DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2021-00185

THIRD PSC DATA REQUEST
DATED AUGUST 24, 2021

1. Refer to the Application, Tab 4, page 24 of 50, proposed addition of Force Majeure language to the tariff. Generally, explain why it would be appropriate to include language shielding a regulated utility from potential liability in a tariff.

Response:

Delta disagrees with the characterization of the proposed addition of force majeure language is "shielding a regulated utility from potential liability in a tariff." The proposed language is reciprocal and applies equally to Delta and its customers. The addition enumerates external events that are outside the control of Delta and its customers, such as war, epidemics, and earthquakes. This is appropriate for inclusion in a tariff because a tariff defines the rights and obligations between a utility and its customers, which includes the utility's limitations on providing service and liability among the utility and its customers.

The proposed language is modeled on language approved by the Commission in Columbia Gas of Kentucky, Inc.'s tariff (Fifth Revised Sheet No. 70). Many other utilities have provisions regarding force majeure and liability in their tariffs, including:

- Kentucky Power Company (Original Sheet No. 2-6)
- Duke Energy Kentucky, Inc. (Fourth Revised Sheet No. 21)
- Louisville Gas and Electric Company (Original Sheet No. 98.1)
- Kentucky-American Water Company (First Sheet No. 16)
- Water Service Corporation of Kentucky (Sheet No. 24)
- Nolin RECC (Sheet No. 6)
- Cumberland Valley Electric (Sheet No. 6)
- South Kentucky RECC (Sheet No. 6)

Sponsoring Witness: John B. Brown

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2. Refer to the Application Tab 5, page 27 of 52, proposed deletion of language in the deposit section of the tariff. Confirm that Delta pays interest on deposits annually to all customers with a deposit on file.

Response:

Confirmed. Delta pays interest on deposits annually, as prescribed by KRS 278.460.

Sponsoring Witness: Andrea Schroeder

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2021-00185

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DATED AUGUST 24, 2021

3. Refer to the Application, Schedules A, B, and C.

a. Provide schedules, including a revenue requirement calculation, that exclude pipeline replacement program (PRP) plant and expenses from base rates.

b. Provide the PRP rider rates that would result from excluding the PRP from base rates, assuming that Delta's proposal to use a forecasted test-year for the PRP is granted.

c. Provide supporting schedules and calculations in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response:

Delta is proposing in this proceeding to follow the Commission's long-standing practice of regularly transferring revenue requirements related to cost recovery mechanisms into base rates or transferring such revenue requirements into base rates in a general rate case. This practice has been followed for the pipeline replacement programs for Louisville Gas and Electric Company and other local gas distributors (LDCs). This practice has also been followed for the environmental cost recovery (ECR) mechanisms for the electric utilities in Kentucky. Furthermore, every two years a determination is made whether to roll fuel costs recovered under fuel adjustment clause (FAC) mechanisms into base rates for electric utilities.

Although Delta believes that it is appropriate to transfer pipeline replacement costs periodically into base rates, assuming that the use of forecasted costs is approved by the Commission for the PRP, the effect on rates should be revenue neutral to customers, except for possibly the impact of a future balancing adjustment.

a. See attached.

b. See attached.

c. See attached spreadsheet.

Sponsoring Witness: John Brown and William Steven Seelye

Attachment PSC 3-3 (a)
Witnesses: John B. Brown
William Steven Seeelye

Delta Natural Gas Company, Inc.
Revenue Rquirement Summary With and Without PRP Roll-in
Forecasted Test Period 12 ME 12/31/22

Line Number		Forecasted Period Calendar 2022	Less: Costs Recovered Through a Forecasted PRP in 2022	Forecasted Base Revenue Requirements with PRP Revenue Requirement Removed	Difference
1	Cost of gas	$ 15,821,884	$ -	$ 15,821,884	
2	Operations & maintenance expense	16,006,950	-	16,006,950	
3	Depreciation expense	9,903,030	1,216,637	8,686,393	
4	Taxes other than income taxes	3,893,352	821,154	3,072,198	
5	Return	10,311,660	2,388,855	7,922,805	
6	Income tax liability	2,512,596	794,173	1,718,423	
7	Total revenue requirements	$ 58,449,471	$ 5,220,819	$ 53,228,652	$ (5,220,819)
8	Revenues at present rates	(49,314,301)	3,467,250 *	(45,847,051)	3,467,250
9	Revenue deficiency	$ 9,135,170		$ 7,381,601	$ (1,753,569)

* Amout included in revenue at present rates reflective of current PRP charges applied to test year billings.

Delta Natural Gas Company, Inc.
Pipe Replacement Program Filing
Program Year Ended: December 31, 2022
Rates Effective: May 1, 2023

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
1 Total annual expenditures under the PRP (Schedule II)	$ 1,574,788	$ 1,730,104	$ 3,796,271	$ 2,961,542	$ 1,843,366	$ 1,758,827	$ 3,190,348	$ 2,479,950	$ 3,889,747	$ 6,201,678	$ 5,998,720	$ 6,319,386	$ 6,564,808	
2 Less:														
3 Accumulated depreciation	(370,537)	(457,355)	(953,683)	(647,815)	(443,581)	(327,907)	(554,585)	(366,957)	(461,646)	(628,701)	(446,673)	(281,283)	(91,851)	
4 Accumulated deferred income taxes	(449,525)	(483,136)	(1,069,833)	(878,291)	(531,322)	(529,517)	(974,295)	(789,450)	(745,794)	(1,328,494)	(1,122,403)	(1,183,471)	(963,631)	
5 Net PRP Rate Base, as of December 31, 2022	754,726	789,613	1,772,755	1,435,436	868,463	901,403	1,661,468	1,323,543	2,682,307	4,244,483	4,429,644	4,854,632	5,509,326	$ 31,227,799
6 WACOC, per case no 2010-00116	7.64977%	7.64977%	7.64977%	7.64977%	7.64977%	7.64977%	7.64977%	7.64977%	7.64977%	7.64977%	7.64977%	7.64977%	7.64977%	
7 Allowed Return	57,735	60,404	135,612	109,808	66,435	68,955	127,098	101,248	205,190	324,693	338,858	371,368	421,451	2,388,855
8 Tax expansion factor, w PSC (per Case No. 2010-00116)	1.33245	1.33245	1.33245	1.33245	1.33245	1.33245	1.33245	1.33245	1.33245	1.33245	1.33245	1.33245	1.33245	794,173
9 Return, grossed up for income taxes	$ 76,929	$ 80,485	$ 180,696	$ 146,314	$ 88,521	$ 91,879	$ 169,352	$ 134,908	$ 273,405	$ 432,637	$ 451,511	$ 494,829	$ 561,562	$ 3,183,028
10 Cost of Service Items (Schedule III)														$ 2,037,791
12 Current Year PRP Adjustment														**$ 5,220,819**
13 Balancing Adjustment														
14 Prior Year PRP Adjustment														4,866,675
15 Less: Actual Collections of Prior Year PRP Adjustment May 2022 through February 2023														(4,866,675)
16 Less: Estimated Collections March 2023 and April 2023														-
17 Total PRP Adjustment														**$ 5,220,819**

	Calculated Net Revenue @ Proposed Rates in Case No. 2021-00185	Class Allocation	Allocated PRP Adjustment	Average # of Customers for the 12 months ended December 31, 2022	Monthly PRP Rate
18 Residential	$ 16,955,239	53.2%	$ 2,774,931	365,580	$ 7.59
19 Small Non-Residential	4,813,864	15.1%	787,847	51,905	$ 15.18
18 Large Non-Residential	8,446,761	26.5%	1,382,415	12,035	$ 114.87
19 Interruptible	1,684,109	5.3%	275,625	429	$ 642.48
20	$ 31,899,973	100.0%	$ 5,220,818	429,949	

Calendar Year 2010
PRP Worksheet

		2010 Investment	A Book Depr Year 13	Book Depreciation Reserve Beginning	Depreciation Expense	Ending	Book Net Book Value	COR Rate	COR Depr
1	Distribution Mains	816,750	3.10%	(291,169)	(25,319)	(316,488)	500,262	0.01%	$ (82)
2	Transmission Mains	23,974	2.33%	(6,428)	(559)	(6,987)	16,987	0.02%	(5)
3	Services	118,268	2.69%	(36,582)	(3,181)	(39,763)	78,505	0.42%	(497)
4	Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5	Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6	Cost of Removal	615,796	various	(6,715)	(584)	(7,299)	608,497	0.00%	-
		1,574,788		(340,894)	(29,643)	(370,537)	1,204,251		$ (584)

		Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	50% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 13	Tax Depreciation Reserve Beginning	Tax Expense	Bonus Depr	MACRS Depr	Ending	Tax Net Book Value
7	Distribution Mains	816,750	94.5%	(771,829)	44,921	(22,461)	**22,461**	15	5.905%	**(813,116)**	-	-	(1,326)	**(814,442)**	2,308
8	Transmission Mains	23,974	100.0%	(23,974)	-	-	**-**	15	5.905%	**(23,974)**	-	-	-	**(23,974)**	-
9	Services	118,268	0.0%	-	118,268	(59,134)	**59,134**	20	4.462%	**(97,895)**	-	-	(2,639)	**(100,534)**	17,734
10	Gathering Lines	-	0.0%	-	-	-	**-**	7	0.000%	-	-	-	-	**-**	-
11	Storage Lines	-	0.0%	-	-	-	**-**	15	5.905%	-	-	-	-	**-**	-
12	Cost of Removal	615,796	NA	-	-	-	**-**	NA	NA	-	-	-	-	**-**	NA
		1,574,788		(795,803)	163,189	(81,595)	**81,595**			**(934,985)**	-	-	(3,965)	**(938,950)**	20,042

		Net Book Value Book	Tax	Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
13	Distribution Mains	500,262	2,308	(497,954)	37.96%	(189,023)
14	Transmission Mains	16,987	-	(16,987)	37.96%	(6,448)
15	Services	78,505	17,734	(60,771)	37.96%	(23,069)
16	Gathering Lines	-	-	-	37.96%	-
17	Storage Lines	-	-	-	37.96%	-
18	Cost of Removal	608,497	NA	(608,497)	37.96%	(230,985)
		1,204,251	20,042	(1,184,209)		(449,525)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

Calendar Year 2011
PRP Worksheet

	2011 Investment	A Book Depr Year 12	Book Depreciation Reserve Beginning	A Depreciation Expense	Ending	Book Net Book Value	COR Rate	COR Depr
1 Distribution Mains	828,951	3.10%	(269,819)	(25,697)	(295,516)	533,435	0.01%	$ (83)
2 Transmission Mains	88,312	2.33%	(21,609)	(2,058)	(23,667)	64,645	0.02%	(18)
3 Services	383,075	2.69%	(108,202)	(10,305)	(118,507)	264,568	0.42%	(1,609)
4 Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	429,766	various	(17,955)	(1,710)	(19,665)	410,101	0.00%	-
	1,730,104		(417,585)	(39,770)	(457,355)	1,272,749		$ (1,710)

	Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	100% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 12	Tax Depreciation Reserve Beginning	Tax Expense	Bonus Depr	MACRS Depr	Ending	Tax Net Book Value
7 Distribution Mains	828,951	71.0%	(588,555)	240,396	(240,396)	-	15	5.905%	**(828,951)**	-	-	-	**(828,951)**	-
8 Transmission Mains	88,312	94.0%	(82,981)	5,331	(5,331)	-	15	5.905%	**(88,312)**	-	-	-	**(88,312)**	-
9 Services	383,075	100.0%	(383,075)	-	-	-	20	4.461%	**(383,075)**	-	-	-	**(383,075)**	-
10 Gathering Lines	-	0.0%	-	-	-	-	7	0.000%	-	-	-	-	**-**	-
11 Storage Lines	-	0.0%	-	-	-	-	15	5.905%	-	-	-	-	**-**	-
12 Cost of Removal	429,766	NA	-	-	-	-	NA	NA	-	-	-	-	**-**	NA
	1,730,104		(1,054,611)	245,727	(245,727)	-			**(1,300,338)**	-	-	-	**(1,300,338)**	-

	Net Book Value Book	Tax	Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	533,435	-	(533,435)	37.96%	(202,492)
14 Transmission Mains	64,645	-	(64,645)	37.96%	(24,539)
15 Services	264,568	-	(264,568)	37.96%	(100,430)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	410,101	NA	(410,101)	37.96%	(155,674)
	1,272,749	-	(1,272,749)		(483,136)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

Calendar Year 2012
PRP Worksheet

	2012 Investment	A Book Depr Year 11	Book Depreciation Reserve Beginning	A Depreciation Expense	Ending	Book Net Book Value	COR Rate	COR Depr
1 Distribution Mains	2,164,531	3.10%	(637,450)	(67,100)	(704,550)	1,459,981	0.01%	$ (216)
2 Transmission Mains	31,604	2.33%	(6,992)	(736)	(7,728)	23,876	0.02%	(6)
3 Services	732,128	2.69%	(187,093)	(19,694)	(206,787)	525,341	0.42%	(3,075)
4 Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	868,008	various	(31,321)	(3,297)	(34,618)	833,390	0.00%	-
	3,796,271		(862,856)	(90,827)	(953,683)	2,842,588		$ (3,297)

	Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	50% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 11	Tax Depreciation Reserve Beginning	Tax Expense	Bonus Depr	MACRS Depr	Ending	Tax Net Book Value
7 Distribution Mains	2,164,531	93.0%	(2,013,014)	151,517	(75,759)	**75,758**	15	5.905%	**(2,139,929)**	-	-	(4,474)	**(2,144,403)**	20,128
8 Transmission Mains	31,604	1.3%	(416)	31,188	(15,594)	**15,594**	15	5.905%	**(26,540)**	-	-	(921)	**(27,461)**	4,143
9 Services	732,128	100.0%	(732,128)	-	-	**-**	20	4.462%	**(732,128)**	-	-	-	**(732,128)**	-
10 Gathering Lines	-	0.0%	-	-	-	**-**	7	0.000%	-	-	-	-	**-**	-
11 Storage Lines	-	0.0%	-	-	-	**-**	15	5.905%	-	-	-	-	**-**	-
12 Cost of Removal	868,008	NA	-	-	-	**-**	NA	NA	-	-	-	-	**-**	NA
	3,796,271		(2,745,558)	182,705	(91,353)	**91,352**			**(2,898,597)**	-	-	(5,395)	**(2,903,992)**	24,271

	Net Book Value Book	Tax	Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	1,459,981	20,128	(1,439,853)	37.96%	(546,568)
14 Transmission Mains	23,876	4,143	(19,733)	37.96%	(7,491)
15 Services	525,341	-	(525,341)	37.96%	(199,419)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	833,390	NA	(833,390)	37.96%	(316,355)
	2,842,588	24,271	(2,818,317)		(1,069,833)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

Calendar Year 2013
PRP Worksheet

	2013 Investment	A Book Depr Year 10	Book Depreciation Reserve Beginning	A Depreciation Expense	Ending	Book Net Book Value	COR Rate	COR Depr
1 Distribution Mains	1,672,265	3.10%	(440,640)	(51,840)	(492,480)	1,179,785	0.01%	$ (167)
2 Transmission Mains	-	2.33%	-	-	-	-	0.02%	-
3 Services	520,370	2.69%	(118,983)	(13,998)	(132,981)	387,389	0.42%	(2,186)
4 Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	768,907	various	(20,001)	(2,353)	(22,354)	746,553	0.00%	-
	2,961,542		(579,624)	(68,191)	(647,815)	2,313,727		$ (2,353)

	Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	50% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 10	Tax Depreciation Reserve Beginning	Tax Expense	Bonus Depr	MACRS Depr	Ending	Tax Net Book Value
7 Distribution Mains	1,672,265	100.0%	(1,672,265)	-	-	-	15	5.905%	**(1,672,265)**		-	-	**(1,672,265)**	-
8 Transmission Mains	-	0.0%	-	-	-	-	15	5.905%	-	-	-	-	-	-
9 Services	520,370	100.0%	(520,370)	-	-	-	20	4.461%	**(520,370)**		-	-	**(520,370)**	-
10 Gathering Lines	-	0.0%	-	-	-	-	7	0.000%	-	-	-	-	-	-
11 Storage Lines	-	0.0%	-	-	-	-	15	5.905%	-	-	-	-	-	-
12 Cost of Removal	768,907	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA
	2,961,542		(2,192,635)	-	-	-			**(2,192,635)**	-	-	-	**(2,192,635)**	-

	Net Book Value Book	Tax	Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	1,179,785	-	(1,179,785)	37.96%	(447,846)
14 Transmission Mains	-	-	-	37.96%	-
15 Services	387,389	-	(387,389)	37.96%	(147,053)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	746,553	NA	(746,553)	37.96%	(283,392)
	2,313,727	-	(2,313,727)		(878,291)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

Calendar Year 2014
PRP Worksheet

	2014 Investment	A Book Depr Year 9	Book Depreciation Reserve: Beginning	A Depreciation Expense	Ending	Book Net Book Value	COR Rate	COR Depr
1 Distribution Mains	1,281,613	3.10%	(297,975)	(39,730)	(337,705)	943,908	0.01%	$ (128)
2 Transmission Mains	500	2.33%	(90)	(12)	(102)	398	0.02%	-
3 Services	396,014	2.69%	(79,897)	(10,653)	(90,550)	305,464	0.42%	(1,663)
4 Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	165,239	various	(13,433)	(1,791)	(15,224)	150,015	0.00%	-
	1,843,366		(391,395)	(52,186)	(443,581)	1,399,785		$ (1,791)

	Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	50% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 9	Tax Depreciation Reserve: Beginning	Tax Expense	Bonus Depr	MACRS Depr	Ending	Tax Net Book Value
7 Distribution Mains	1,281,613	100.0%	(1,281,613)	-	-	**-**	15	5.905%	**(1,281,613)**	-	-	-	**(1,281,613)**	-
8 Transmission Mains	500	0.0%	-	500	(250)	**250**	15	5.905%	**(390)**	-	-	(15)	**(405)**	95
9 Services	396,014	100.0%	(396,014)	-	-	**-**	20	4.462%	**(396,014)**	-	-	-	**(396,014)**	-
10 Gathering Lines	-	0.0%	-	-	-	**-**	7	0.000%	-	-	-	-	**-**	-
11 Storage Lines	-	0.0%	-	-	-	**-**	15	5.905%	-	-	-	-	**-**	-
12 Cost of Removal	165,239	NA	-	-	-	**-**	NA	NA	-	-	-	-	**-**	NA
	1,843,366		(1,677,627)	500	(250)	**250**			**(1,678,017)**	-	-	(15)	**(1,678,032)**	95

	Net Book Value: Book	Tax	Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	943,908	-	(943,908)	37.96%	(358,307)
14 Transmission Mains	398	95	(303)	37.96%	(115)
15 Services	305,464	-	(305,464)	37.96%	(115,954)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	150,015	NA	(150,015)	37.96%	(56,946)
	1,399,785	95	(1,399,690)		(531,322)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

Calendar Year **2015**
PRP Worksheet

	2015 Investment	A Book Depr Year 8	Book Depreciation Reserve Beginning	Depreciation Expense	Ending	Book Net Book Value	COR Rate	COR Depr
1 Distribution Mains	1,201,977	3.10%	(242,197)	(37,261)	(279,458)	922,519	0.01%	$ (120)
2 Transmission Mains	87,414	2.33%	(13,240)	(2,037)	(15,277)	72,137	0.02%	(17)
3 Services	137,797	2.69%	(24,095)	(3,707)	(27,802)	109,995	0.42%	(579)
4 Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	331,639	various	(4,654)	(716)	(5,370)	326,269	0.00%	-
	1,758,827		(284,186)	(43,721)	(327,907)	1,430,920		$ (716)

	Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	50% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 8	Tax Depreciation Reserve Beginning	Tax Expense	Bonus Depr	MACRS Depr	Ending	Tax Net Book Value
7 Distribution Mains	1,201,977	91.9%	(1,104,617)	97,360	(48,680)	**48,680**	15	5.905%	**(1,177,544)**	-	-	(2,875)	**(1,180,419)**	21,558
8 Transmission Mains	87,414	25.5%	(22,254)	65,160	(32,580)	**32,580**	15	5.905%	**(71,062)**	-	-	(1,924)	**(72,986)**	14,428
9 Services	137,797	100.0%	(137,797)	-	-	**-**	20	4.522%	**(137,797)**	-	-	-	**(137,797)**	-
10 Gathering Lines	-	0.0%	-	-	-	**-**	7	4.462%	-	-	-	-	**-**	-
11 Storage Lines	-	0.0%	-	-	-	**-**	15	5.905%	-	-	-	-	**-**	-
12 Cost of Removal	331,639	NA	-	-	-	**-**	NA	NA	-	-	-	-	**-**	NA
	1,758,827		(1,264,668)	162,520	(81,260)	**81,260**			**(1,386,403)**	-	-	(4,799)	**(1,391,202)**	35,986

	Net Book Value Book	Tax	Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	922,519	21,558	(900,961)	37.96%	(342,005)
14 Transmission Mains	72,137	14,428	(57,709)	37.96%	(21,906)
15 Services	109,995	-	(109,995)	37.96%	(41,754)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	326,269	NA	(326,269)	37.96%	(123,852)
	1,430,920	35,986	(1,394,934)		(529,517)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

Calendar Year 2016
PRP Worksheet

		2016 Investment	A Book Depr Year 7	Book Depreciation Reserve Beginning	Depreciation Expense	Ending	Book Net Book Value	COR Rate	COR Depr
1	Distribution Mains	2,328,216	3.10%	(396,962)	(72,175)	(469,137)	1,859,079	0.01%	$ (233)
2	Transmission Mains	219,764	2.33%	(28,165)	(5,121)	(33,286)	186,478	0.02%	(44)
3	Services	249,152	2.69%	(36,861)	(6,702)	(43,563)	205,589	0.42%	(1,046)
4	Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5	Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6	Cost of Removal	393,216	various	(7,276)	(1,323)	(8,599)	384,617	0.00%	-
		3,190,348		(469,264)	(85,321)	(554,585)	2,635,763		$ (1,323)

		Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	50% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 7	Tax Depreciation Reserve Beginning	Tax Expense	Bonus Depr	MACRS Depr	Ending	Tax Net Book Value
7	Distribution Mains	2,328,216	96.9%	(2,256,041)	72,175	(36,088)	**36,087**	15	5.905%	**(2,307,971)**	-	-	(2,131)	**(2,310,102)**	18,114
8	Transmission Mains	219,764	7.5%	(16,483)	203,281	(101,641)	**101,640**	15	5.905%	**(162,747)**	-	-	(6,002)	**(168,749)**	51,015
9	Services	249,152	100.0%	(249,152)	-	-	**-**	20	4.888%	**(249,152)**	-	-	-	**(249,152)**	-
10	Gathering Lines	-	0.0%	-	-	-	**-**	7	8.925%	-	-	-	-	**-**	-
11	Storage Lines	-	0.0%	-	-	-	**-**	15	5.905%	-	-	-	-	**-**	-
12	Cost of Removal	393,216	NA	-	-	-	**-**	NA	NA	-	-	-	-	**-**	NA
		3,190,348		(2,521,676)	275,456	(137,729)	**137,727**			**(2,719,870)**	-	-	(8,133)	**(2,728,003)**	69,129

		Net Book Value Book	Tax	Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
13	Distribution Mains	1,859,079	18,114	(1,840,965)	37.96%	(698,830)
14	Transmission Mains	186,478	51,015	(135,463)	37.96%	(51,422)
15	Services	205,589	-	(205,589)	37.96%	(78,042)
16	Gathering Lines	-	-	-	37.96%	-
17	Storage Lines	-	-	-	37.96%	-
18	Cost of Removal	384,617	NA	(384,617)	37.96%	(146,001)
		2,635,763	69,129	(2,566,634)		(974,295)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

Calendar Year 2017
PRP Worksheet

	2017 Investment	A Book Depr Year 6	Book Depreciation Reserve Beginning	Depreciation Expense	Ending	Book Net Book Value	COR Rate	COR Depr
1 Distribution Mains	1,891,971	3.10%	(263,930)	(58,651)	(322,581)	1,569,390	0.01%	$ (189)
2 Transmission Mains	90,359	2.33%	(9,473)	(2,105)	(11,578)	78,781	0.02%	(18)
3 Services	185,093	2.69%	(22,406)	(4,979)	(27,385)	157,708	0.42%	(777)
4 Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	312,527	various	(4,429)	(984)	(5,413)	307,114	0.00%	-
	2,479,950		(300,238)	(66,719)	(366,957)	2,112,993		$ (984)

	Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	50% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 6	Tax Depreciation Reserve Beginning	Tax Expense	Bonus Depr	MACRS Depr	Ending	Tax Net Book Value
7 Distribution Mains	1,891,971	98.5%	(1,863,591)	28,380	(14,190)	**14,190**	15	6.233%	**(1,883,127)**	-	-	(884)	**(1,884,011)**	7,960
8 Transmission Mains	90,359	0.0%	-	90,359	(45,180)	**45,179**	15	6.233%	**(62,200)**	-	-	(2,816)	**(65,016)**	25,343
9 Services	185,093	100.0%	(185,093)	-	-	**-**	20	5.285%	**(185,093)**	-	-	-	**(185,093)**	-
10 Gathering Lines	-	0.0%	-	-	-	**-**	7	8.925%	-	-	-	-	**-**	-
11 Storage Lines	-	0.0%	-	-	-	**-**	15	6.233%	-	-	-	-	**-**	-
12 Cost of Removal	312,527	NA	-	-	-	**-**	NA	NA	-	-	-	-	**-**	NA
	2,479,950		(2,048,684)	118,739	(59,370)	**59,369**			**(2,130,420)**	-	-	(3,700)	**(2,134,120)**	33,303

	Net Book Value Book	Tax	Cumulative Timing Difference	B Statutory Rate	Deferred Income Taxes
13 Distribution Mains	1,569,390	7,960	(1,561,430)	37.96%	(592,719)
14 Transmission Mains	78,781	25,343	(53,438)	37.96%	(20,285)
15 Services	157,708	-	(157,708)	37.96%	(59,866)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	307,114	NA	(307,114)	37.96%	(116,580)
	2,112,993	33,303	(2,079,690)		(789,450)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.
B In December, 2017, tax law was enacted to reduce the federal corporate income tax rate to 21%.
Delta remeasured its deferred income taxes using the 21% federal rate as of December 31, 2017, including deferred taxes on PRP assets.
The reduction in deferred taxes is being returned to customers through Case No. 2018-00040.
PRP assets for years subsequent to 2017 have been measured at the reduced tax rate.

Calendar Year **2018**
PRP Worksheet

		2018 Investment	A Book Depr Year 5	Book Depreciation Reserve Beginning	Depreciation Expense	Ending	Book Net Book Value	COR Rate	COR Depr
1	Distribution Mains	2,669,534	3.10%	(289,646)	(82,756)	(372,402)	2,297,132	0.01%	$ (267)
2	Transmission Mains	611,904	2.33%	(49,900)	(14,257)	(64,157)	547,747	0.02%	(122)
3	Services	166,771	2.69%	(15,701)	(4,486)	(20,187)	146,584	0.42%	(700)
4	Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5	Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6	Cost of Removal	441,538	various	(3,811)	(1,089)	(4,900)	436,638	0.00%	-
		3,889,747		(359,058)	(102,588)	(461,646)	3,428,101		$ (1,089)

		Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	0% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 5	Tax Depreciation Reserve Beginning	Tax Expense	Bonus Depr	MACRS Depr	Ending	Tax Net Book Value
7	Distribution Mains	2,669,534	77.7%	(2,074,228)	595,306	-	**595,306**	15	6.925%	**(2,257,255)**	-	-	(41,225)	**(2,298,480)**	371,054
8	Transmission Mains	611,904	82.2%	(502,983)	108,921	-	**108,921**	15	6.925%	**(536,470)**	-	-	(7,543)	**(544,013)**	67,891
9	Services	166,771	100.0%	(166,771)	-	-	**-**	20	5.713%	**(166,771)**	-	-	-	**(166,771)**	-
10	Gathering Lines	-	0.0%	-	-	-	**-**	7	8.925%	-	-	-	-	**-**	-
11	Storage Lines	-	0.0%	-	-	-	**-**	15	6.925%	-	-	-	-	**-**	-
12	Cost of Removal	441,538	NA	-	-	-	**-**	NA	NA	-	-	-	-	**-**	NA
		3,889,747		(2,743,982)	704,227	-	**704,227**			**(2,960,496)**	-	-	(48,768)	**(3,009,264)**	438,945

		Net Book Value Book	Tax	Cumulative Timing Difference	B Statutory Rate	Deferred Income Taxes
13	Distribution Mains	2,297,132	371,054	(1,926,078)	24.95%	(480,556)
14	Transmission Mains	547,747	67,891	(479,856)	24.95%	(119,724)
15	Services	146,584	-	(146,584)	24.95%	(36,573)
16	Gathering Lines	-	-	-	24.95%	-
17	Storage Lines	-	-	-	24.95%	-
18	Cost of Removal	436,638	NA	(436,638)	24.95%	(108,941)
		3,428,101	438,945	(2,989,156)		(745,794)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.
B In December, 2017, tax law was enacted to reduce the federal corporate income tax rate to 21%. (See effective tax rate calculation below.)
Delta remeasured its deferred income taxes using the 21% federal rate as of December 31, 2017, including deferred taxes on PRP assets.
The reduction in deferred taxes is being returned to customers through Case No. 2018-00040.
PRP assets for years subsequent to 2017 have been measured at the reduced tax rate.

Effective Tax Rate Calculation

Statutory federal income tax rate	21.00%
State income taxes, net of federal benefit	3.95%
Effective income tax rate	24.95%

Calendar Year 2019
PRP Worksheet

	2019 Investment	A Book Depr Year 4	Book Depreciation Reserve Beginning	Depreciation Expense	Ending	Book Net Book Value	COR Rate	COR Depr
1 Distribution Mains	5,352,350	3.10%	(414,807)	(165,923)	(580,730)	4,771,620	0.01%	$ (535)
2 Transmission Mains	197,537	2.33%	(11,507)	(4,603)	(16,110)	181,427	0.02%	(40)
3 Services	274,211	2.69%	(18,440)	(7,376)	(25,816)	248,395	0.42%	(1,152)
4 Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	377,580	various	(4,318)	(1,727)	(6,045)	371,535	0.00%	-
	6,201,678		(449,072)	(179,629)	(628,701)	5,572,977		$ (1,727)

	Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	0% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 4	Tax Depreciation Reserve Beginning	Tax Expense	Bonus Depr	MACRS Depr	Ending	Tax Net Book Value
7 Distribution Mains	5,352,350	93.3%	(4,993,743)	358,607	-	**358,607**	15	7.695%	**(5,076,402)**	-	-	(27,595)	**(5,103,997)**	248,353
8 Transmission Mains	197,537	100.0%	(197,537)	-	-	**-**	15	7.695%	**(197,537)**	-	-	-	**(197,537)**	-
9 Services	274,211	100.0%	(274,211)	-	-	**-**	20	6.177%	**(274,211)**	-	-	-	**(274,211)**	-
10 Gathering Lines	-	0.0%	-	-	-	**-**	7	12.495%	-	-	-	-	**-**	-
11 Storage Lines	-	0.0%	-	-	-	**-**	15	7.695%	-	-	-	-	**-**	-
12 Cost of Removal	377,580	NA	-	-	-	**-**	NA	NA	-	-	-	-	**-**	NA
	6,201,678		(5,465,491)	358,607	-	**358,607**			**(5,548,150)**	-	-	(27,595)	**(5,575,745)**	248,353

	Net Book Value Book	Tax	Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	4,771,620	248,353	(4,523,267)	24.95%	(1,128,555)
14 Transmission Mains	181,427	-	(181,427)	24.95%	(45,266)
15 Services	248,395	-	(248,395)	24.95%	(61,975)
16 Gathering Lines	-	-	-	24.95%	-
17 Storage Lines	-	-	-	24.95%	-
18 Cost of Removal	371,535	NA	(371,535)	24.95%	(92,698)
	5,572,977	248,353	(5,324,624)		(1,328,494)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

Calendar Year **2020**
PRP Worksheet

		2020 Investment	A Book Depr Year 3	Book Depreciation Reserve Beginning	Depreciation Expense	Ending	Book Net Book Value	COR Rate	COR Depr
1	Distribution Mains	5,358,074	3.10%	(249,150)	(166,100)	(415,250)	4,942,824	0.01%	$ (536)
2	Transmission Mains	-	2.33%	-	-	-	-	0.02%	-
3	Services	386,910	2.69%	(15,612)	(10,408)	(26,020)	360,890	0.42%	(1,625)
4	Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5	Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6	Cost of Removal	253,736	various	(3,242)	(2,161)	(5,403)	248,333	0.00%	-
		5,998,720		(268,004)	(178,669)	(446,673)	5,552,047		$ (2,161)

		Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	0% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 3	Tax Depreciation Reserve Beginning	Tax Expense	Bonus Depr	MACRS Depr	Ending	Tax Net Book Value
7	Distribution Mains	5,358,074	74.5%	(3,989,086)	1,368,988	-	**1,368,988**	15	8.550%	**(4,187,589)**	-	-	(117,048)	**(4,304,637)**	1,053,437
8	Transmission Mains	-	0.0%	-	-	-	**-**	15	8.550%	-	-	-	-	**-**	-
9	Services	386,910	100.0%	(386,910)	-	-	**-**	20	6.677%	**(386,910)**	-	-	-	**(386,910)**	-
10	Gathering Lines	-	0.0%	-	-	-	**-**	7	17.492%	-	-	-	-	**-**	-
11	Storage Lines	-	0.0%	-	-	-	**-**	15	8.550%	-	-	-	-	**-**	-
12	Cost of Removal	253,736	NA	-	-	-	**-**	NA	NA	-	-	-	-	**-**	NA
		5,998,720		(4,375,996)	1,368,988	-	**1,368,988**			**(4,574,499)**	-	-	(117,048)	**(4,691,547)**	1,053,437

		Net Book Value Book	Tax	Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
13	Distribution Mains	4,942,824	1,053,437	(3,889,387)	24.95%	(970,402)
14	Transmission Mains	-	-	-	24.95%	-
15	Services	360,890	-	(360,890)	24.95%	(90,042)
16	Gathering Lines	-	-	-	24.95%	-
17	Storage Lines	-	-	-	24.95%	-
18	Cost of Removal	248,333	NA	(248,333)	24.95%	(61,959)
		5,552,047	1,053,437	(4,498,610)		(1,122,403)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

Calendar Year 2021
PRP Worksheet

	2021 Investment	A Book Depr Year 2	Book Depreciation Reserve Beginning	Depreciation Expense	Ending	Book Net Book Value	COR Rate	COR Depr
1 Distribution Mains	5,350,289	3.10%	(82,929)	(165,859)	(248,788)	5,101,501	0.01%	$ (535)
2 Transmission Mains	147,311	2.33%	(1,716)	(3,432)	(5,148)	142,163	0.02%	(29)
3 Services	568,050	2.69%	(7,640)	(15,281)	(22,921)	545,129	0.42%	(2,386)
4 Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	253,736	various	(1,476)	(2,950)	(4,426)	249,310	0.00%	-
	6,319,386		(93,761)	(187,522)	(281,283)	6,038,103		$ (2,950)

	Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	0% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 2	Tax Depreciation Reserve Beginning	Tax Expense	Bonus Depr	MACRS Depr	Ending	Tax Net Book Value
7 Distribution Mains	5,350,289	74.5%	(3,983,290)	1,366,999	-	**1,366,999**	15	9.500%	**(4,051,640)**		-	(129,865)	**(4,181,505)**	1,168,784
8 Transmission Mains	147,311	0.0%	-	147,311	-	**147,311**	15	9.500%	**(7,366)**	-	-	(13,995)	**(21,361)**	125,950
9 Services	568,050	100.0%	(568,050)	-	-	-	20	7.219%	**(568,050)**		-	-	**(568,050)**	-
10 Gathering Lines	-	0.0%	-	-	-	-	7	24.490%	-	-	-	-	-	-
11 Storage Lines	-	0.0%	-	-	-	-	15	9.500%	-	-	-	-	-	-
12 Cost of Removal	253,736	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA
	6,319,386		(4,551,340)	1,514,310	-	**1,514,310**			**(4,627,056)**	-	-	(143,860)	**(4,770,916)**	1,294,734

	Net Book Value Book	Tax	Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	5,101,501	1,168,784	(3,932,717)	24.95%	(981,213)
14 Transmission Mains	142,163	125,950	(16,213)	24.95%	(4,045)
15 Services	545,129	-	(545,129)	24.95%	(136,010)
16 Gathering Lines	-	-	-	24.95%	-
17 Storage Lines	-	-	-	24.95%	-
18 Cost of Removal	249,310	NA	(249,310)	24.95%	(62,203)
	6,038,103	1,294,734	(4,743,369)		(1,183,471)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

Calendar Year 2022
PRP Worksheet

		2022 Investment	Book Depr Year 1 (A)	Book Depreciation Reserve: Beginning	Book Depreciation Reserve: Depreciation Expense (B)	Book Depreciation Reserve: Ending	Book Net Book Value	COR Rate	COR Depr
1	Distribution Mains	4,281,077	3.10%	-	(66,357)	(66,357)	4,214,720	0.01%	$ (214)
2	Transmission Mains	1,654,300	2.33%	-	(19,273)	(19,273)	1,635,027	0.02%	(165)
3	Services	375,695	2.69%	-	(5,053)	(5,053)	370,642	0.42%	(789)
4	Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5	Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6	Cost of Removal	253,736	various	-	(1,168)	(1,168)	252,568	0.00%	-
		6,564,808		-	(91,851)	(91,851)	6,472,957		$ (1,168)

		Book Investment	Qualifying Tax Expense Percentage	Tax Expense	Tax Additions	0% Bonus Depreciation	Depreciable Base	Tax Life	MACRS YEAR 1	Tax Depreciation Reserve: Beginning	Tax Depreciation Reserve: Tax Expense	Tax Depreciation Reserve: Bonus Depr	Tax Depreciation Reserve: MACRS Depr	Tax Depreciation Reserve: Ending	Tax Net Book Value
7	Distribution Mains	4,281,077	74.5%	(3,187,262)	1,093,815	-	**1,093,815**	15	5.000%	-	(3,187,262)	-	(54,691)	**(3,241,953)**	1,039,124
8	Transmission Mains	1,654,300	0.0%	-	1,654,300	-	**1,654,300**	15	5.000%	-	-	-	(82,715)	**(82,715)**	1,571,585
9	Services	375,695	100.0%	(375,695)	-	-	**-**	20	3.750%	-	(375,695)	-	-	**(375,695)**	-
10	Gathering Lines	-	0.0%	-	-	-	**-**	7	14.286%	-	-	-	-	**-**	-
11	Storage Lines	-	0.0%	-	-	-	**-**	15	5.000%	-	-	-	-	**-**	-
12	Cost of Removal	253,736	NA	-	-	-	**-**	NA	NA	-	-	-	-	**-**	NA
		6,564,808		(3,562,957)	2,748,115	-	**2,748,115**			**-**	(3,562,957)	-	######	**(3,700,363)**	2,610,709

		Net Book Value: Book	Net Book Value: Tax	Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
13	Distribution Mains	4,214,720	1,039,124	(3,175,596)	24.95%	(792,311)
14	Transmission Mains	1,635,027	1,571,585	(63,442)	24.95%	(15,829)
15	Services	370,642	-	(370,642)	24.95%	(92,475)
16	Gathering Lines	-	-	-	24.95%	-
17	Storage Lines	-	-	-	24.95%	-
18	Cost of Removal	252,568	NA	(252,568)	24.95%	(63,016)
		6,472,957	2,610,709	(3,862,248)		(963,631)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.
B Year 1 for PRP assets assumes a half year of depreciation expense.

