
Block 3 (5,001 - 10,000 Mcf)	282,098	$	0.8000	$	225,678
Block 4 (Over 10,000 Mcf)	389,322	$	0.6000	$	233,593
WNA				$	-
	1,630,649			$	1,728,453
Total Base Rate Revenue				$	1,970,021
Correction Factor					99.999%
Base Rate Revenue After Application of Correction Factor				$	1,970,008
Gas Cost Recovery (GCR)	25,938	$	5.5532	$	144,037
Total Revenue				$	2,114,045

Proposed Rate

	Billing Units		**Rate**		**Calculated Billings**
Facilities Charge					
	Customer Months		*Per Customer*		
Customer Charge	417	$	267.85	$	111,693.45
Customer Charge	12	$	535.71	$	6,428.52
Pipeline Replacement	429	$	-	$	-
Tax Cut and Job Act Surcredit	282	$	-	$	-
				$	118,121.97
Gas Charge					
	mcf		*Per ccf*		
Block 1 (1 - 1,000 Mcf)	295,267	$	1.7143	$	506,177
Block 2 (1,001 - 5,000 Mcf)	663,962	$	1.2857	$	853,656
Block 3 (5,001 - 10,000 Mcf)	282,098	$	0.8571	$	241,786
Block 4 (Over 10,000 Mcf)	389,322	$	0.6428	$	250,256
WNA				$	-
	1,630,649			$	1,851,875
Total Base Rate Revenue				$	1,969,997
Correction Factor					99.999%
Base Rate Revenue After Application of Correction Factor				$	1,969,984
Gas Cost Recovery (GCR)				$	144,037
Total Revenue				$	2,114,021
Increase				$	(24)
Percent Increase					0.0%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: ____ BASE PERIOD __X__ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
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SCHEDULE M 2.3
Witness: W.S. Seelye
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Special Contracts	Current Rates Billing Units	Rate		Calculated Billings		Proposed Rate Billing Units	Rate		Calculated Billings
Facilities Charge					**Facilities Charge**				
	Customer Months	*Per Customer*				*Customer Months*	*Per Customer*		
Customer Charge	36	$ -	$	-	Customer Charge	36	$ -	$	-
Gas Charge					**Gas Charge**				
	mcf	*Per mcf*				*mcf*	*Per ccf*		
SC 1	1,111,843	$ 0.1100	$	122,303	SC 1	1,111,843	$ 0.1465	$	162,885
SC 2/SC 3 Block 1	275,433	$ 0.4800	$	132,208	SC 2/SC 3 Block 1	275,433	$ 0.6392	$	176,057
SC 2/SC 3 Block 2	180,000	$ 0.2400	$	43,200	SC 2/SC 3 Block 2	180,000	$ 0.3196	$	57,528
SC 2/SC 3 Block 3	715,146	$ 0.0800	$	57,212	SC 2/SC 3 Block 3	715,146	$ 0.1065	$	76,163
WNA			$	-	WNA			$	-
			$	354,922		2,282,421		$	472,633
Total Base Rate Revenue			$	354,922	**Total Base Rate Revenue**			$	472,633
Correction Factor				100.000%	**Correction Factor**				100.000%
Base Rate Revenue After Application of Correction Factor			$	354,922	**Base Rate Revenue After Application of Correction Factor**			$	472,633
					Increase			$	117,711
					Percent Increase				33.2%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

SCHEDULE M 2.3
Witness: W.S. Seelye
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DATA: ____ BASE PERIOD __X__ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

Current Rates After Adding Delta Farm Tap Customers

Farm Tap	**Billing Units**		**Rate**		**Calculated Billings**
Facilities Charge					
	Customer Months		*Per Customer*		
Customer Charge	39,400	$	20.70	$	815,580
Tax Cut and Job Act Surcredit	39,400	$	(3.83)	$	(150,902)
Total				$	664,678
Gas Charge					
	mcf		*Per mcf*		
Sales	212,047	$	4.3185	$	915,727
Transportation	-	$	4.3185	$	-
WNA				$	-
				$	915,727
Total Base Rate Revenue				$	1,580,405
Correction Factor					99.732%
Base Rate Revenue After Application of Correction Factor				$	1,576,167
Gas Cost Recovery (GCR)	212,047	$	5.5532	$	1,177,542
Total Revenue				$	2,753,709

