

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

**SECOND ATTORNEY GENERAL DATA REQUEST**  
**DATED AUGUST 25, 2021**

1. **Missing Information in OAG DR 1-20.** OAG DR 1-20 requested information a Tab 33 format showing all rate base components for December 31, 2017 through 2020, plus March 31, 2020, along with periodic updates. Also, part (b) requested Balance Sheets for these same periods supporting the rate base components, and part (c) requested a Trial Balance for these same periods supporting underlying amounts included Plant in Service. However, Delta did not provide all the information requested. Delta only provided Balance Sheet data for the requested years for the Plant in Service account in this response, and did not provide Balance Sheet or Trial Balance information for the remainder of the same type of other rate base components in this rate case). However, Delta did provide Trial Balance information for the years 2019, 2020, March 31, 2021 through June 30, 2021 in response to OAG 1-17, and this information assists with the information requested in this OAG 1-20. Please provide the remaining information requested, but not provided, by Delta in OAG 1-20, as set forth below:

- a. For the calendar years ending December 31, 2017 and 2018, provide Balance Sheet and Trial Balance information showing all rate base components for the same types of rate case components included in this rate case (because Delta just provided Plant in Service account information and not information for the other rate base components).
- b. Update the Excel spreadsheet provided with Tab “AG 20a”, to show the 2017 and 2018 information requested in (a) above.

Response:

- a. The information requested in OAG DR 1-20, in the same format as Tab 33, was provided for the periods requested. In an effort to be fully responsive to the current question, please see the attached Balance Sheet and Trial Balance for calendar years ending December 31, 2017 and 2018.
- b. The information provided in part a can be used to update the Excel spreadsheet.

Sponsoring Witness: John B. Brown

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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## 1 Balance Sheet-Delta - Detail

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
01			
ASSETS			
CURRENT ASSETS			
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1.131.0100 CASH OWINGSVILLE	28,243.90	20,922.24	7,321.66
1.131.0200 CASH BERA	24,187.10	29,265.29	5,078.19CR
1.131.0300 CASH NICHOLASVILLE	27,515.81	22,043.05	5,472.76
1.131.1000 CASH MIDDLESBORO	25,230.60	25,506.62	276.02CR
1.131.1100 CASH CORBIN	44,147.21	94,813.16	50,665.95CR
1.131.2000 CASH WINCHESTER	89,423.18	5,138.23	84,284.95
1.131.2100 CASH GENERAL ACCOUNT	200,039.43	3,030,123.84	2,830,084.41CR
1.135.0100 WORKING FUNDS OWINGSVILLE	475.00	475.00	.00
1.135.0200 WORKING FUNDS BERA	750.00	750.00	.00
1.135.0300 WORKING FUNDS NICHOLASVILLE	775.00	775.00	.00
1.135.1000 WORKING FUNDS MIDDLESBORO	875.00	875.00	.00
1.135.1100 WORKING FUNDS CORBIN	1,200.00	1,200.00	.00
1.135.2000 WORKING FUNDS WINCHESTER	1,400.00	1,400.00	.00
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Cash	444,262.23	3,233,287.43	2,789,025.20CR
1.123.0000 INVESTMENT IN OTHERS	1,000.00	1,000.00	.00
1.142.0000 CUSTOMER ACCOUNTS RECEIVABLE	630,480.43	798,769.14	168,288.71CR
1.142.0100 MISC ACCOUNTS RECEIVABLE-BRANCHES	76.49	.00	76.49
1.142.0110 MISC ACCOUNTS RECEIVABLE (MAR)	722,128.81	579,122.59	143,006.22
1.142.0120 ACCOUNTS RECEIVABLE TRANSPORTATION	656,615.88	761,225.10	104,609.22CR
1.142.0200 RECEIVABLE FROM EA AGENCY - BERA	2,260.00	8,144.65	5,884.65CR
1.142.0300 RECEIVABLE FROM EA AGENCY - OWINGSVILLE	13,032.00	14,251.00	1,219.00CR
1.142.0400 RECEIVABLE FROM EA AGENCY - NICHOLASVILL	692.00	566.43	125.57
1.142.0500 RECEIVABLE FROM EA AGENCY - MIDDLESBORO	13,556.00	15,859.41	2,303.41CR
1.142.0600 RECEIVABLE FROM EA AGENCY - CORBIN	8,916.00	9,411.00	495.00CR
1.173.0100 ACCRUED UNBILLED REVENUE	5,375,732.00	6,420,583.00	1,044,851.00CR
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Accounts Receivable	7,424,489.61	8,608,932.32	1,184,442.71CR
1.144.0000 PROVISION FOR UNCOLLECTIBLES	154,624.31CR	151,790.40CR	2,833.91CR
Less Accum Prov for Doubtful Accounts	154,624.31CR	151,790.40CR	2,833.91CR
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Net Accounts Receivable	7,269,865.30	8,457,141.92	1,187,276.62CR
1.164.0300 STORAGE GAS - CANADA MT	2,233,389.33	2,355,001.19	121,611.86CR
Gas in storage, at average cost	2,233,389.33	2,355,001.19	121,611.86CR
1.191.0000 UNRECOVERED PURCHASED GAS COST	2,885,243.86	2,805,216.11	80,027.75
1.191.0100 UNCOLLECTIBLE GAS COST	28,460.00	4,583.00CR	33,043.00
1.192.0000 ACTUAL ADJUSTMENT GAS COSTS	990,982.19	2,669,120.33	1,678,138.14CR
1.193.0000 BALANCE ADJUSTMENT GAS COSTS	68,864.14CR	251,186.46	320,050.60CR
1.194.0000 DEFERRED UNBILLED GAS COSTS	2,465,153.00CR	3,122,169.00CR	657,016.00
1.195.0000 UNRECOVERED GAS COST IMBALANCE	135,906.72CR	727,844.96CR	591,938.24
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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## 1 Balance Sheet-Delta - Detail