Delta Natural Gas Company, Inc.
Cost of Service Impact from PRP

Schedule III

Increased depreciation expense (Schedule II)

2010	$	29,643
2011	$	39,770
2012	$	90,827
2013	$	68,191
2014	$	52,186
2015	$	43,721
2016	$	85,321
2017	$	66,719
2018	$	102,588
2019	$	179,629
2020	$	178,669
2021	$	187,522
2022	$	91,851
	$	1,216,637

Operating expense reductions

Maintenance of Transmission and Distribution Mains, per Case 2010-0116	$	76,450
Current Year Actual Expense		85,990
Decrease in Operating Expense	$	-

Increased property tax expense

A December 31, 2021 Net Book Value, PSC Report Page 110		163,016,804
2022 Property Tax Expense		3,166,308
Average ad valorem tax rate		1.942%
PRP Net Book Value		42,276,961
PRP Property Tax	$	821,154

Total increased cost of service	**$**	**2,037,791**

A Property tax expense for current year is based on plant balances at the end of the prior year

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
7	14.286%	24.490%	17.492%	12.495%	8.925%	8.925%	8.925%	4.462%														100.000%
15	5.000%	9.500%	8.550%	7.695%	6.925%	6.233%	5.905%	5.905%	5.905%	5.905%	5.905%	5.905%	5.905%	5.905%	5.905%	2.952%						100.000%
20	3.750%	7.219%	6.677%	6.177%	5.713%	5.285%	4.888%	4.522%	4.462%	4.461%	4.462%	4.461%	4.462%	4.461%	4.462%	4.461%	4.462%	4.461%	4.462%	4.461%	2.231%	100.000%

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4. Refer to the Direct Testimony of John B. Brown, (Brown Testimony) page 8, line 19. Mr. Brown states that Delta's O&M expenses have increased 18 percent since the last base rate case. Explain how much of this increase can be attributed to an increase in 811 tickets.

Response:

For 2009, the test year in Delta's last base rate case, we have records supporting receiving 6,971 locate requests for the entire year.

In 2020, there were 25,591 requests.

Recent data (June and July 2021) shows that we spent 11,200 hours performing 6,282 locates, for an average of 1.78 hours per locate.

Number of locates have increased by 18,620 per year (25,591-6,971) since 2009. 18,620 x 1.78 hours equals 33,144 hours. 33,144 hours times a loaded wage with benefits of $45 equals nearly $1.5 million of annual increase since 2009.

Sponsoring Witness: Jonathan Morphew

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5. Refer to the Brown Testimony, page 17, lines 18-21,

a. Provide a detailed breakdown of the projected $18.8 million in capital expenditures.

b. Provide a detailed breakdown of the projected $17.6 million in capital expenditures.

c. Provide a detailed breakdown of the capital costs associated with the PRP in the base and forecasted test year.

Response:

a. See attached for a detail of the $18,967,103 of capital expenditures assumed for 2021 in the calculation of the revenue requirement for this case. The $18.8 million referred to above should have been shown as a rounded $19.0 million in Brown Testimony.

b. See attached.

c. See attached.

Sponsoring Witness: John B. Brown and Jonathan Morphew

Delta and PKY Projected 2021-2022 Capital Expenditures and Pipe Replacement Program 9/3/2021

Budget ID	Company Code	2020 Capital Actual_Description	Mark #	Preparer	Description	Budget Category	2021 Total	2021 PRP	2022 Total	2022 PRP
DCC	1600	Laboratory Equipment	3950	CARTWRIGHT	Laboratory Equipment	Other General	7,563		-	
IT	1600	Computer Hardware	3030	TURPIN	Misc Intangible Plant (Software)	IT Projects	2,702,549		1,092,121	
IT	1600	Computer Hardware	3912	TURPIN	Computer Hardware	Cybersecurity & IT Infrastructure	included above		1,019,020	
IT	1600	Communication Equipm	3970	STEELE	Communication Equipment-Telecom	Telecom	2,000		851,120	
IT	1600	Computerized Office	3991	STEELE	Computerized Office Equipment (Service Desk)	Telecom	2,000		185,000	
JBB	1600	General Structures a	3900	STEELE	General Structures and Improvements	Facilities	443,757		410,000	
JBB	1600	Office Furniture and	3910	STEELE	Office Furniture and Equipment	Facilities	40,000		75,200	
JBB	1600	Transportation Equip	3920	STEELE	Transportation Equipment	Fleet	1,087,454		595,652	
JBB	1600	Contingency	3999	BROWN	Contingency	Other General	-		-	
JWM	1600	Well Equipment	3310	SHELLEY	Enpro Well Equipment (zero because non-reg)	Other General	-		-	
JWM	1600	Gathering Lines	3320	SHELLEY	Gathering Lines	Production Line Replacement	-		42,000	
JWM	1600	Gathering Compressor	3330	SHELLEY	Gathering Compressor Station Equipment	P&G Comp Stat - Install/Maint	12,349		40,000	
JWM	1600	Gathering Measuring	3340	SHELLEY	Gathering Measuring and Regulating Station Equip	Production M&R	2,648		20,000	
JWM	1600	Storage Wells	3520	SHELLEY	Storage Wells	Storage Wells	10,800		10,000	
JWM	1600	Storage Lines	3530	SHELLEY	Storage Lines	Storage Line Replacement	-		10,500	
JWM	1600	Storage Compressor S	3540	SHELLEY	Storage Compressor Station Equipment	T&S Comp Stat- Install/Maint	46,581		60,000	
JWM	1600	Storage Measuring an	3550	SHELLEY	Storage Measuring and Regulating Equipment	Transmission and Storage M&R	-		10,000	
JWM	1600	Purification Equipme	3560	SHELLEY	Purification Equipment	Other General	100,000		25,000	
JWM	1600	Transmission Rights	3650	NELLIPOWITZ	Transmission Rights of Way	Transmission Line Replacement	29,806		1,755,299	
JWM	1600	Transmission Structu	3660	SHELLEY	Transmission Structures and Improvements	Facilities	-		-	
JWM	1600	Transmission Mains	3670	SHELLEY	Transmission Mains	Transmission Line Replacement	996,344	147,311	1,744,100	1,654,300
JWM	1600	Transmission Compres	3680	SHELLEY	Transmission Compressor Station Equipment	T&S Comp Stat- Install/Maint	288,000		20,000	
JWM	1600	Transmission Measuri	3690	SHELLEY	Transmission Measuring and Regulating Equip	Transmission and Storage M&R	2,128,200		35,000	
JWM	1600	Transmission Other E	3710	BEE	Transmission Other Equipment (Telemetering)	Transmission and Storage M&R	-		5,000	
JWM	1600	Distribution Land an	3740	NELLIPOWITZ	Distribution Land and Right of Way	Distribution Line Replacement	3,000		5,000	
JWM	1600	Distribution Structu	3750	SWAFFORD	Distribution Structures and Improvements	Facilities	5,000		5,000	
JWM	1600	Distribution Mains	3760	MILLER	Distribution Mains	Distribution Line Replacement	6,119,485	5,350,289	6,400,000	4,281,077
JWM	1600	Distribution General	3780	BEE	Distribution General Regulator Stations	Distribution M&R	40,210		50,000	
JWM	1600	Distribution City Ga	3790	BEE	Distribution City Gate Regulator Stations	Distribution M&R	-		25,000	
JWM	1600	Distribution Service	3800	MILLER	Distribution Services	Distribution Services = Rep Main to Curb	1,519,246	568,050	1,440,000	375,695
JWM	1600	Distribution Meters	3810	BEE	Distribution Meters	Meter Purchases	450,001		500,000	
JWM	1600	Distribution Meter a	3820	BEE	Distribution Meter and Regulator Installations	Meter Purchases	204,000		300,000	
JWM	1600	Distribution Regulat	3830	BEE	Distribution Regulators	Distribution M&R	150,800		179,300	
JWM	1600	Distribution Industr	3850	BEE	Distribution Industrial Meter Set	New Meter Installations - Industrial	9,257		125,000	
JWM	1600	Tools	3940	MILLER	Tools	Tools & Work Equipment	65,600		30,000	
JWM	1600	Power Operated Equip	3960	MILLER	Power Operated Equipment	Fleet	2,261,577		250,000	
JWM	1300	METERS	3810	BEE	Distribution Meters	Meter Purchases	75,000		75,000	
JWM	1300	NEW METER INSTALL:	3820	BEE	Distribution Meter and Regulator Installations	Meter Purchases	125,000		125,000	
IT	1300	Computer Hardware	3030	TURPIN	Misc Intangible Plant (Software)	IT Projects	4,000		50,638	
IT	1300	Computer Hardware	3912	TURPIN	Computer Hardware	Cybersecurity & IT Infrastructure	21,449		26,711	
IT	1300	Communication Equipm	3970	STEELE	Communication Equipment-Telecom	Telecom	13,428		9,672	
IT	1300	Computerized Office	3991	STEELE	Computerized Office Equipment (Service Desk)	Telecom	-		10,901	
						Total Capital Exenditures	**18,967,103**	**6,065,650**	**17,612,234**	**6,311,072**
						Cost of Removal		253,736		253,736
						Total PRP		**6,319,386**		**6,564,808**
						Total PRP, 2020		5,998,720		
						Estimate Base Period PRP (3/8 2020, 5/8 2021)		**6,199,136**		

Plant 12/31/20		
Total Utility Plant	271,901,599	Confirmed with books
Cushion Gas	4,208,069	Confirmed with books
ARO	(60,974)	
Plant 12/31/20	276,048,694	Confirmed with model
Additions	18,967,102	Confirmed with model
Retirements	(1,539,786)	Confirmed with model
	293,476,010	Confirmed with model

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6. Refer to the Direct Testimony of Jonathan Morphew (Morphew Testimony), page 7, lines 12–21.

a. Provide the location and amount of Geographic Information System (GIS) system plant and expenses included in Delta's base and forecasted test periods.

b. Explain the process by which Delta determined that the GIS system was appropriate and necessary for Delta.

Response:

a. The first phase of the Geographic Information System project was to install ESRI Enterprise at the cost of $81,672 as reflected on page 4 of the response to AG1-78. The next phase of project had accumulated $35,094 of charges as of June 30, 2021 as shown under "SW Ramtech Mobile Maps" on page 5 of the response to AG1-77. As an update, $47,019 was expended YTD through August 31, 2021. Total expected expenditures for the Geographic Information System in 2021 are $62,000, included in the total expected software expenditures for 2021 of $2,000,000, shown in the response to question 5(a) in this request. $8,500 is included in the 2022 budget under "GIS Migration to Utility Data Model" on page 7 of the response to AG1-77.

   In summary, the base year would have begun with $81,672 in plant. The $47,019 of additions through August 31, 2021 yielded a total at the end of the base period of $128,691. The forecasted test year will begin with approximately $143,700. The approximately $8,500 of additions for 2022 will yield a total at the end of the forecasted test period of approximately $152,200.

   The only ongoing maintenance expense for the mapping system for Delta is an allocated portion of PNG's annual ESRI maintenance charge. Delta's portion is approximately $3,700/year and it is included in the overall software maintenance allocation from PNG to Delta each month.

b. Delta was fully aware of the limitations of its CAD and paper-based mapping system, such as the cost and time to print and distribute paper map books to field employees and the fact that map books are only updated quarterly. After being acquired by PNG, Delta was able to observe firsthand the benefits and advantages of an electronic map viewing system based on true GIS technology. Furthermore, since an ESRI GIS and Mobile Map application had

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already been developed and implemented by PNG, Delta had the opportunity to leverage that previous work and extend this platform to its operations at a significantly lower cost than if it had to be built from scratch. That made it easier to justify moving forward with the implementation.

The new GIS & Mobile Map system will improve safety, productivity, and efficiency by improving the timeliness and accessibility to Delta's pipeline and other field asset locations and data by all field employees. The Mobile Map will provide enhanced map viewing functionality such as search capability, layering, color coding, aerial photography views, distance calculation, GPS coordinates, etc. that is not available via paper map books. The initial version of the Mobile Map will be view-only to field personnel, but it has the future potential to be used as a platform to capture data entered in the field. For example, PNG's version of the Mobile Map is used to record the location of leaks and enter leak sketches, along with other data entry features. Final recordation of any changes made by field personnel are performed by Engineering Department personnel.

Sponsoring Witness: John B. Brown

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7. Refer to the Morphew Testimony, page 10, line 10 and the Application, Schedules B and C. Explain whether any costs associated with the proposed Nicholasville pipeline are included in Delta's forecasted test period rate base. If so, provide the location and amounts.

Response:

The $1,750,299 of budgeted costs for the right-of-way acquisition of the entire Nicholasville Project in 2022 referred to in the response to PSC-2 #15b are the only costs associated with the proposed Nicholasville pipeline included in Delta's forecasted test period rate base.

The $1,750,299 is included in the line item Mark #3650 Transmission Rights of Way totaling $1,755,299 for 2022 in the response to 5b in this request. This line item rolls up to the column total of $17,612,234 which appears in the Filing Requirements as Tab 55 page 3 of 12 in the "Check" total of the 2022 budget. The average of these 2022 monthly budgeted capital additions are included in rate base.

Sponsoring Witness: John B. Brown / Jonathan Morphew

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8. Refer to the Direct Testimony of William Steven Seelye, Exhibit WSS-7, page 9, Table 1.

a. For each plant account, provide the resulting depreciation rates excluding net salvage.

b. For each plant account, explain whether Delta generally replaced removed assets or removes them from service without replacement.

c. For each plant account that is generally replaced, explain whether net salvage could be capitalized with installation costs for replacement pipe and recovered through depreciation of the replacement assets.

Response:

a. See below. Ignoring net salvage is not consistent with the determination of Delta's depreciation rates in the past or with the determination of the depreciation rates of other utilities in Kentucky.

Account	Description	Depreciation Rates Without Net Salvage
367	TRANSMISSION MAINS	2.82%
368	COMPRESSOR STATION EQUIPMENT	3.16%
369	MEASURING & REG STAT EQUIPMENT	3.33%
376	DISTRIBUTION MAINS	3.05%
378	MEAS & REG STAT - GENERAL	2.87%
380	SERVICES	2.22%
381	METERS	2.86%
382	METER & REGULATOR INSTALLATION	3.57%
383	HOUSE REGULATORS	4.08%
385	INDUSTRIAL METER SETS	2.64%

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b. For all accounts, Delta generally replaces removed assets with new plant. The only exception would be if customers are no longer being served from the Delta facilities.

c. Yes. The approach identified in the question is often used for Asset Retirement Obligations (AROs) and for large discrete investments such as power plants for electric utilities. However, the approach identified in the question is not standard practice for electric or gas transmission and distribution assets. Mr. Seelye is unaware of the approach ever being used for electric or gas transmission and distribution assets, other than possibly AROs.

Sponsoring Witness: William Steven Seelye

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9. Refer to Delta's Response to Staff's Second Request for Information (Staff's Second Request), Item 15a. In response to Staff asking why Delta did not defer the CPCN request until more information was available, Delta responded that it did not want to incur significant engineering and acquisition costs prior to Commission review and approval. Refer to the final Order in Case No. 2020-00174, page 80.[2] There, the Commission found that the proposed CPCN should be denied due to the lack of adequate support for either the costs of its proposal or the alternative, and found that Kentucky Power did not provide sufficient evidence that the proposal was the most reasonable, least-cost alternative. Provide supporting documentation that allows for the Commission's standard of review based upon KRS 278.020(1) supporting a need for such facilities and an absence of wasteful duplication.

Response:

Delta believes that it has provided sufficient information for the Commission to review, consistent with KRS 278.020(1), Delta's need to construct a natural gas pipeline to support the Nicholasville system, as well as evidence that constructing the pipeline will not result in wasteful duplication.

Beginning with need, the construction of the pipeline is critical for both reliability and capacity. Starting with reliability, more than 9,000 Delta customers are presently served from one transmission line. There is no other area in Delta's service area in which so many customers are dependent on a single transmission line. The existing transmission line lies in predominantly rural areas and includes a river crossing. Should there be a catastrophic failure on Delta's single line feeding the system, gas deliveries will be stopped completely. Second, Delta needs to increase the capacity on the north side of its system to maintain sufficient volume and pressure if there is to be growth in this area.

[2] Case No. 2020-00174 *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief* (Ky. PSC Jan. 15, 2021).

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Although Delta has not bid the project, it has provided ample information, including the current planned route for the pipeline. While minor deviations may occur once surveying and field testing are complete, the route presents Delta's plans with respect to the terminal points for the pipeline. The pipeline will be 8-inches in diameter and constructed with steel.

Delta has also considered other alternatives to constructing the proposed pipeline, which include a connection with either Louisville Gas and Electric Company or Columbia Gas of Kentucky. As explained in response to Item No. 18 of the PSC's Second Request for Information, both Columbia Gas of Kentucky and Louisville Gas and Electric cited the inability of their systems to meet some or all of Delta's projected supply and pressure needs in addition to the estimated growth on their systems. These are the only two utilities, other than the interstate pipeline to which Delta plans to connect, with natural gas supply in the area.

Once it became apparent that the only feasible alternative is the construction of a pipeline that interconnects with the interstate pipeline, Delta developed the shortest route between the terminal points to minimize the cost of the pipeline. Delta has provided a detailed cost approximation for the project. Delta does not believe it is prudent to acquire property for this pipeline before the Commission has made a determination regarding the requested CPCN.

In summary, Delta has provided: (1) the need for the pipeline; (2) other alternatives it considered; (3) route map; and (4) detailed cost estimates. A decision regarding the CPCN is important so that Delta can begin acquiring the necessary easements.

Sponsoring Witness: Jonathan Morphew

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10. Refer to Delta's Response to Staff's Second Request, Item 44. Provide the attached regression analysis in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response:

See attached spreadsheet.

Sponsoring Witness: William Steven Seelye

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11. Refer to Delta's Response to Staff's Second Request, Item 45. Mr. Seelye states that the decision to increase the Residential class one percentage point above the Small Non-Residential and Large Non-Residential classes was to reduce the subsidies between the rate classes. Explain how the allocation of the proposed increase was determined for the Small Non-Residential and Large Non-Residential classes.

Response:

In spreading the revenue increase to the rate classes, the first step utilized by Delta reflected the decision not to increase rates to the Interruptible Service class due to its high rate of return. The second step was to determine the level of the increase for the Special Contracts and Off-System Transportation classes. Both of those classes had very low rates of return but increasing the rates for those classes were constrained by market forces. The increases for those two classes were based on the carefully considered view that the rates could not be fully adjusted to reflect cost of service without losing customers to competitors. The loss of revenues from those classes would adversely impact Delta's other remaining customers by spreading fixed costs over lower sales and transportation volumes.

Once those increases were determined, the increases for the remaining classes were determined to meet the goal that the Residential Class would have an increase of approximately 1% greater than the Small Non-Residential and Large Non-Residential Classes while yielding the total revenue that Delta is requesting in this case. In other words, the percent increase to Small Non-Residential and Large Non-Residential were determined based on what was required to achieve the overall increase, given that the increase for the Interruptible Class, Special Contract Class, and Off-System Transportation Class had been determined based on approaches described above.