Proposed Rate

	Billing Units		**Rate**		**Calculated Billings**
Facilities Charge					
	Customer Months		*Per Customer*		
Facilities Fee	39,400	$	29.03	$	1,143,782
Infrastructure Replacement Ri	39,400	$	-	$	-
Total		$	29.03	$	1,143,782
Gas Charge					
	mcf		*Per ccf*		
Sales	212,047	$	2.3570	$	499,796
Transportation	-	$	2.3570	$	-
WNA		$	-	$	-
				$	499,796
Total Base Rate Revenue				$	1,643,578
Correction Factor					99.732%
Base Rate Revenue After Application of Correction Factor				$	1,639,171
Gas Cost Recovery (GCR)	212,047	$	5.5532	$	1,177,542
Total Revenue				$	2,816,713
Increase				$	63,004
Percent Increase					2.3%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: ____ BASE PERIOD __X__ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
WORK PAPER REFERENCE NO(S):

SCHEDULE M 2.3
Witness: W.S. Seelye

Off-System Transportation	Current Rates: Billing Units	Rate		Calculated Billings
Facilities Charge				
	Customer Months	*Per Customer*		
Customer Charge	108	$ -	$	-
Gas Charge				
	mcf	*Per mcf*		
Transportation	9,553,161	$ 0.2826	$	2,699,723
WNA			$	-
	9,553,161		$	2,699,723
Total Base Rate			$	2,699,723
Base Rate Book Revenue			$	2,699,723
Difference			$	-
Correction Factor				100.000%
Gas Cost Recovery (GCR)			$	-
Total Calculated Revenue			$	2,699,723

	Proposed Rate: Billing Units	Rate		Calculated Billings
Facilities Charge				
	Customer Months	*Per Customer*		
Customer Charge	108	$ -	$	-
Gas Charge				
	mcf	*Per mcf*		
Transportation	9,553,161	$ 0.3259	$	3,113,375
WNA			$	-
			$	3,113,375
Total Base Rate Revenue			$	3,113,375
Correction Factor				100.000%
Base Rate Revenue After Application of Correction Factor			$	3,113,375
Gas Cost Recovery (GCR)			$	-
Total Revenue			$	3,113,375
Increase			$	413,652
Percent Increase				15.3%

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 67 - 807 KAR 5:001 Section 16(8)(n)
Sponsoring Witness: William Steven Seelye

Description of Filing Requirement:

A typical bill comparison under present and proposed rates for all customer classes.

Response:

See attached.

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
TYPICAL GAS BILL COMPARISON UNDER CURRENT & PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA:_____BASE PERIOD__X__FORECASTED PERIOD
TYPE OF FILING: __X__ORIGINAL _____ UPDATED _____ REVISED
WORKPAPER REFERENCE NO(S):

SCHEDULE N
Witness: W.S. Seelye
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Residential Sales

Mcf	A Base Rate Current Bill	B Base Rate Proposed Bill	C Increase ($) [B - A}	D Increase (%) [C / A}	E Billing Factors GCR	F Total Current Bill ($) [A + E]	G Total Proposed Bill ($) [B + E]	H Increase (%) [(G - F) / F]
2.0	$ 30.61	$ 40.44	$ 9.84	32.1%	$ 11.11	$ 41.71	$ 51.55	23.6%
3.8	$ 38.38	$ 50.72	$ 12.34	32.1%	$ 21.10	$ 59.48	$ 71.82	20.7%
6.0	$ 47.88	$ 63.27	$ 15.39	32.1%	$ 33.32	$ 81.20	$ 96.59	19.0%
10.0	$ 65.16	$ 86.10	$ 20.95	32.1%	$ 55.53	$ 120.69	$ 141.63	17.4%
20.0	$ 108.34	$ 143.17	$ 34.83	32.2%	$ 111.06	$ 219.40	$ 254.24	15.9%
40.0	$ 194.71	$ 257.32	$ 62.61	32.2%	$ 222.13	$ 416.84	$ 479.45	15.0%
60.0	$ 281.08	$ 371.46	$ 90.38	32.2%	$ 333.19	$ 614.27	$ 704.65	14.7%
80.0	$ 367.45	$ 485.61	$ 118.16	32.2%	$ 444.26	$ 811.71	$ 929.86	14.6%
100.0	$ 453.82	$ 599.75	$ 145.93	32.2%	$ 555.32	$ 1,009.14	$ 1,155.07	14.5%