With respect to the Small Non-Residential and Large Non-Residential Classes, the revenue increase was allocated so that rates of return at the proposed rates for these two classes from the cost-of-service study were approximately equal, to the extent practicable. This can be seen from Table 2 of the Direct Testimony of William Steven Seelye. In that table, the proposed rate of return for Small Non-Residential is 10.98% and the rate of return for Large Non-Residential is 11.38%. The rates for these two rate classes were determined so that the proposed rates of return would be approximately equal, to the extent practicable. Smaller increases for these two rate classes could not be made without either increasing rates to the Residential class or other schedules.

Sponsoring Witness: William Steven Seelye

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12. Refer to Delta's Response to Staff's Second Request, Item 47. Mr. Seelye states that the volume of gas transported by the Off-system Transportation class is dependent on how competitive Delta's transportation rates are compared with alternative services to transport the gas, so there is a limit to what the market will bear before customers choose to transport their gas through resources other than Delta.

a. For each of Delta's industrial and transportation customers, explain how close that customer is to the nearest competing pipeline in order to bypass Delta. Provide the supporting map.

b. For each customer identified above, provide the limit or break even analysis and rates at which the customer will to choose to transport their gas through resources other than Delta. Include the supporting analysis.

Response:

a. "PSC 3-12(a)--CONFIDENTIAL.pdf" attached hereto identifies customers served by Delta which represent potential by-pass threats. The distance for each customer is shown on the map provided in "PSC 3-12(b)--CONFIDENTIAL.pdf". The attachment is confidential and is being provided pursuant to a petition for confidential protection.

b. Any limit or break-even analysis for a by-pass threat would be performed by the customer, not Delta. Delta has insufficient information to evaluate the cost that would be incurred by the customer to by-pass Delta, including any discounts or subsidies that would be provided by alternative gas suppliers to evaluate the customers' limits or break-even points that would induce the customers to by-pass Delta. For instance, an alternative gas supplier could fund some or all of the by-pass cost to provide service to the customer.

Sponsoring Witness: William Steve Seelye and Jonathan Morphew

ATTACHMENTS TO DELTA_R_PSCDR3_NUM012_090821 FILED UNDER SEAL PURSUANT TO THE PETITION FOR CONFIDENTIAL TREATMENT FILED ON SEPTEMBER 8, 2021

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13. Refer to Delta's Response to Staff's Second Request, Item 51. Regarding any over/under recovery for the balancing adjustment of the Pipeline Replacement Program (PRP). Explain if there will be any carrying charges associated with any over/under recovery and if so, what Delta proposes those charges to be.

Response:

Delta has not historically included the recovery or refund of carrying charges on the Pipeline Replacement Program (PRP) under/over recovery balances (i.e., balancing adjustments), and does not propose to include carrying charges on PRP balancing adjustments in this proceeding.

Sponsoring Witness: John Brown and William Steven Seelye

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14. Refer to Delta’s Response to Staff’s Second Request, Item 56. The Excel spreadsheet was not filed. File the responses in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response:

The Excel spreadsheet was filed with Delta’s response to Item 56 of Staff’s Second Request and was uploaded to the Commission’s case filing website for this proceeding on July 28, 2021, in the file labeled DELTA_R_PSCDR2_NUM056__ATT_072821.xlsx.

Sponsoring Witness: William Steven Seelye

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15. Refer to Delta's Response to Staff's Second Request, Item 3, regarding the change in ownership language in the farm tap section of the tariff.

a. Explain whether a new owner will be responsible for the overdue balance of the previous owner if the new owner has no affiliation with the previous owner.

b. Explain how Delta will know whether the new owner has any affiliation with the previous owner.

c. Confirm that Diversified Gas and Oil's tariff referenced in the response was allowed to go into effect through the tariff filing process and was not explicitly approved by Order of the Commission.

Response:

a. No, Delta's general policy is that overdue balances stay with the account rather than the premise. Therefore, a new owner is never responsible for the overdue balance of the previous owner if the new owner has no affiliation with the previous owner.

b. See subpart a. It is already part of Delta's standard protocol to determine affiliation with the previous owner when there is a requested change in account ownership.

c. Delta is unaware of the process by which the Commission approved Diversified Gas and Oil's tariff.

Sponsoring Witness: John B. Brown

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16. Refer to Delta's Response to Staff's Second Request, Item 4. Provide detailed cost support for the Request Test Charges.

Response:

See attached.

Sponsoring Witness: John B. Brown

		HOURLY RATE	METER TEST	
			HOURS	AMOUNT
I.	Field Expense			
	Labor (1) (2)	$ 36.02	1.5	$ 54.03
II.	Clerical & Office Expense (3)			
	Supplies/ postage			3.00
	Other charges - bank fees, etc.			
	Labor (4)	16.88	1.5	$ 25.32
III.	Miscellaneous Expense (5)			
	Transportation (6)	4.36	3	$ 13.09
	TOTAL EXPENSE			$ 95.44

(1) Labor hours are an average estimated by operations personnel
(2) Labor rate based on operations labor total annual salary, taxes and benefits as of 12/31/20
(3) Depreciation for office equipment not included
(4) Labor rate based on clerical labor total annual salary, taxes and benefits as of 12/31/20
(5) Depreciation for tools not included
(6) Average cost of transportation per hour worked

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17. Refer to Delta's Response to Staff's Second Request, Item 5a. Confirm that 807 KAR 5:022, Section 4(1)(a) applies to extensions of distribution mains and not service lines. If confirmed, explain why Delta treats the service line as an extension of the distribution main in regards to who is responsible for the cost of the service line from Delta's main to the customer's meter.

Response:

Delta does not agree with the interpretation of 807 KAR 5:022, Section 4(1)(a) included in the question. 807 KAR 5:022, Section 4(1)(a) states as follows:

> Section 4. Customer ***Service Line*** Extensions and Connections. (1) ***Extension of services***. (a) Normal extension. An extension of 100 feet or less shall be made by a utility ***to an existing distribution main*** without charge for a prospective customer who shall apply for and contract to use service for one (1) year or more and provides guarantee for the service. [Emphasis supplied.]

As shown above, there is nothing in Section 4(1)(a) that specifies that the cost of an extension would only include the cost of distribution mains. Specifically, the regulation states that an extension of 100 feet or less shall be made by a utility to an existing distribution main. The regulation does not state that such extensions would include only the extension of distribution mains.

Sponsoring Witness: William Steven Seelye

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18. Refer to Delta's Response to Staff's Second Request, Item 6. The Excel spreadsheet only contains the billing analysis for the base year. Provide the forecasted billing analysis in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response:

See attached.

Sponsoring Witness: William Steven Seelye

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19. Refer to Delta's Response to Staff's Second Request, Item 7. Explain what is contributing to the decline in return on equity (ROE) at present rates from 7.6 percent to 0.21 percent.

Response:

As illustrated on the attached comparative income statement, the decline in ROE is a combination of a decline in regulated income before income taxes and an increase in equity.

With respect to the $3,632,240 projected decline in regulated income before income taxes, updates provided through the discovery process decrease that projected decline by $890,958 to $2,733,282. The $890,958 of updates include the pension adjustment of $377,670 discussed in AG1-83b, the SERP adjustment of $237,779 discussed in AG1-59d, and the computer system conversion adjustment of $275,509 discussed in AG1-32n.

$1,861,095 of the updated decline of $2,733,282 resulted from an increase in depreciation expense due to 2021 and 2022 capital expenditures.

The $890,958 of updates mentioned above reduce the increase in Administrative & General expenses from $1,742,445 to $851,487. This remaining increase of $851,487 is primarily related to employee benefits and affiliate expense.

The $479,732 of increased net interest charges relate to the plan to convert short term debt to long term and increased capital expenditures.

The $219,375 increase in taxes other than income taxes represent increases in property taxes due to increased plant and increased payroll taxes.

These increases in expense are partially offset by $922,695 of projected increases in gross margins.

The increase in equity resulted from the forecasted capital structure of approximately 51% equity and 49% debt for the test year. As shown on Tab 32 of Delta's application, Delta's capital structure for the year ending 12/31/2021 is 50.45% equity, which is below the equity ratio for other regulated natural gas utilities in Kentucky. For the same time period, Louisville Gas and Electric Company's is approximately 53%[2], Columbia Gas of Kentucky Inc.'s[3] and Duke Energy Kentucky, Inc.'s is approximately 52%[4], and Atmos Energy Corporation's is 58%[5].

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[2] Case No. 2020-00350.
[3] Case No. 2021-00183.
[4] Case No. 2021-00190.
[5] Case No. 2021-00214.

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Sponsoring Witness: John B. Brown

Delta Natural Gas Company, Inc.
PSC-3 Question 19

		2020	2022 Forecast	(Favorable)/ Unfavorable	Percent Change
1	Operating Revenues				
2	Sales of Gas	(39,763,805)	(43,477,323)		
3	Other Operating Revenues	(5,428,814)	(5,836,979)		
4	Total Operating Revenues	(45,192,619)	(49,314,302)		
5					
6	Operating Expenses				
7	Gas Production	12,622,895	15,821,883		
8					
9	Gross Margin	(32,569,724)	(33,492,419)	(922,695)	2.8%
10					
11	Gas Storage	307,270	321,913	14,643	4.8%
12	Gas Transmission	3,740,838	3,753,382	12,544	0.3%
13	Gas Distribution	2,010,963	2,114,327	103,364	5.1%
14	Customer Accounts	1,539,326	1,468,463	(70,863)	-4.6%
15	Customer Service	394	592	198	50.3%
16	Sales	652	553	(99)	-15.2%
17	Administrative & General	6,073,543	7,815,988	1,742,445	28.7%
18	Maintenance	384,571	531,819	147,248	38.3%
19	Total Other Operating Expenses	14,057,557	16,007,037	1,949,480	13.9%
20					
21					
22	Depreciation	7,612,157	9,473,252	1,861,095	24.4%
23	Amortization & Depletion	384,525	429,778	45,253	11.8%
24	Taxes Other than Income Taxes	3,673,976	3,893,351	219,375	6.0%
25	Income Taxes	228,162	233,371	5,209	2.3%
26					
27					
28	Operating Income	(6,613,347)	(3,455,630)	3,157,717	
29					
30	Net Other Income and Deductions	(82,404)	552,801		
31					
32	Net Interest Charges	2,273,999	2,753,731	479,732	
33					
34	Net Income	(4,421,752)	(149,098)		
35					
36	Equity	57,987,605	71,903,674	13,916,069	
37					
38	Return on Equity	-7.6%	-0.21%		
39					
40	Regulated Income Before Income Taxes	(4,567,510)	(935,270)	3,632,240	-79.5%
41	Effective tax rate	24.95%	24.95%		
42	Regulated Income Taxes	1,139,594	233,350	(906,244)	-79.5%
43					
44	Regulated Net Income at Statutory Rate	(3,427,916)	(701,920)	2,725,996	-79.5%
45					
46	Regulated Return on Equity	-5.9%	-1.0%	4.9%	-83.5%

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20. Refer to Delta's Response to Staff's Second Request, Item 42. Explain if it is industry practice to determine the design day temperature as the average of the three coldest annual mean temperatures that have occurred during the last 30 years. If it is, provide support.

Response:

There is a wide range of practices for determining the design day in the gas utility industry. However, according to an American Gas Association (AGA) survey conducted for the 2014/2015 winter season, clearly the predominant methodology used by local gas distributors (LDCs) is to select a design day based on the lowest mean temperature in the most recent 30-year period. According to the AGA survey, twenty-two (22) LDCs used this approach.

At least one other LDC based its design day temperature on the average of the 3 highest mean temperatures. Other methodologies include: (1) the development of a design day based on a statistical analysis utilizing a generalized extreme value (GEV) distribution, (2) the lowest temperature in 65 years, (3) the lowest temperature in 20 years, (4) lowest temperature on record (which, for the LDC, occurred in 1933/34).

It should be noted that for gas supply planning purposes (planning pipeline capacity and planning gas supply purchases), Delta utilizes a design day of -8 F, which reflects the coldest temperature that occurred during the last 30 years. Therefore, a -8 F would have been a reasonable approach for use in the embedded cost of service study.

The following table shows the class rates of return from the cost of service study using a -3 F design day as filed compared to the class rates of return if a -8 F design day were utilized.

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Class Rates of Return At Current Rates		
Customer Class	**Class Rates of Return at (Based on -3 F)**	**Class Rates of Return at (Based on -8 F)**
Residential Service	1.14%	1.10%
Farm Tap Service	5.57%	5.57%
Small Non-Residential Service	4.92%	4.85%
Large Non-Residential Service	4.84%	4.46%
Interruptible Service	54.76%	58.37%
Special Contracts	-15.81%	-15.49%
Off-System Transportation Service	-3.89%	-3.03%
Total System	2.42%	2.42%

Although using -8 F as the design day would be a reasonable approach, using the lower temperature in the cost-of-service study would not have caused Mr. Seelye to recommend a different allocation of the revenue increase to the classes of service in this proceeding. Specifically, although using a -8 F design day would have resulted in a slightly lower rates of return for Residential Service, Small Non-Residential Service, and Large Non-Residential Service, Mr. Seelye would not have recommended allocating a larger percentage of the revenue increase to these rate classes had a -8 F design day been used in the cost of service study.

Sponsoring Witness: William Steven Seelye

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21. Refer to Delta's Response to Staff's Second Request, Item 58, pages 2 and 3 of 3.

a. Explain the Delta Light Pilot Charge and indicate whether it is included in Delta's current or proposed tariff.

b. Confirm that the charges listed for "Peoples Kentucky" were prior to Delta taking over the Peoples KY LLC (Peoples KY) gas system.

c. Other than the $25 Reconnection Charge, $25 Transfer Service Charge, and $150 Meter Install Charge, indicate whether Delta plans to continue to charge the other "PKY" charges listed in this response.

d. For any charges listed in the response to c. above, indicate the provision of Delta's proposed tariff that allows for them to be assessed.

e. Explain what was included in the $75 PKY Turn On Charge and indicate whether Delta will continue to assess this charge. If so, indicate the provision in the proposed tariff that would allow the assessment of this charge.

f. Explain why there are two separate rates listed as PKY Meter Install Charge.

g. Provide a breakdown of the $2,500 budgeted for April 2021 through August 2021 for Peoples KY.

Response:

a. As a courtesy, Delta will relight all gas appliances, at no charge to the customer, at the time of turn-on, meter rotation, or restoration of service. If a customer later requests assistance in relighting gas appliances not in conjunction with a turn-on, meter rotation or restoration of service, Delta charges the customer $35.00 per hour, with a minimum charge of one hour. Although this service is supplemental to utility service and is not a tariffed charge, the revenues from this activity have been included in this proceeding, which, from September 2020 through March 2021 were

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$1,750. If the Commission prefers that pilot lighting be included in the tariff, Delta will prepare a filing proposing same.

b. Confirmed. Staff's Second Request, Item 58, pages 2 and 3 of 3 provided detail from September 2020 to March 2021. The transaction between Delta and Peoples KY closed March 31, 2021.

c. Please refer to Tab 4 of Delta's Application, page 10. The proposed tariff lists the three special charges applicable to farm tap service, and also notes that "The special charges set forth herein are in addition to the special charges set forth elsewhere in the Tariff that likewise apply to customers taking Farm Tap Service." This is intended to make clear that other tariffed charges, such as Delta's bad check charge, will apply to farm tap customers.

d. Please see the response to subpart c.

e. Peoples Kentucky assessed a $74.00 deposit that was added to a customer's first bill. Delta has proposed that all customers, including former Peoples Kentucky customers, will be subject to Delta's tariffed terms regarding deposits, which are at Tab 4, Original Sheet No. 21-23.

f. Peoples KY assessed a $150.00 installation fee if a new customer requesting service required Peoples KY to install a new meter tap. If a new customer is requesting service at a vacant premise for which a tap has previously been installed, Peoples KY instead assessed a $25.00 reconnection fee to place a new meter. Delta's proposed tariff at Tab 4, Original Sheet No. 6.2, retains this practice.

g. The $2,500 was based on history. The actual charges for April 2021-August 2021 totaled $2,200. There were 7 $25 reconnection charges ($175), 9 $150 and 6 $25 turn on charges ($1,500), 3 $25 transfer service charges ($75) and 9 $50 meter install charges ($450).

Sponsoring Witness: John B. Brown

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22. Refer to Delta's response to the Attorney General's First Request for Information, Item 95c. Provide the wage and salary study for executive staff.

Response:

Please see the attachment provided in response to Attorney General's Second Request for Information, Item 45(a).

Sponsoring Witness: William C. Packer

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23. Provide Delta's succession planning document.

Response:

Delta provided the attached succession planning document to Mike Huwar, President, Peoples, and Rodney Short, Board Director, Delta, on September 22, 2020. The attachment is confidential and provided pursuant to a petition for confidential protection.

Sponsoring Witness: John B. Brown

ATTACHMENT TO DELTA_R_PSCDR3_NUM023_090821 FILED UNDER SEAL PURSUANT TO THE PETITION FOR CONFIDENTIAL TREATMENT FILED ON SEPTEMBER 8, 2021

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24. Provide the number of miles and locations for all high consequence area and medium consequence area segments identified as Aldyl-A pipe.

Response:

Delta has no knowledge of any Aldyl-A pipe within any of its high consequence or medium consequence areas.

Sponsoring Witness: Jonathan Morphew

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25. Provide the amount of pre and post 1973 Aldyl-A pipe in Delta's system in a map of where it is located on the system.

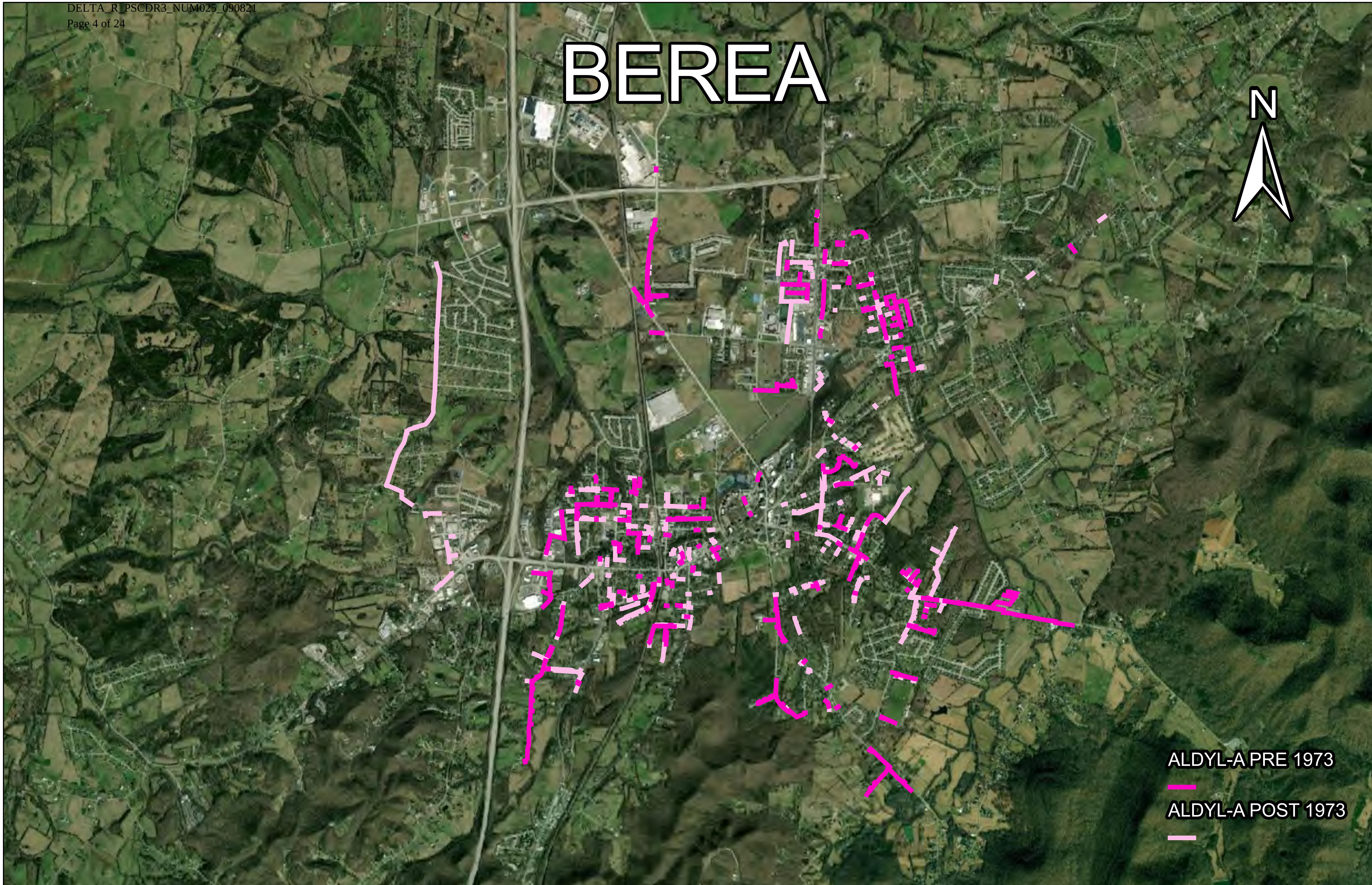
Response:

Please see the attachment for Delta's "1973 Aldyl-A Footages," for Delta's six operating areas and their associated communities that contain Aldyl-A piping. The attachment depicts pre-1973 and post-1973 quantities of Aldyl-A pipe in all six areas. Also provided are six maps corresponding to each of the six areas. Each map is color coded to clearly define the pre- and post 1973-piping, as well as the location of each.

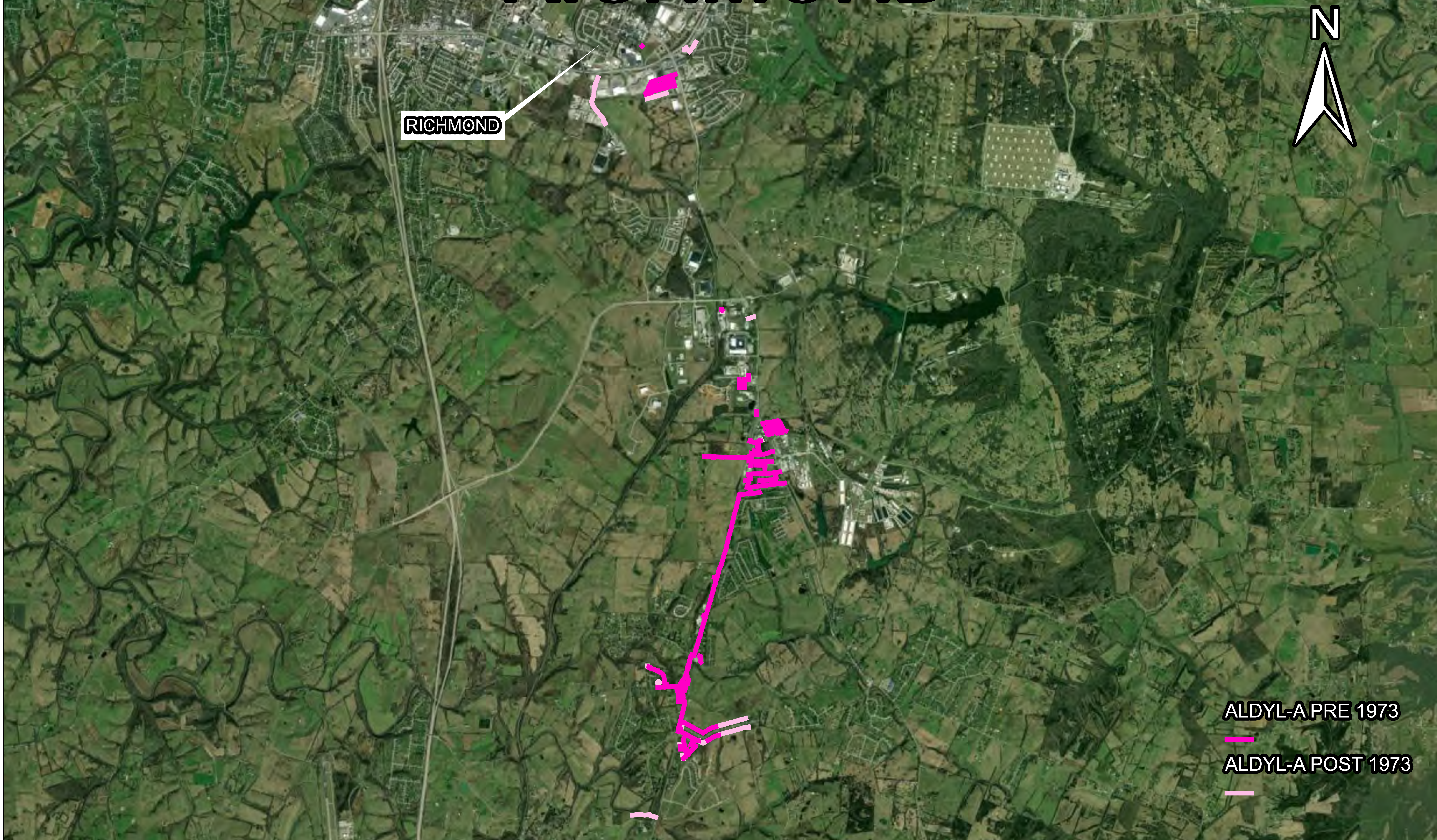
Sponsoring Witness: Jonathan Morphew

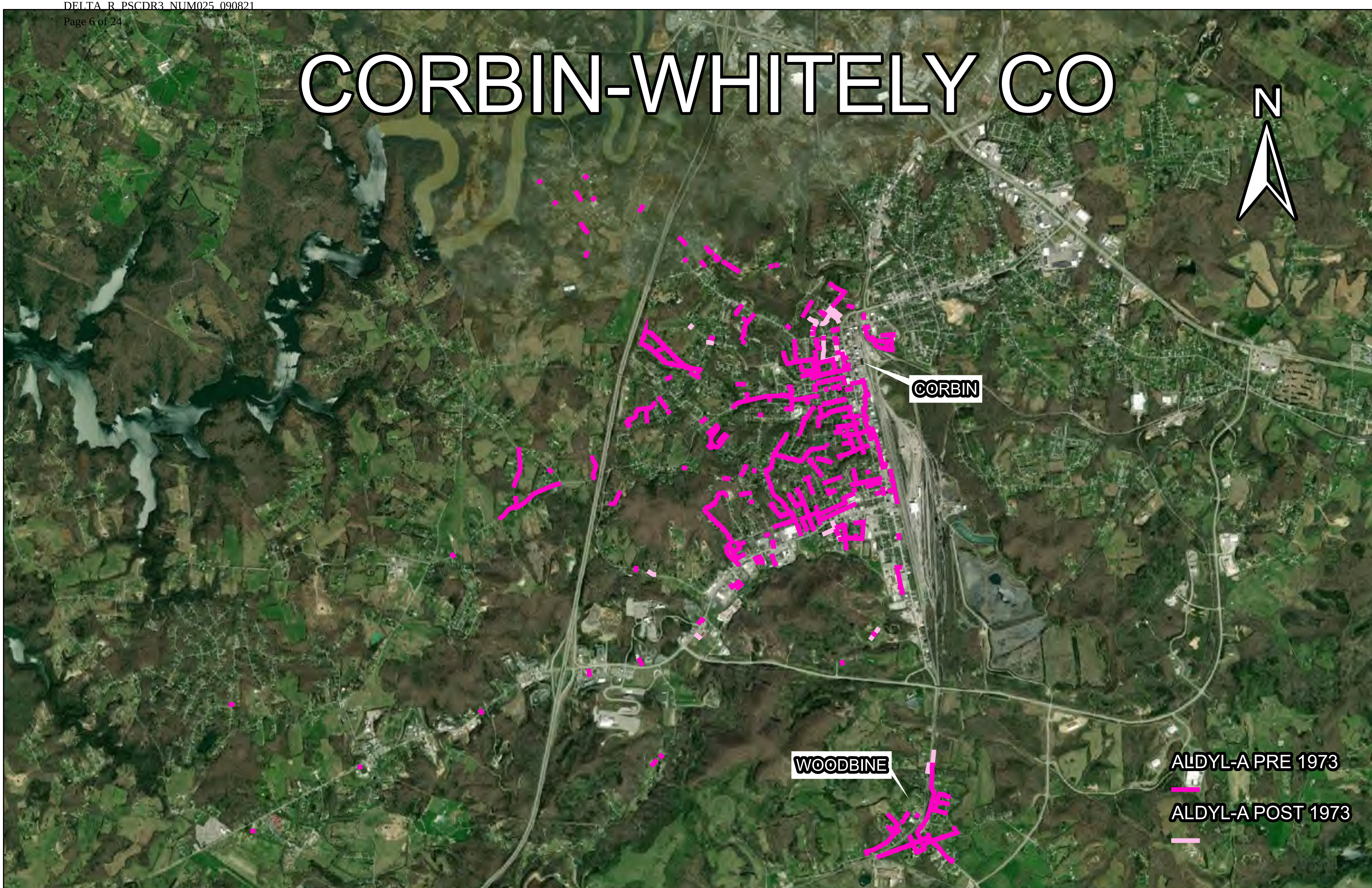
Shop Location	Material		Pre-1973 Footage	Post-1973 Footage
Owingsville	Aldyl-A		92,097	27,200
Berea	Aldyl-A		118,414	72,040
Nicholasville	Aldyl-A		44,207	31,503
Stanton	Aldyl-A		102,819	56,241
Corbin	Aldyl-A		944	17,352
Manchester	Aldyl-A		-	1,396
		Subtotal	**358,481**	**205,732**
		Total Footage Pre- & Post 1973	**564,213**	


KIRKSVILLE
N
ROUNDHILL
KIRKSVILLE
ALDYL-A PRE 1973
ALDYL-A POST 1973


BEREA
N
ALDYL-A PRE 1973
ALDYL-A POST 1973

RICHMOND




CORBIN-WHITELY CO
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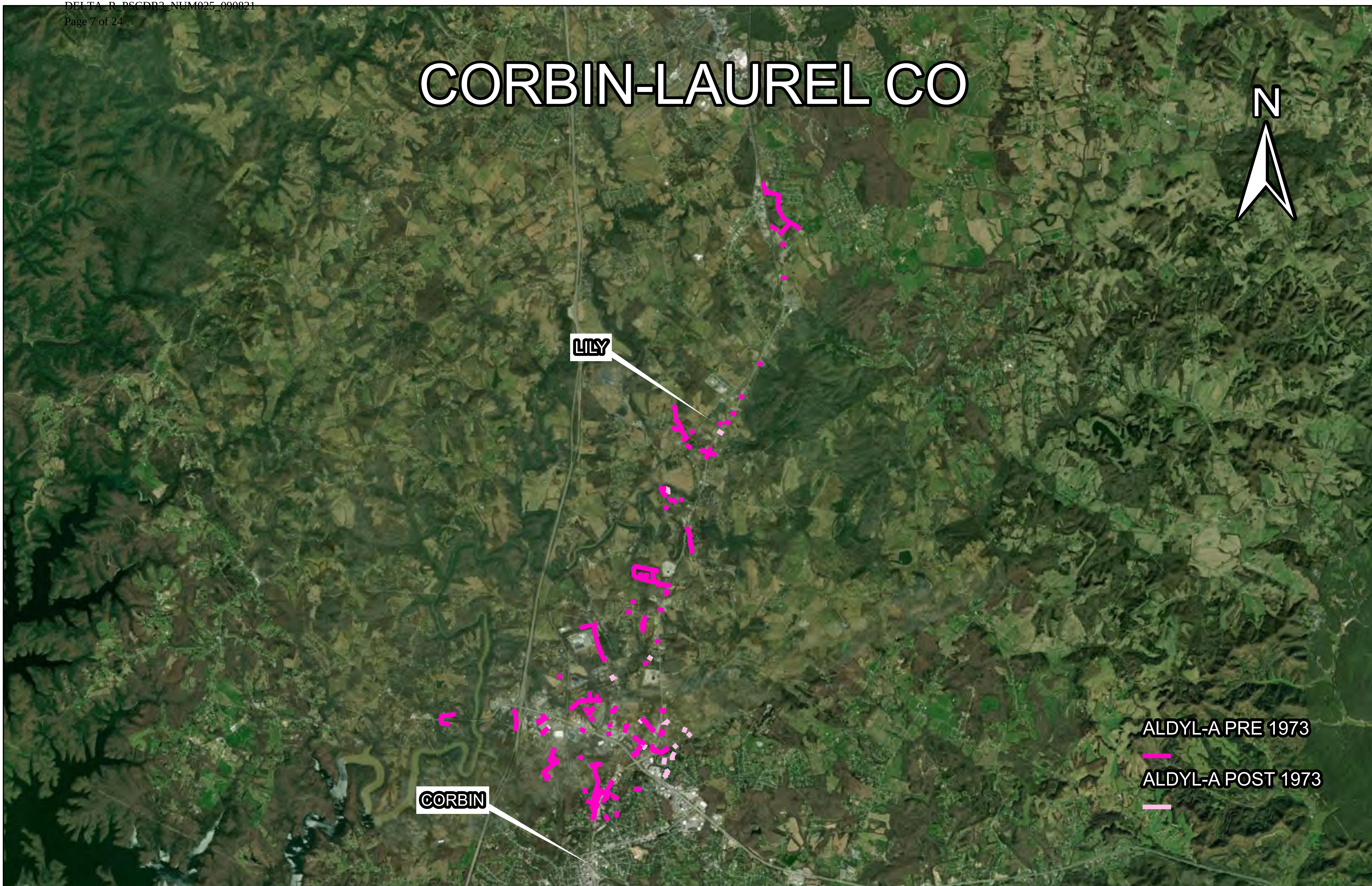
CORBIN
WOODBINE
ALDYL-A PRE 1973
ALDYL-A POST 1973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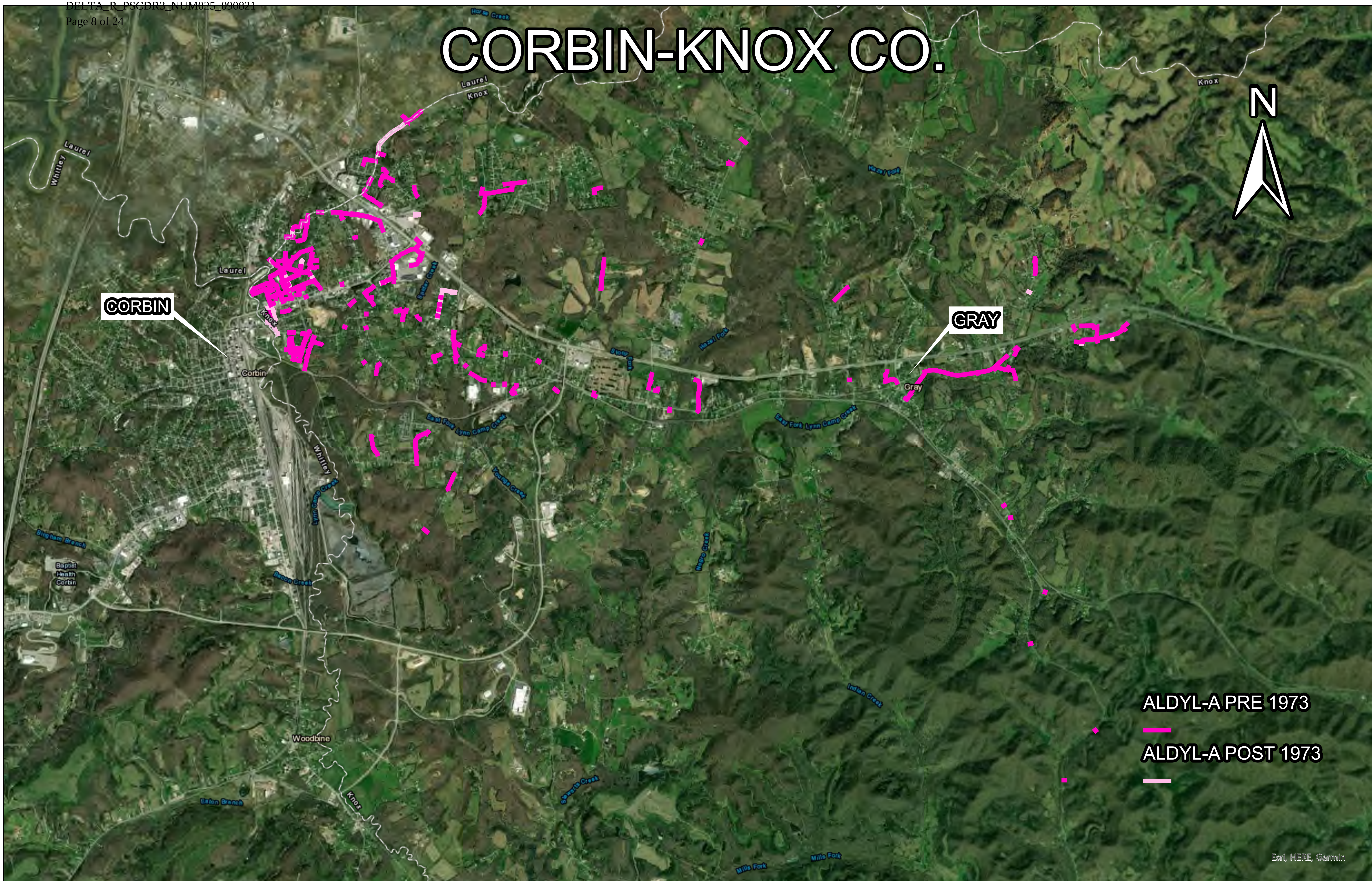
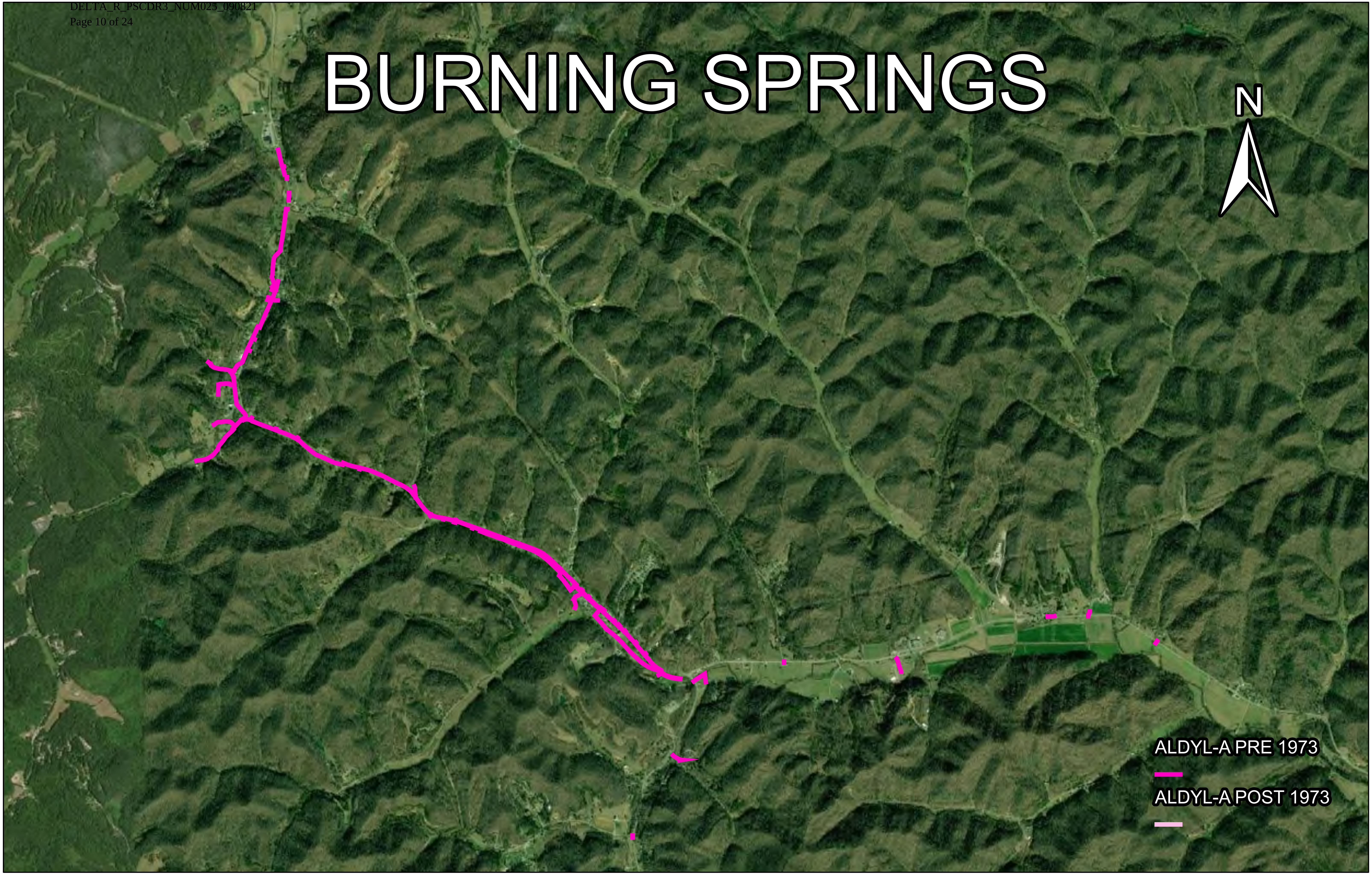
LILY
CORBIN
ALDYL-A PRE 1973
ALDYL-A POST 1973