Assumptions:
Forecast Period Average Usage = 3.8 Mcf per month

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
TYPICAL GAS BILL COMPARISON UNDER CURRENT & PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA:_____BASE PERIOD__X__FORECASTED PERIOD
TYPE OF FILING: __X__ORIGINAL _____ UPDATED _____ REVISED
WORKPAPER REFERENCE NO(S):

SCHEDULE N
Witness: W.S. Seelye

Residential Transportation

Mcf	A Base Rate Current Bill	B Base Rate Proposed Bill	C Increase ($) [B - A}	D Increase (%) [C / A}	E Billing Factors GCR	F Total Current Bill ($) [A + E]	G Total Proposed Bill ($) [B + E]	H Increase (%) [(G - F) / F]
2.0	$ 30.61	$ 40.44	$ 9.84	32.1%	$ -	$ 30.61	$ 40.44	32.1%
3.9	$ 38.81	$ 51.29	$ 12.48	32.1%	$ -	$ 38.81	$ 51.29	32.1%
6.0	$ 47.88	$ 63.27	$ 15.39	32.1%	$ -	$ 47.88	$ 63.27	32.1%
10.0	$ 65.16	$ 86.10	$ 20.95	32.1%	$ -	$ 65.16	$ 86.10	32.1%
20.0	$ 108.34	$ 143.17	$ 34.83	32.2%	$ -	$ 108.34	$ 143.17	32.2%
40.0	$ 194.71	$ 257.32	$ 62.61	32.2%	$ -	$ 194.71	$ 257.32	32.2%
60.0	$ 281.08	$ 371.46	$ 90.38	32.2%	$ -	$ 281.08	$ 371.46	32.2%
80.0	$ 367.45	$ 485.61	$ 118.16	32.2%	$ -	$ 367.45	$ 485.61	32.2%
100.0	$ 453.82	$ 599.75	$ 145.93	32.2%	$ -	$ 453.82	$ 599.75	32.2%

Assumptions:
Forecast Period Average Usage = 3.9 Mcf per month

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
TYPICAL GAS BILL COMPARISON UNDER CURRENT & PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA:_____BASE PERIOD__X__FORECASTED PERIOD
TYPE OF FILING: __X__ORIGINAL _____ UPDATED _____ REVISED
WORKPAPER REFERENCE NO(S):

SCHEDULE N
Witness: W.S. Seelye

Farm Tap

Mcf	A Base Rate Current Bill	B Base Rate Proposed Bill	C Increase ($) [B - A}	D Increase (%) [C / A}	E Billing Factors GCR	F Total Current Bill ($) [A + E]	G Total Proposed Bill ($) [B + E]	H Increase (%) [(G - F) / F]
2.0	$ 25.51	$ 33.74	$ 8.24	32.3%	$ 11.11	$ 36.61	$ 44.85	22.5%
5.4	$ 40.19	$ 41.76	$ 1.57	3.9%	$ 29.99	$ 70.18	$ 71.75	2.2%
7.0	$ 47.10	$ 45.53	$ (1.57)	-3.3%	$ 38.87	$ 85.97	$ 84.40	-1.8%
10.0	$ 60.06	$ 52.60	$ (7.46)	-12.4%	$ 55.53	$ 115.59	$ 108.13	-6.4%
20.0	$ 103.24	$ 76.17	$ (27.07)	-26.2%	$ 111.06	$ 214.30	$ 187.23	-12.6%
40.0	$ 189.61	$ 123.31	$ (66.30)	-35.0%	$ 222.13	$ 411.74	$ 345.44	-16.1%
60.0	$ 275.98	$ 170.45	$ (105.53)	-38.2%	$ 333.19	$ 609.17	$ 503.64	-17.3%
80.0	$ 362.35	$ 217.59	$ (144.76)	-40.0%	$ 444.26	$ 806.61	$ 661.85	-17.9%
100.0	$ 448.72	$ 264.73	$ (183.99)	-41.0%	$ 555.32	$ 1,004.04	$ 820.05	-18.3%

Assumptions:
Forecast Period Average Usage = 5.4 Mcf per month

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
TYPICAL GAS BILL COMPARISON UNDER CURRENT & PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA:_____BASE PERIOD__X__FORECASTED PERIOD
TYPE OF FILING: __X__ORIGINAL _____ UPDATED _____ REVISED
WORKPAPER REFERENCE NO(S):