CORBIN-KNOX CO.
N
CORBIN
GRAY
Corbin
Gray
Woodbine
Laurel
Knox
Whitley
Baptist
Health
Corbin
ALDYL-A PRE 1973
ALDYL-A POST 1973
Esri, HERE, Garmin


ANNVILLE
N
ALDYL-A PRE 1973
ALDYL-A POST 1973


BURNING SPRINGS
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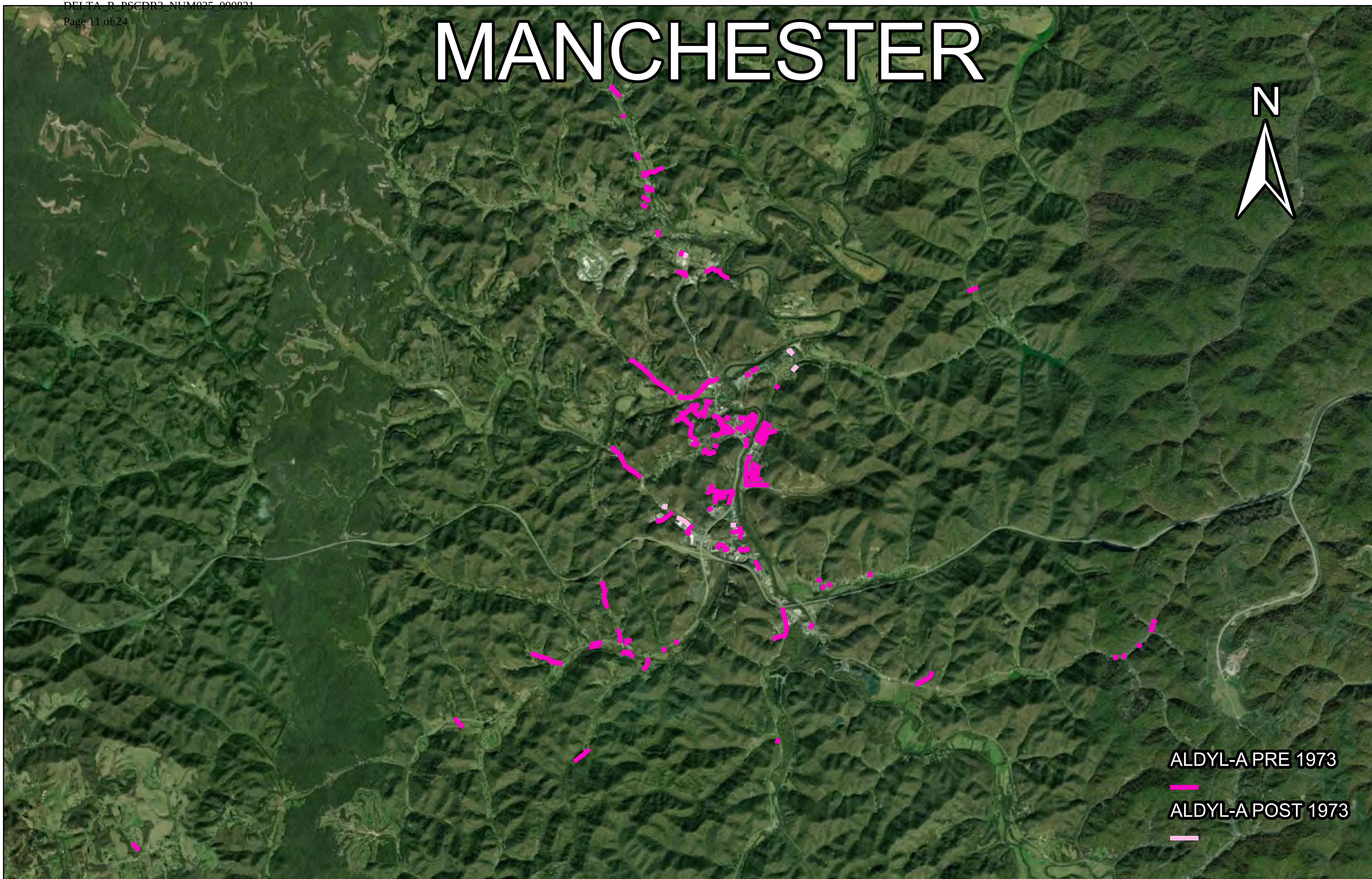
ALDYL-A PRE 1973
ALDYL-A POST 1973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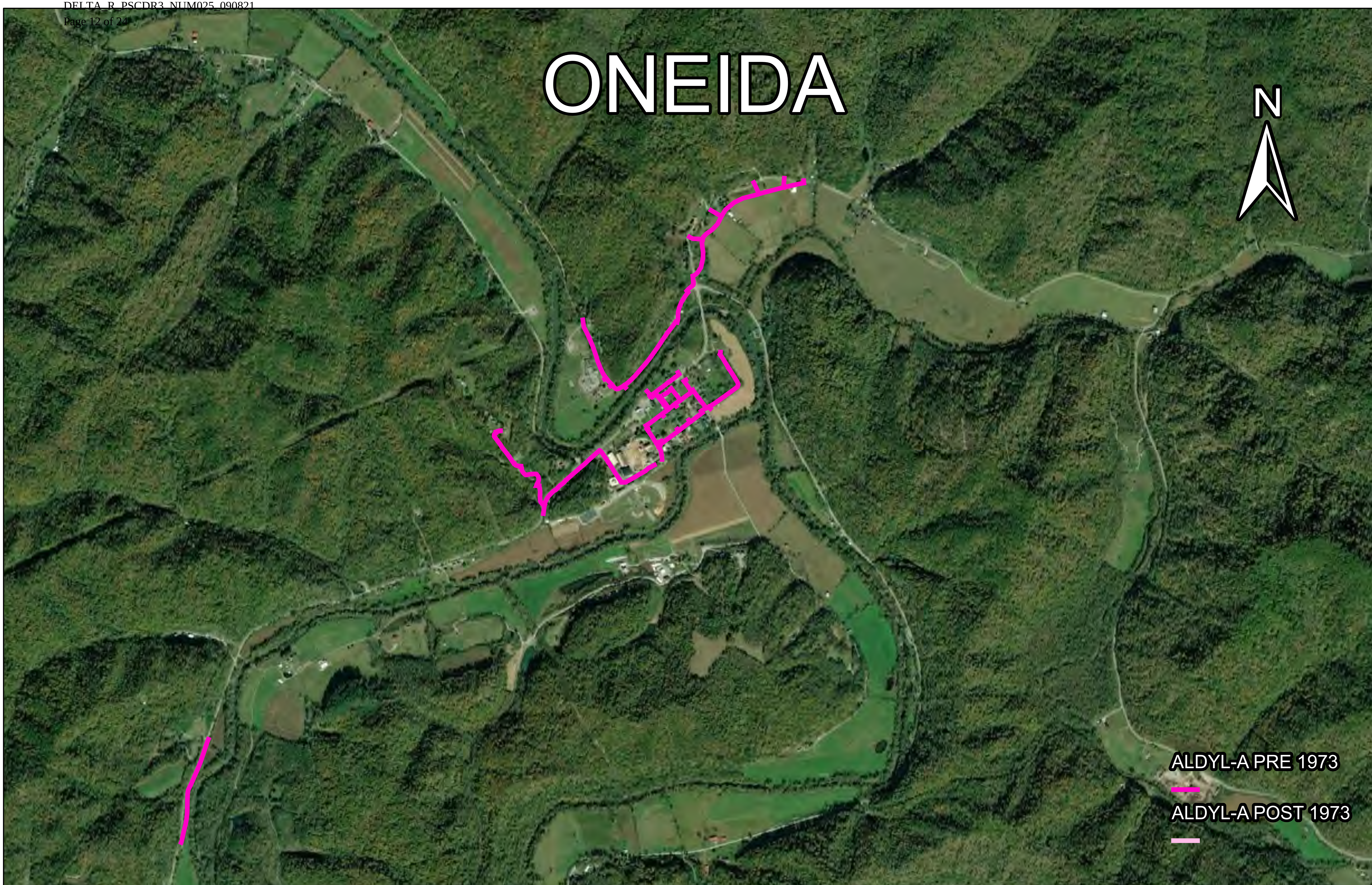
ALDYL-A PRE 1973
ALDYL-A POST 1973


ONEIDA
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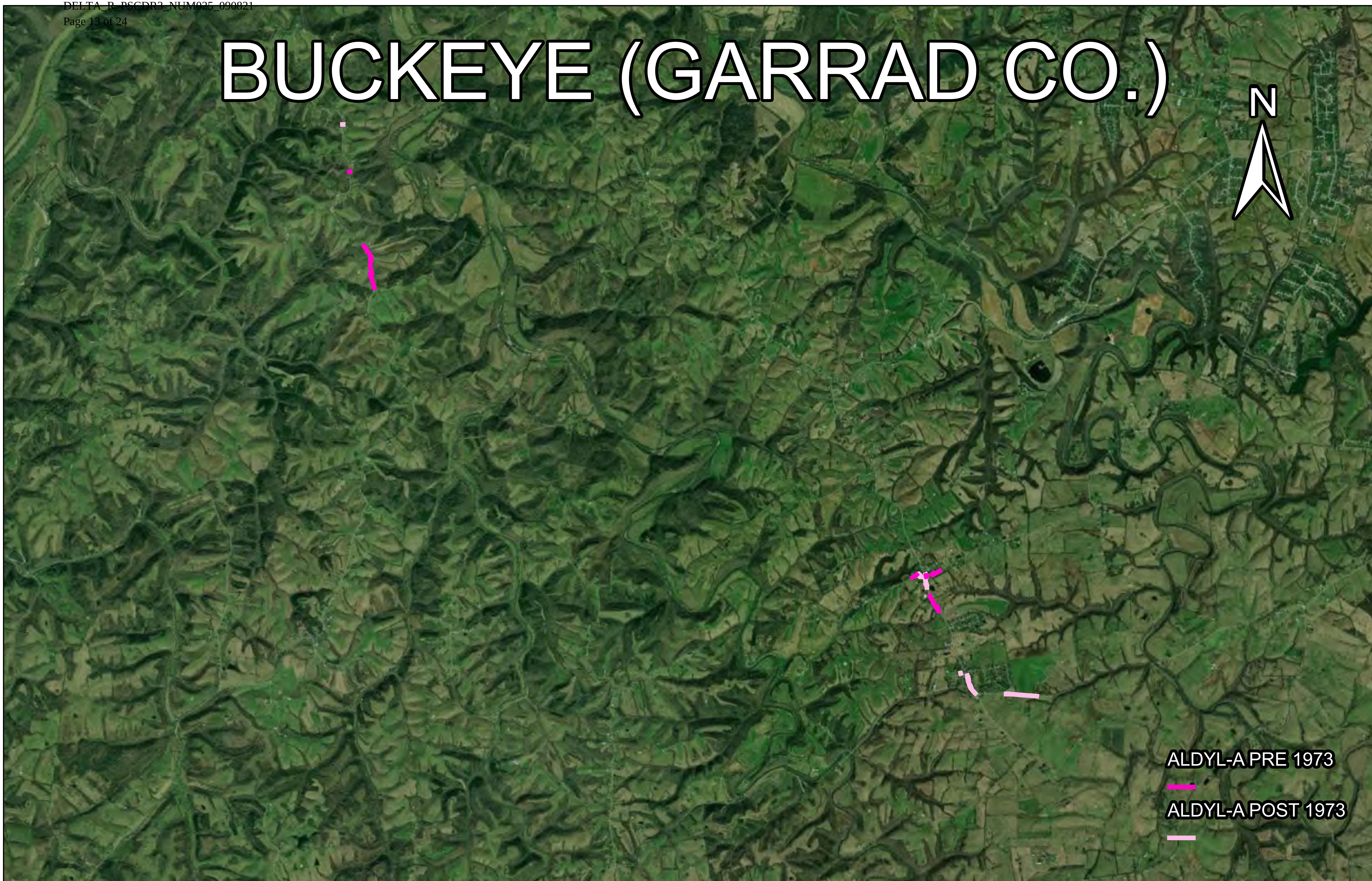
ALDYL-A PRE 1973
ALDYL-A POST 1973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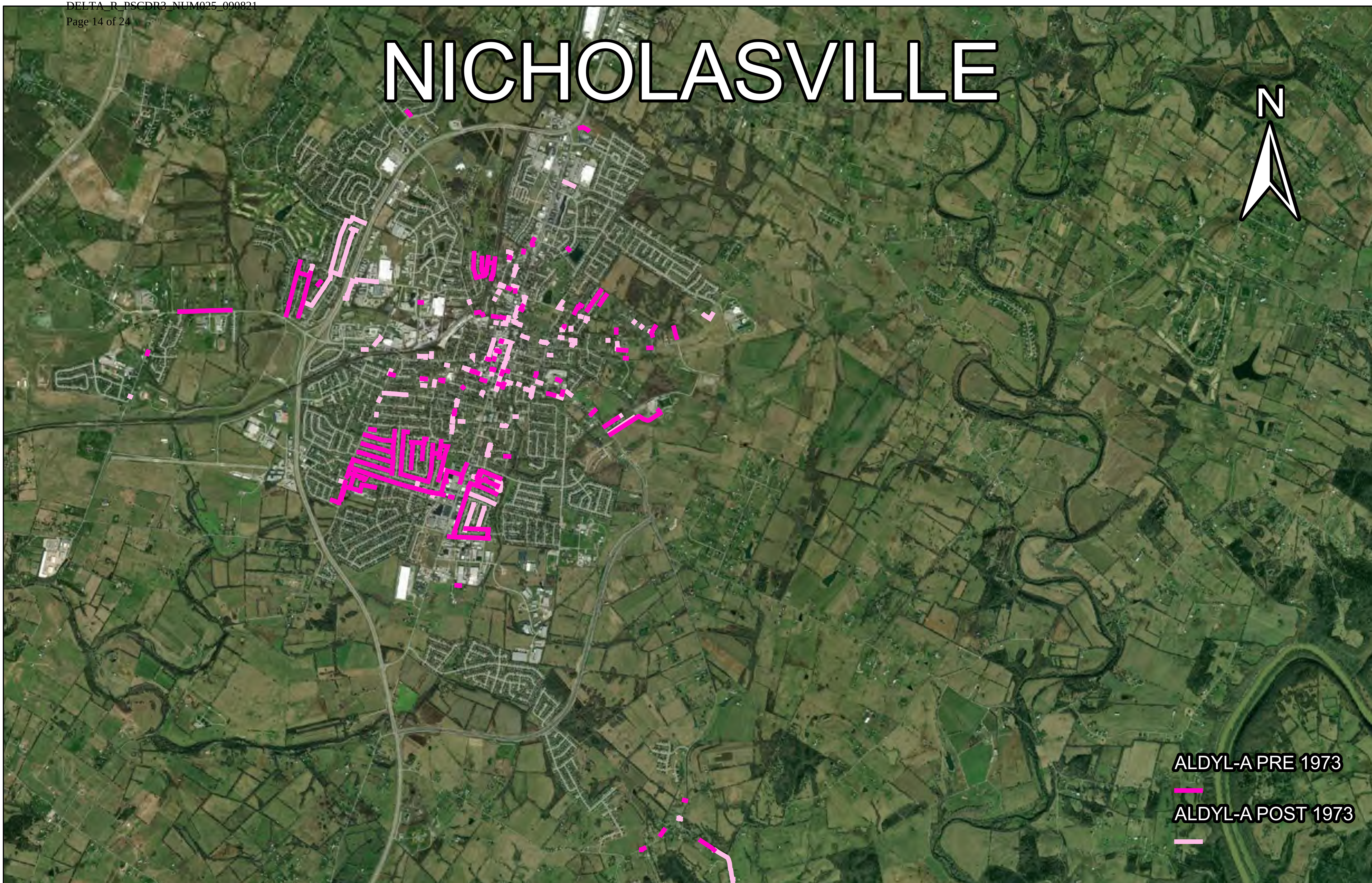
ALDYL-A POST 1973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ALDYL-A PRE 1973
ALDYL-A POST 1973