SCHEDULE N
Witness: W.S. Seelye

Small Non-Residential Sales

Mcf	A Base Rate Current Bill	B Base Rate Proposed Bill	C Increase ($) [B - A}	D Increase (%) [C / A}	E Billing Factors GCR	F Total Current Bill ($) [A + E]	G Total Proposed Bill ($) [B + E]	H Increase (%) [(G - F) / F]
5.0	$ 55.27	$ 72.87	$ 17.59	31.8%	$ 27.77	$ 83.04	$ 100.63	21.2%
9.7	$ 75.57	$ 99.62	$ 24.05	31.8%	$ 53.87	$ 129.44	$ 153.49	18.6%
20.0	$ 120.05	$ 158.26	$ 38.21	31.8%	$ 111.06	$ 231.11	$ 269.33	16.5%
50.0	$ 249.61	$ 329.06	$ 79.45	31.8%	$ 277.66	$ 527.27	$ 606.72	15.1%
100.0	$ 465.53	$ 613.71	$ 148.18	31.8%	$ 555.32	$ 1,020.85	$ 1,169.03	14.5%
200.0	$ 897.38	$ 1,183.02	$ 285.64	31.8%	$ 1,110.64	$ 2,008.02	$ 2,293.66	14.2%
300.0	$ 1,329.23	$ 1,752.33	$ 423.10	31.8%	$ 1,665.96	$ 2,995.19	$ 3,418.29	14.1%
400.0	$ 1,761.08	$ 2,321.64	$ 560.56	31.8%	$ 2,221.28	$ 3,982.36	$ 4,542.92	14.1%
500.0	$ 2,192.93	$ 2,890.95	$ 698.02	31.8%	$ 2,776.60	$ 4,969.53	$ 5,667.55	14.0%

Assumptions:
Forecast Period Average Usage = 9.7 Mcf per month

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
TYPICAL GAS BILL COMPARISON UNDER CURRENT & PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA:_____BASE PERIOD__X__FORECASTED PERIOD
TYPE OF FILING: __X__ORIGINAL _____ UPDATED _____ REVISED
WORKPAPER REFERENCE NO(S):

SCHEDULE N
Witness: W.S. Seelye

Small Non-Residential Transportation

Mcf	A Base Rate Current Bill	B Base Rate Proposed Bill	C Increase ($) [B - A}	D Increase (%) [C / A}	E Billing Factors GCR	F Total Current Bill ($) [A + E]	G Total Proposed Bill ($) [B + E]	H Increase (%) [(G - F) / F]
5.0	$ 55.27	$ 72.87	$ 17.59	31.8%	$ -	$ 55.27	$ 72.87	31.8%
14.2	$ 95.00	$ 125.24	$ 30.24	31.8%	$ -	$ 95.00	$ 125.24	31.8%
20.0	$ 120.05	$ 158.26	$ 38.21	31.8%	$ -	$ 120.05	$ 158.26	31.8%
50.0	$ 249.61	$ 329.06	$ 79.45	31.8%	$ -	$ 249.61	$ 329.06	31.8%
100.0	$ 465.53	$ 613.71	$ 148.18	31.8%	$ -	$ 465.53	$ 613.71	31.8%
200.0	$ 897.38	$ 1,183.02	$ 285.64	31.8%	$ -	$ 897.38	$ 1,183.02	31.8%
300.0	$ 1,329.23	$ 1,752.33	$ 423.10	31.8%	$ -	$ 1,329.23	$ 1,752.33	31.8%
400.0	$ 1,761.08	$ 2,321.64	$ 560.56	31.8%	$ -	$ 1,761.08	$ 2,321.64	31.8%
500.0	$ 2,192.93	$ 2,890.95	$ 698.02	31.8%	$ -	$ 2,192.93	$ 2,890.95	31.8%

Assumptions:
Forecast Period Average Usage = 14.2 Mcf per month

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
TYPICAL GAS BILL COMPARISON UNDER CURRENT & PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA:_____BASE PERIOD__X__FORECASTED PERIOD
TYPE OF FILING: __X__ORIGINAL _____ UPDATED _____ REVISED
WORKPAPER REFERENCE NO(S):