WILMORE
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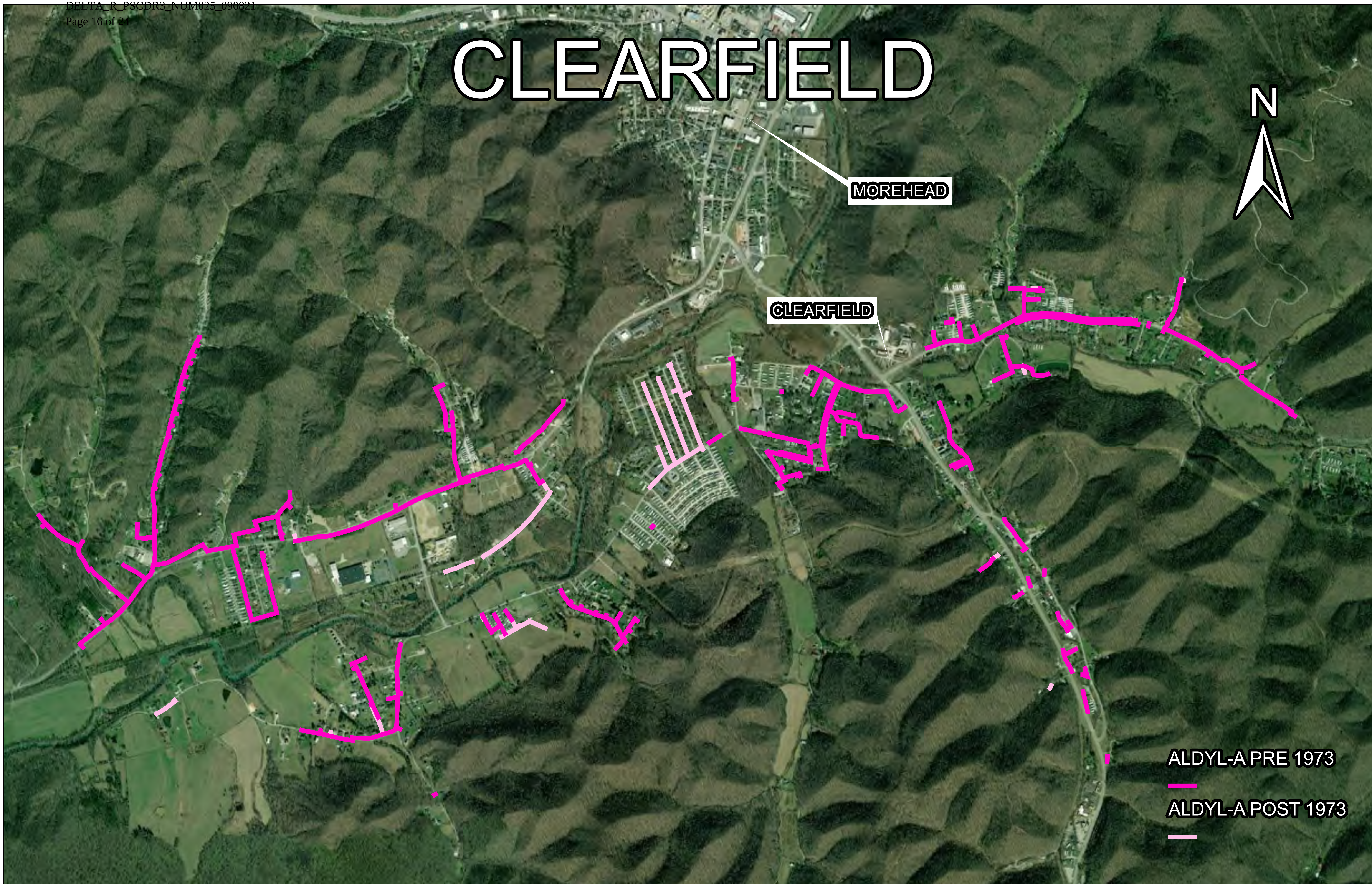
ALDYL-A PRE 1973
ALDYL-A POST 1973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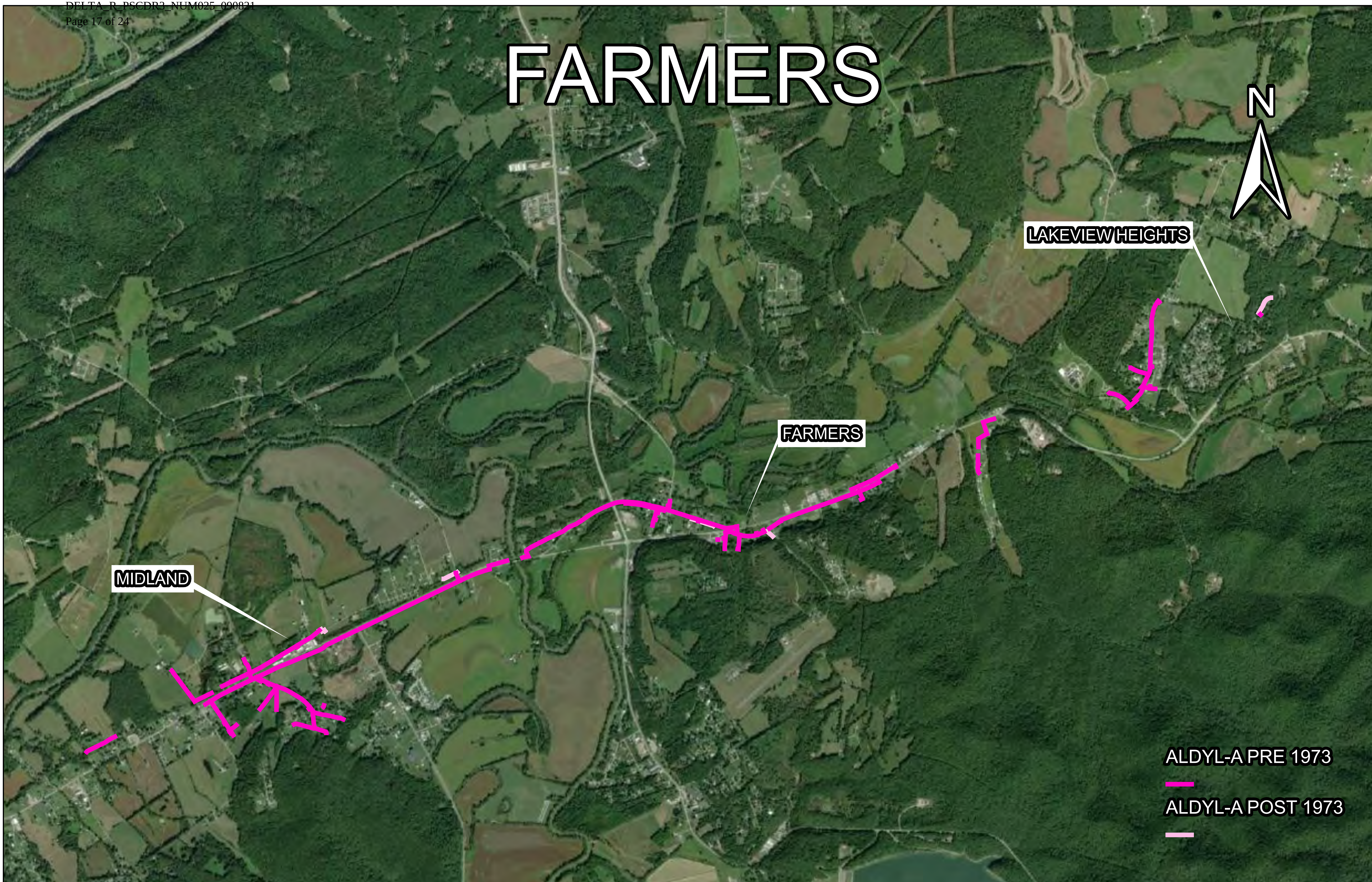
MOREHEAD
CLEARFIELD
ALDYL-A PRE 1973
ALDYL-A POST 1973


FARMERS
N
LAKEVIEW HEIGHTS
FARMERS
MIDLAND
ALDYL-A PRE 1973
ALDYL-A POST 1973


SALT LICK
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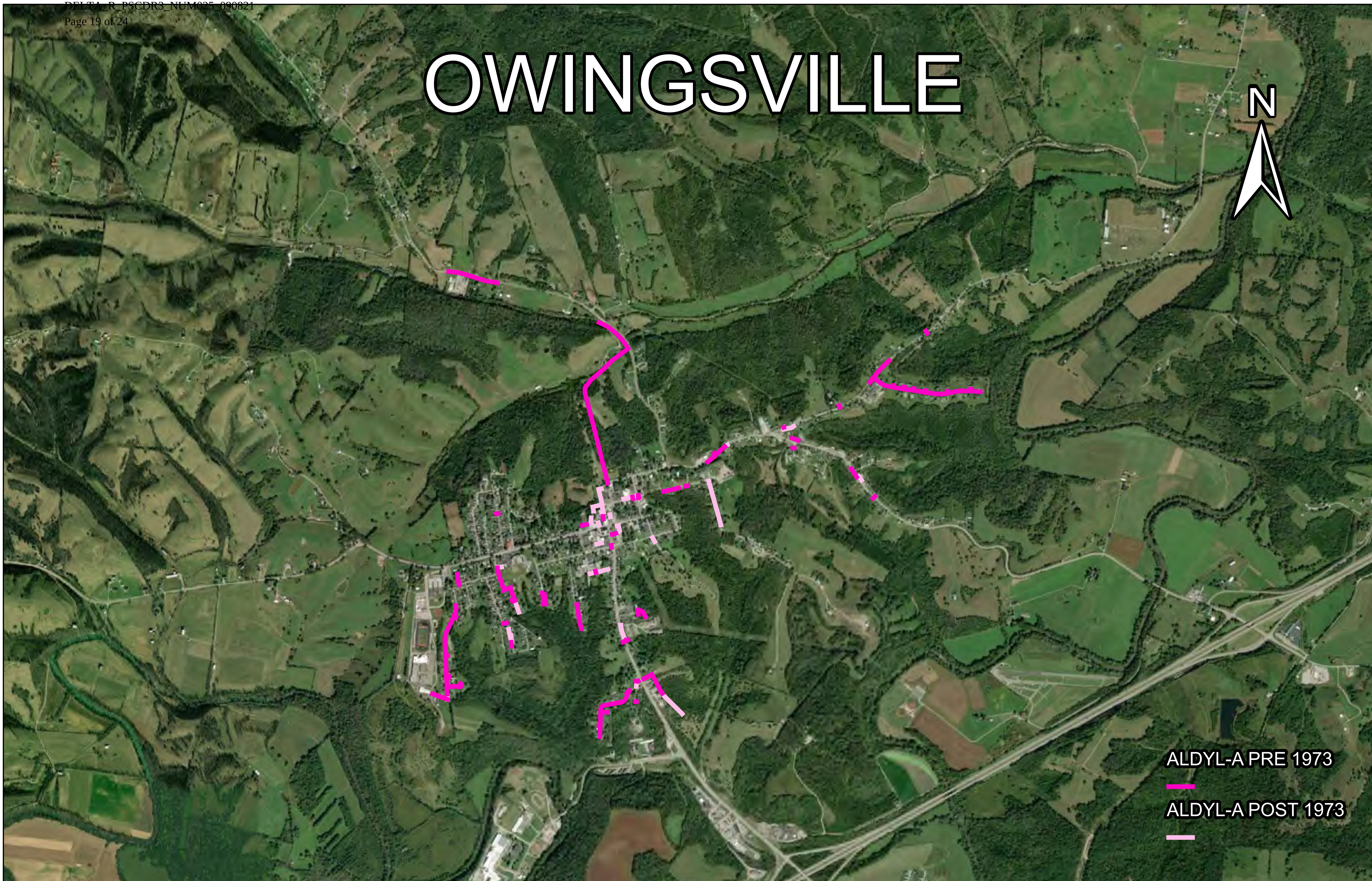
ALDYL-A PRE 1973
ALDYL-A POST 1973


OWINGSVILLE
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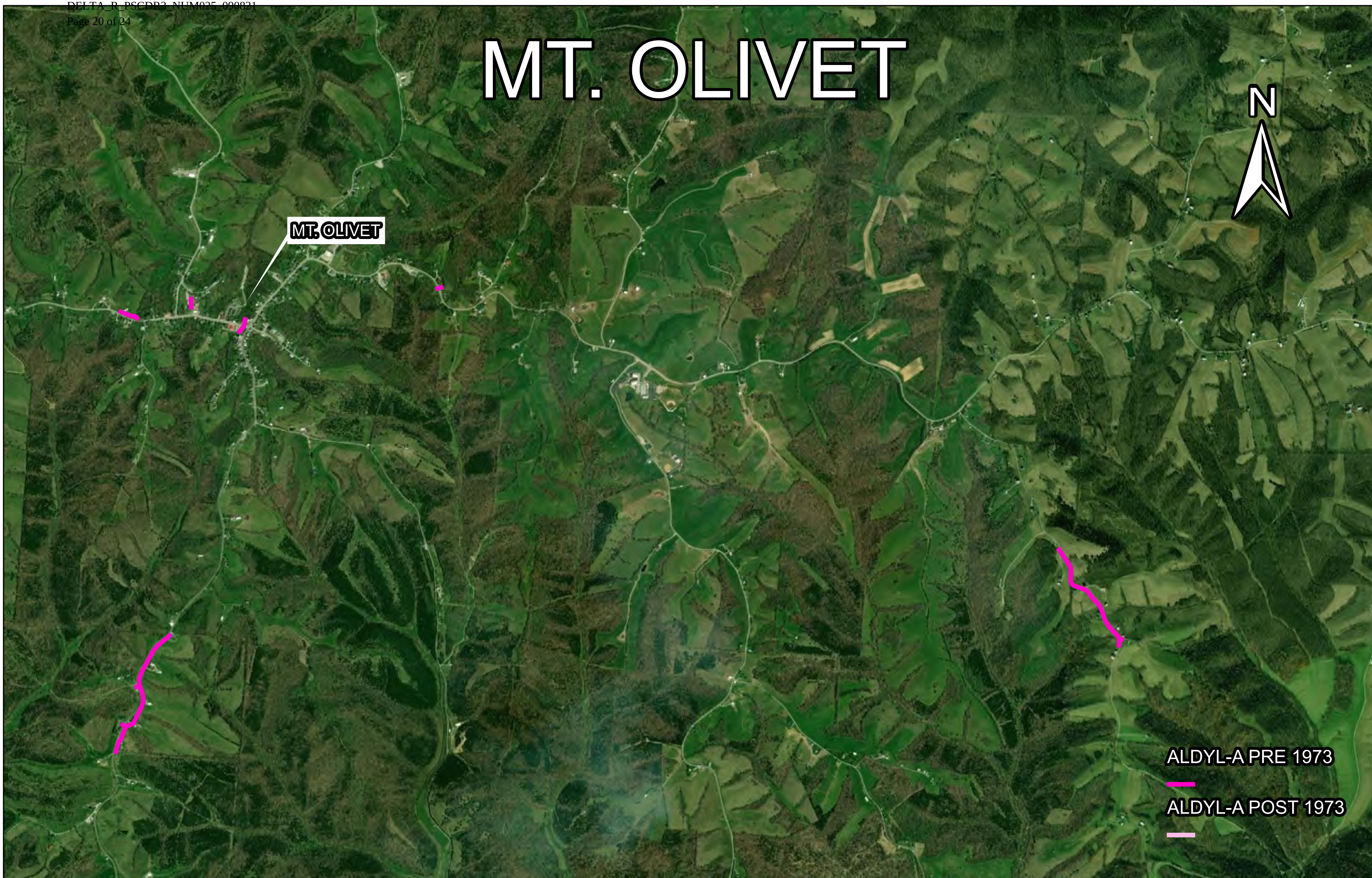
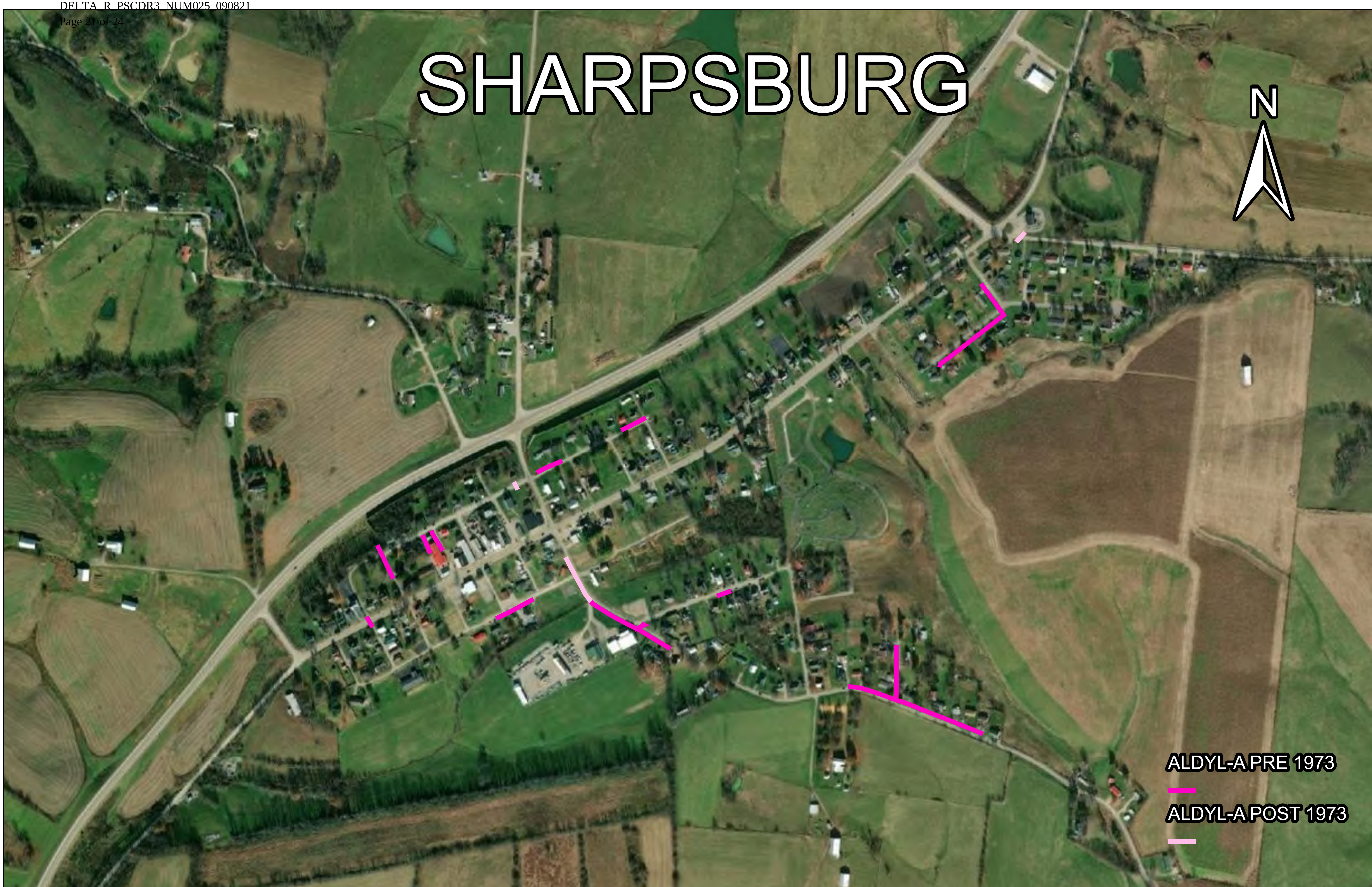
ALDYL-A PRE 1973
ALDYL-A POST 1973