SCHEDULE N
Witness: W.S. Seelye

Large Non-Residential Sales

Mcf	A Base Rate Current Bill	B Base Rate Proposed Bill	C Increase ($) [B - A}	D Increase (%) [C / A}	E Billing Factors GCR	F Total Current Bill ($) [A + E]	G Total Proposed Bill ($) [B + E]	H Increase (%) [(G - F) / F]
25.0	$ 255.90	$ 337.38	$ 81.48	31.8%	$ 138.83	$ 394.73	$ 476.21	20.6%
69.1	$ 446.35	$ 588.46	$ 142.11	31.8%	$ 383.73	$ 830.07	$ 972.19	17.1%
200.0	$ 1,011.64	$ 1,333.74	$ 322.10	31.8%	$ 1,110.64	$ 2,122.28	$ 2,444.38	15.2%
500.0	$ 1,812.52	$ 2,389.62	$ 577.10	31.8%	$ 2,776.60	$ 4,589.12	$ 5,166.22	12.6%
1,000.0	$ 3,147.32	$ 4,149.42	$ 1,002.10	31.8%	$ 5,553.20	$ 8,700.52	$ 9,702.62	11.5%
2,500.0	$ 5,957.57	$ 7,854.42	$ 1,896.85	31.8%	$ 13,883.00	$ 19,840.57	$ 21,737.42	9.6%
5,000.0	$ 10,641.32	$ 14,029.42	$ 3,388.10	31.8%	$ 27,766.00	$ 38,407.32	$ 41,795.42	8.8%
7,500.0	$ 14,325.07	$ 18,886.17	$ 4,561.10	31.8%	$ 41,649.00	$ 55,974.07	$ 60,535.17	8.1%
10,000.0	$ 18,008.82	$ 23,742.92	$ 5,734.10	31.8%	$ 55,532.00	$ 73,540.82	$ 79,274.92	7.8%
15,000.0	$ 24,376.32	$ 32,137.92	$ 7,761.60	31.8%	$ 83,298.00	$ 107,674.32	$ 115,435.92	7.2%

Assumptions:
Forecast Period Average Usage = 69.1 Mcf per month

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
TYPICAL GAS BILL COMPARISON UNDER CURRENT & PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA:_____BASE PERIOD__X__FORECASTED PERIOD
TYPE OF FILING: __X__ORIGINAL _____ UPDATED _____ REVISED
WORKPAPER REFERENCE NO(S):

SCHEDULE N
Witness: W.S. Seelye

Large Non-Residential Transportation

Mcf	A Base Rate Current Bill	B Base Rate Proposed Bill	C Increase ($) [B - A}	D Increase (%) [C / A}	E Billing Factors GCR	F Total Current Bill ($) [A + E]	G Total Proposed Bill ($) [B + E]	H Increase (%) [(G - F) / F]
100.0	$ 579.79	$ 764.39	$ 184.60	31.8%	$ -	$ 579.79	$ 764.39	31.8%
200.0	$ 1,011.64	$ 1,333.74	$ 322.10	31.8%	$ -	$ 1,011.64	$ 1,333.74	31.8%
500.0	$ 1,812.52	$ 2,389.62	$ 577.10	31.8%	$ -	$ 1,812.52	$ 2,389.62	31.8%
1,000.0	$ 3,147.32	$ 4,149.42	$ 1,002.10	31.8%	$ -	$ 3,147.32	$ 4,149.42	31.8%
1,106.1	$ 3,346.10	$ 4,411.49	$ 1,065.39	31.8%	$ -	$ 3,346.10	$ 4,411.49	31.8%
2,500.0	$ 5,957.57	$ 7,854.42	$ 1,896.85	31.8%	$ -	$ 5,957.57	$ 7,854.42	31.8%
5,000.0	$ 10,641.32	$ 14,029.42	$ 3,388.10	31.8%	$ -	$ 10,641.32	$ 14,029.42	31.8%
7,500.0	$ 14,325.07	$ 18,886.17	$ 4,561.10	31.8%	$ -	$ 14,325.07	$ 18,886.17	31.8%
10,000.0	$ 18,008.82	$ 23,742.92	$ 5,734.10	31.8%	$ -	$ 18,008.82	$ 23,742.92	31.8%
15,000.0	$ 24,376.32	$ 32,137.92	$ 7,761.60	31.8%	$ -	$ 24,376.32	$ 32,137.92	31.8%

Assumptions:
Forecast Period Average Usage = 1,106.1 Mcf per month

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
TYPICAL GAS BILL COMPARISON UNDER CURRENT & PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA:_____BASE PERIOD__X__FORECASTED PERIOD
TYPE OF FILING: __X__ORIGINAL _____ UPDATED _____ REVISED
WORKPAPER REFERENCE NO(S):

SCHEDULE N
Witness: W.S. Seelye
Page 8 of 9

Interruptible Service

Mcf	A Base Rate Current Bill	B Base Rate Proposed Bill	C Increase ($) [B - A}	D Increase (%) [C / A}	E Billing Factors GCR	F Total Current Bill ($) [A + E]	G Total Proposed Bill ($) [B + E]	H Increase (%) [(G - F) / F]
500.0	$ 1,229.15	$ 1,125.00	$ (104.15)	-8.5%	$ -	$ 1,229.15	$ 1,125.00	-8.5%
1,000.0	$ 2,029.15	$ 1,982.15	$ (47.00)	-2.3%	$ -	$ 2,029.15	$ 1,982.15	-2.3%
2,500.0	$ 3,829.15	$ 3,910.70	$ 81.55	2.1%	$ -	$ 3,829.15	$ 3,910.70	2.1%
3,801.0	$ 5,390.35	$ 5,583.40	$ 193.05	3.6%	$ -	$ 5,390.35	$ 5,583.40	3.6%
5,000.0	$ 6,829.15	$ 7,124.95	$ 295.80	4.3%	$ -	$ 6,829.15	$ 7,124.95	4.3%
7,500.0	$ 8,829.15	$ 9,267.70	$ 438.55	5.0%	$ -	$ 8,829.15	$ 9,267.70	5.0%
10,000.0	$ 10,829.15	$ 11,410.45	$ 581.30	5.4%	$ -	$ 10,829.15	$ 11,410.45	5.4%
15,000.0	$ 13,829.15	$ 14,624.45	$ 795.30	5.8%	$ -	$ 13,829.15	$ 14,624.45	5.8%
20,000.0	$ 16,829.15	$ 17,838.45	$ 1,009.30	6.0%	$ -	$ 16,829.15	$ 17,838.45	6.0%

Assumptions:
Forecast Period Average Usage = 3,801.0 Mcf per month

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
TYPICAL GAS BILL COMPARISON UNDER CURRENT & PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA:_____BASE PERIOD__X__FORECASTED PERIOD
TYPE OF FILING: __X__ORIGINAL _____ UPDATED _____ REVISED
WORKPAPER REFERENCE NO(S):

SCHEDULE N
Witness: W.S. Seelye

Off System Transportation

Mcf	A Base Rate Current Bill	B Base Rate Proposed Bill	C Increase ($) [B - A}	D Increase (%) [C / A}	E Billing Factors GCR	F Total Current Bill ($) [A + E]	G Total Proposed Bill ($) [B + E]	H Increase (%) [(G - F) / F]
10,000.0	$ 2,826.00	$ 3,259.00	$ 433.00	15.3%	$ -	$ 2,826.00	$ 3,259.00	15.3%
25,000.0	$ 7,065.00	$ 8,147.50	$ 1,082.50	15.3%	$ -	$ 7,065.00	$ 8,147.50	15.3%
50,000.0	$ 14,130.00	$ 16,295.00	$ 2,165.00	15.3%	$ -	$ 14,130.00	$ 16,295.00	15.3%
88,455.2	$ 24,997.44	$ 28,827.55	$ 3,830.11	15.3%	$ -	$ 24,997.44	$ 28,827.55	15.3%
100,000.0	$ 28,260.00	$ 32,590.00	$ 4,330.00	15.3%	$ -	$ 28,260.00	$ 32,590.00	15.3%
150,000.0	$ 42,390.00	$ 48,885.00	$ 6,495.00	15.3%	$ -	$ 42,390.00	$ 48,885.00	15.3%
200,000.0	$ 56,520.00	$ 65,180.00	$ 8,660.00	15.3%	$ -	$ 56,520.00	$ 65,180.00	15.3%
250,000.0	$ 70,650.00	$ 81,475.00	$ 10,825.00	15.3%	$ -	$ 70,650.00	$ 81,475.00	15.3%
300,000.0	$ 84,780.00	$ 97,770.00	$ 12,990.00	15.3%	$ -	$ 84,780.00	$ 97,770.00	15.3%

Assumptions:
Forecast Period Average Usage = 88,455.2 Mcf per month

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Filing Requirement
Tab 68 - 807 KAR 5:001 Section 17
Sponsoring Witness: John B. Brown

<u>Description of Filing Requirement:</u>

Section 17. Notice of General Rate Adjustment. Upon filing an application for a general rate adjustment, a utility shall provide notice as established in this section.