MT. OLIVET




SHARPSBURG
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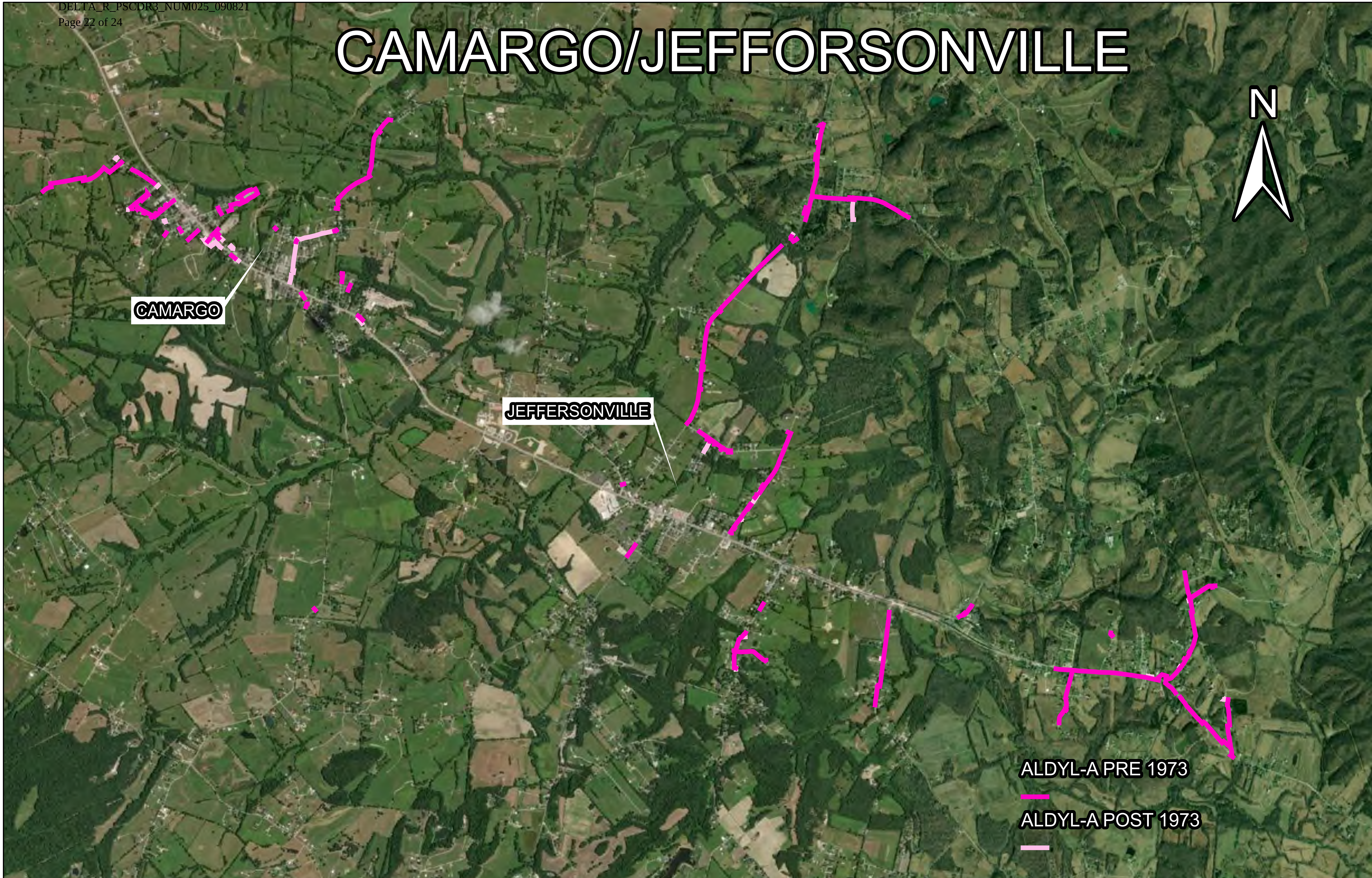
ALDYL-A PRE 1973
ALDYL-A POST 1973


CAMARGO/JEFFORSONVILLE
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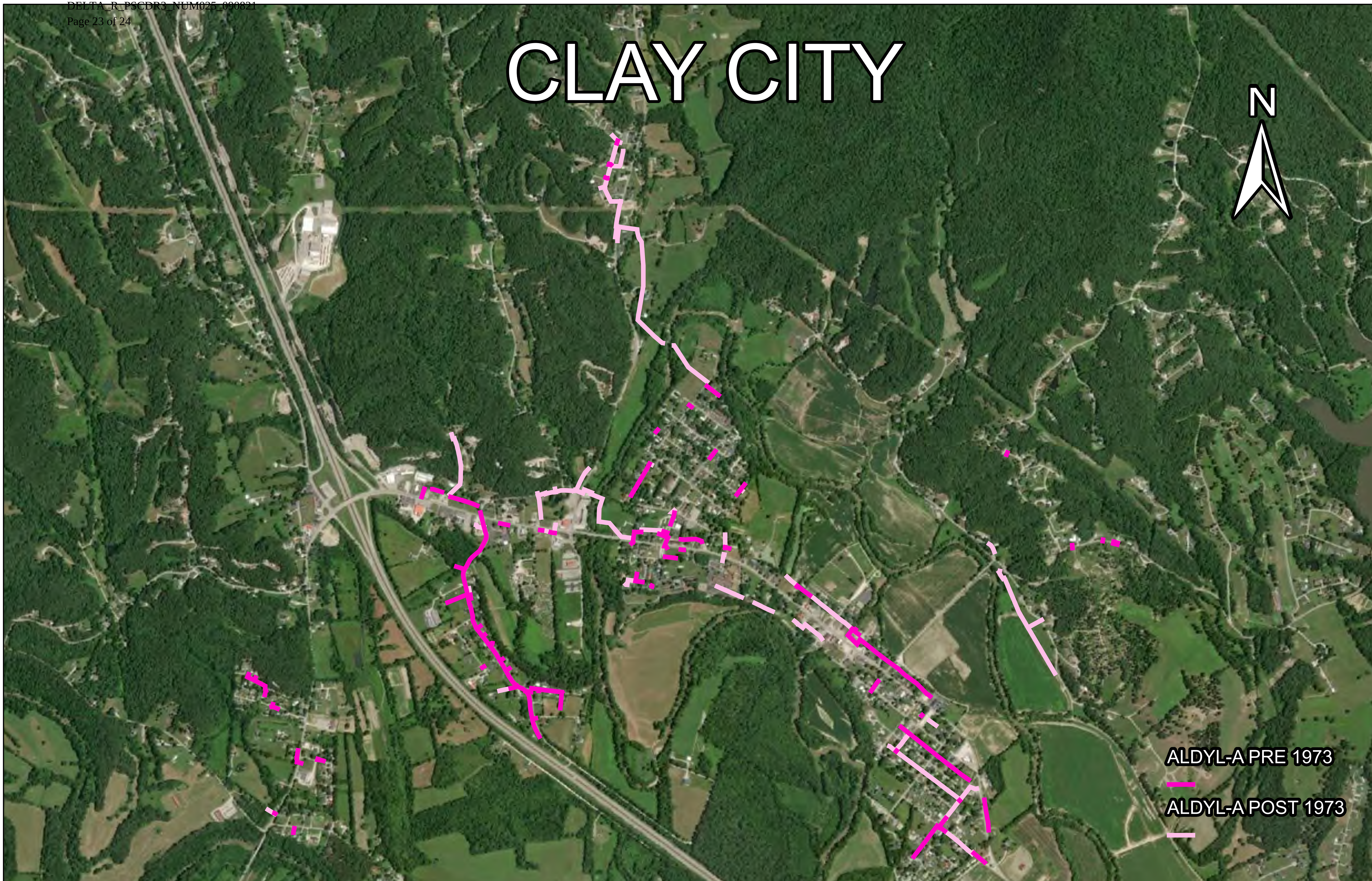
CAMARGO
JEFFERSONVILLE
ALDYL-A PRE 1973
ALDYL-A POST 1973


CLAY CITY
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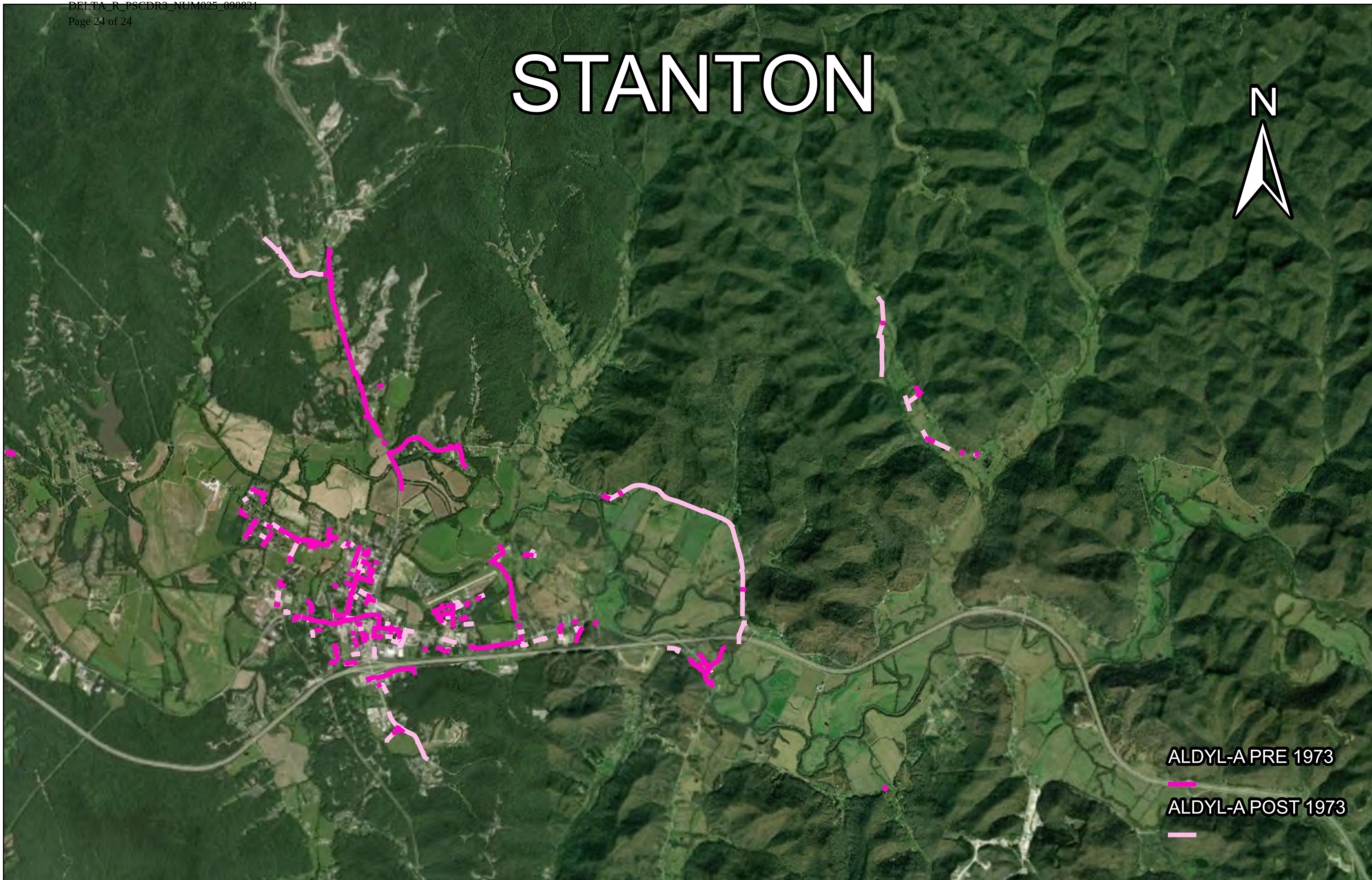
ALDYL-A PRE 1973
ALDYL-A POST 1973


STANTON
N
ALDYL-A PRE 1973
ALDYL-A POST 1973

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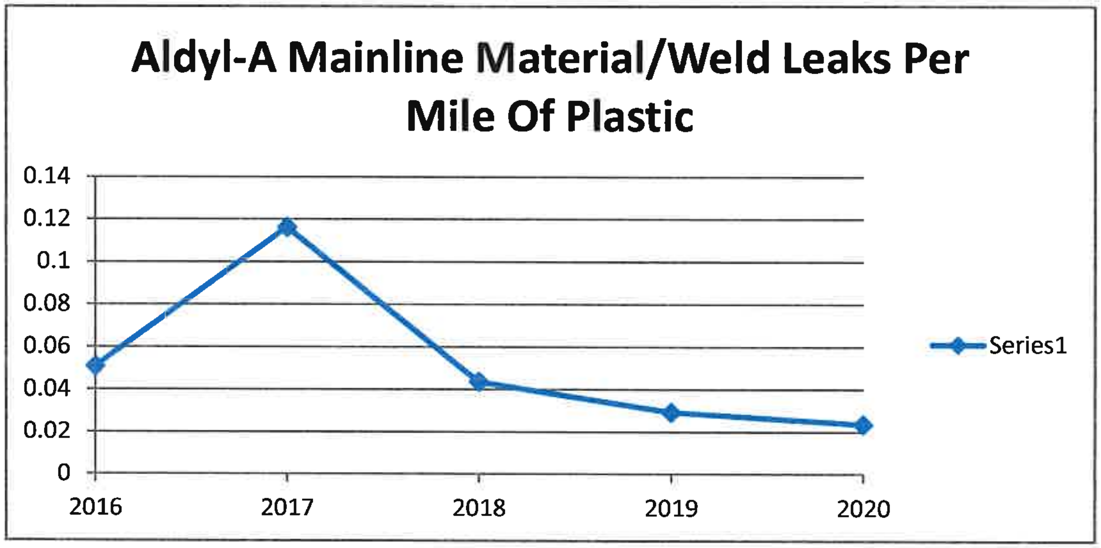
26. Provide the leak rates per mile of pipe for the bare steel and Aldyl-A pipe on the system for the previous five years.

Response:

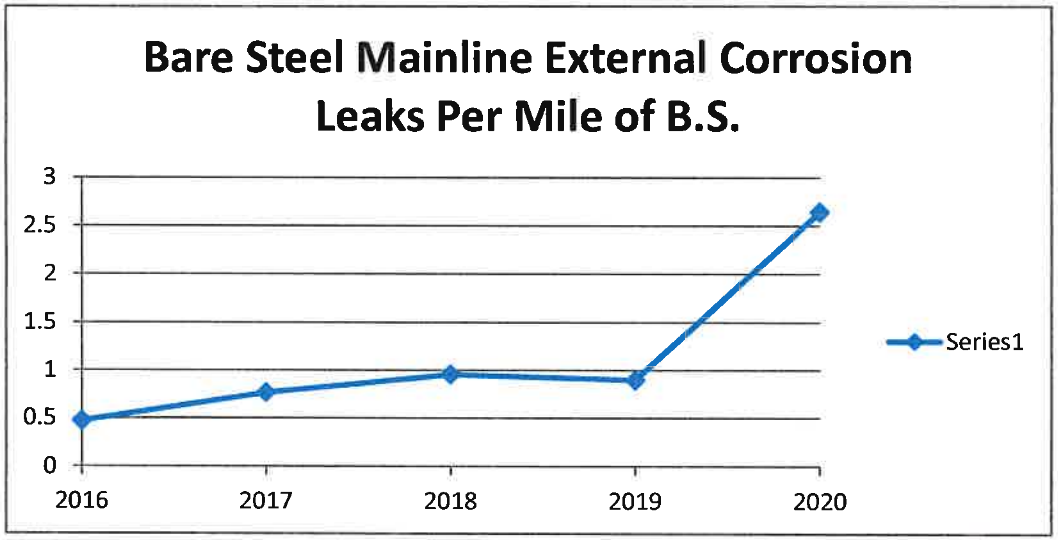
The attached "Leak Rate 2016-2020" report depicts the leak rate per mile for both Aldyl-A and bare steel piping in Delta's system for the previous 5 years. Please note that the "Performance Measure" column depicts the leak per mile statistic requested.

Sponsoring Witness: Jonathan Morphew

Year	Performance Measure	Plastic Mileage	Aldyl-A Pipe Main Leaks
2016	0.05083884	137.69	7
2017	0.11620306	137.69	16
2018	0.04357615	137.69	6
2019	0.02930618	136.49	4
2020	0.02355713	127.35	3



Year	Performance Measure	B.S. Mileage	Ext. Cor. B.S. Main Leaks
2016	0.47027375	40.402	19
2017	0.7650012	20.915	16
2018	0.95483625	10.473	10
2019	0.89621796	5.579	5
2020	2.64450321	2.647	7



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27. Provide in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible, the average monthly bill impact for each customer class based on current and proposed base rates and not including any riders, roll-in of the pipeline replacement program charges, and the gas cost adjustment.

Response:

See attached spreadsheet for an analysis of monthly bill impacts of Delta's proposed rates removing costs recovered from the pipe replacement program (PRP) and the gas cost recovery (GCR) mechanism from Delta's proposed rates. Also see response to PSC 3-3.

Please note that the unit charges shown in the attachment to this response are not what Delta likely would have proposed had costs recovered through the PRP not been transferred to base rates, as proposed by Delta. For example, Delta likely would not have proposed a negative Customer Charge for Interruptible Service.

By transferring revenue requirements related to the PRP into base rates, as proposed by Delta in this proceeding, permits the customer charges and delivery charges in Delta's rates to be set in this rate case so that they more accurately reflect cost of service. The failure periodically to transfer PRP revenue requirements into base rates could cause Delta's base rates to deviate sharply from cost of service, as illustrated by the negative customer charge for Interruptible service shown in the attached spreadsheet. As explained in the response to PSC 3-3, it has been a long-standing practice to transfer costs recovered through PRPs, environmental cost recovery (ECR) mechanisms, and fuel adjustment clauses (FACs) into base rates, either in rate cases or periodically in accordance with a scheduled review, as with the FAC.

Sponsoring Witness: William Steven Seelye

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28. Explain the impact on Delta's depreciation expense when Delta replaces plant through the PRP and discuss whether this impact is included in the PRP rider rates.

Response:

Depreciation expenses are recovered through the PRP rider. However, the proposed changes in the depreciation rates will not impact the PRP charges or over/under recovery amounts currently in place, nor will the changes in the depreciation rates impact any balance adjustments in 2022. Any balance adjustments in 2022 will reflect depreciation expenses in 2021 corresponding to depreciation rates currently in effect. Delta is proposing to recover all pipeline replacement costs through base rates in 2022. Therefore, under Delta's proposed roll-in of the PRP, the proposed changes to depreciation rates will not affect the PRP in 2022 either. However, under Delta's proposal, the proposed changes to depreciation rates would impact the PRP in 2023, which is subsequent to the forecasted test year in this proceeding.

Sponsoring Witness: William Steven Seelye

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29. Provide a lead/lag study which excludes non-cash items. Using this study, provide the cash working capital amount that would be included in rate base for the base and forecasted test periods.

Response:

Responding to this request for information requires extensive original work product which has not been completed by Delta or its consultant. The work necessary to respond to this request is underway. Delta will supplement this response when the analysis is completed, and has also filed a Motion for Extension of time to respond to this request due to the amount of original work required.

Sponsoring Witness: William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2021-00185

THIRD PSC DATA REQUEST
DATED AUGUST 24, 2021

30. Explain whether Delta separately accounts for farm tap revenues, expenses, and utility plant in a way that enables Delta to produce financial statements which exclude farm tap activities.

Response:

Delta does not currently separately account for farm tap revenues, expenses and utility plant in a way that enables financial statements to be produced that exclude farm tap activities. Delta has proposed a new Farm Tap Service tariff in this case that would enable it to separately account for farm tap revenues. Delta maintains its books and records for expenses and utility plant in accordance with expenditure or asset type and not by specific customer groups.

Sponsoring Witness: Andrea Schroeder

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2021-00185

THIRD PSC DATA REQUEST
DATED AUGUST 24, 2021

31. Explain whether Delta includes revenues or expenses from farm tap customers in its annual financial report filed with the Commission.

Response:

Delta's farm tap customers are currently served under its standard tariff offerings, therefore revenues and expenses from farm tap customers would be included with all other company revenues and expenses included in its annual financial report filed with the Commission.

Sponsoring Witness: Andrea Schroeder

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2021-00185

THIRD PSC DATA REQUEST
DATED AUGUST 24, 2021

32. Explain whether Delta includes farm tap revenues in the gross revenue report filed with the Commission. If so, explain whether Delta's PSC assessment fees include farm tap revenues.

Response:

Yes. Delta includes farm tap revenues along with all other company revenues in the gross revenue report filed with the Commission. Delta's PSC assessment fees include farm tap revenues.

Sponsoring Witness: Andrea Schroeder