(1) Public posting.

(a) A utility shall post at its place of business a copy of the notice no later than the date the application is submitted to the Commission.

(b) A utility that maintains a Web site shall, within five (5) business days of the date the application is submitted to the Commission, post on its Web sites:

1. A copy of the public notice; and

2. A hyperlink to the location on the Commission's Web site where the case documents are available.

(c) The information required in paragraphs (a) and (b)of this subsection shall not be removed until the Commission issues a final decision on the application.

(2) Customer Notice.

(a) If a utility has twenty (20) or fewer customers, the utility shall mail a written notice to each customer no later than the date on which the application is submitted to the Commission.

(b) If a utility has more than twenty (20) customers, it shall provide notice by:

1. Including notice with customer bills mailed no later than the date the application is submitted to the Commission;

2. Mailing a written notice to each customer no later than the date the application is submitted to the Commission.

3. Publishing notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, the first publication to be made no later than the date the application is submitted to the Commission; or

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

4. Publishing notice in a trade publication or newsletter delivered to all customers no later than the date the application is submitted to the Commission.

(c) A utility that provides service in more than one (1) county may use a combination of the notice methods listed in paragraph (b) of this subsection.

(3) Proof of Notice. A utility shall file with the Commission no later than forty-five (45) days from the date the application was initially submitted to the Commission:

(a) If notice is mailed to its customers, an affidavit from an authorized representative of the utility verifying the contents of the notice, that notice was mailed to all customers, and the date of the mailing;

(b) If notice is published in a newspaper of general circulation in the utility's service area, an affidavit from the publisher verifying the contents of the notice, that the notice was published, and the dates of the notice's publication; or

(c) If notice is published in a trade publication or newsletter delivered to all customers, an affidavit from an authorized representative of the utility verifying the contents of the notice, the mailing of the publication or newsletter, that notice was included in the publication or newsletter, and the date of mailing.

(4) Notice Content. Each notice issued in accordance with this section shall contain:

(a) The proposed effective date and the date the proposed rates are expected to be filed with the Commission;

(b) The present rates and proposed rates for each customer classification to which the proposed rates will apply;

(c) The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply;

(d) The amount of the average usage and the effect upon the average bill for each customer classification to which the proposed rates will apply, except for local exchange companies, which shall include the effect upon the average bill for each customer classification for the proposed rate change in basic local service;

(e) A statement that a person may examine this application at the offices of (utility name) located at (utility address);

(f) A statement that a person may examine this application at the Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

through Friday, 8:00 a.m. to 4:30 p.m., or through the Commission's Web site at **http://psc.ky.gov***;*

(g) A statement that comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602;

(h) A statement that the rates contained in this notice are the rates proposed by (utility name)but that the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice;

(i) A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and

(j) A statement that if the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the Commission may take final action on the application.

(5) Abbreviated form of notice. Upon written request, the Commission may grant a utility permission to use an abbreviated form of published notice of the proposed rates, provided the notice includes a coupon that may be used to obtain all of the required information.

Response:

Section 17(1)
A copy of the full customer notice and application will be posted at 3617 Lexington Road, Winchester, KY. Delta will also make available on the Company website a copy of the notice, and a hyperlink to the Kentucky Public Service Commission's website where the case documents will be available.

Section 17(2)
Delta will publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, the first publication to be made no later than the date the application is submitted to the Commission. Delta's Response to Filing Requirement 807 KAR 5:001 Section 16(1)(b)(5)[Tab 6].

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 12/31/22; Base Period 12ME 8/31/21)

Section 17(3)

Delta will comply with 807 KAR 5:001, Section 17(3)(b) by providing the affidavits within forty-five (45) days of the date on which Delta filed its Application.

Section 17(4)
See Delta's Application and a copy of the notice attached to Delta's Response to Filing Requirement 807 KAR 5:001 Section 16(1)(b)(5)[Tab 6].

Section 17(5)
Delta did not request permission to use an abbreviated form of notice.