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
Deferred gas cost	1,234,762.19	1,870,925.94	636,163.75CR
1.154.0000 INVENTORY	552,054.54	606,455.38	54,400.84CR
1.154.0010 INVENTORY - BIN STOCK	170,845.09	.00	170,845.09
1.184.0300 TRANSP EQUIP OPER & MNT COST	1,168,017.29	526,609.00	641,408.29
1.184.0400 NON OWNED VEHICLE EXPENSE	1,615.04	946.05	668.99
1.184.0500 TRANSPORTATION EXPENSE CLEARED	1,160,284.99CR	527,555.40CR	632,729.59CR
1.184.0800 WORK EQUIPMENT OPER & MNT COST	150,892.18	87,073.27	63,818.91
1.184.0900 WORK EQUIPMENT EXPENSE CLEARED	151,600.66CR	87,072.86CR	64,527.80CR
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Materials and Supplies	731,538.49	606,455.44	125,083.05
1.165.0000 PREPAYMENTS	2,429,395.26	290,942.89	2,138,452.37
1.165.0300 PREPAID UNDELIVERED GAS	889,194.54	985,332.97	96,138.43CR
1.165.0500 PREPAID INSURANCE	686,817.28	405,966.83	280,850.45
1.165.0600 PREPAID MEDICAL CLAIMS	50,000.00	50,000.00	.00
1.184.1300 VOLUNTARY LIFE INSURANCE CLEARING	226.30	54.60	171.70
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Prepayments	4,055,633.38	1,732,297.29	2,323,336.09
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Deferred Income Taxes	.00	.00	.00
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Total Current Assets	15,969,450.92	18,255,109.21	2,285,658.29CR
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OTHER ASSETS			
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Investment in Associated Companies	.00	.00	.00
1.146.0200 RECEIVABLE DELTA RESOURCES	114,345.19CR	229,270.14	343,615.33CR
1.146.0300 RECEIVABLE FROM DELGASCO	9,651,839.02CR	9,231,231.45CR	420,607.57CR
1.146.0500 RECEIVABLE FROM ENPRO	14,079,318.30	13,965,346.12	113,972.18
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Receivables from Associated Companies	4,313,134.09	4,963,384.81	650,250.72CR
1.128.0000 LIFE INSURANCE SURRENDER VALUE	483,891.38	494,934.99	11,043.61CR
Cash Value of Officers Life Insurance	483,891.38	494,934.99	11,043.61CR
1.181.0900 UNAMORT DEBT EXP DUE 2031 4.26% SERIES A	61,603.51	67,603.51	6,000.00CR
1.181.0910 LOSS ON EXTINGUISHMENT OF DEBT 4.26%	2,149,157.22	2,359,857.22	210,700.00CR
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Unamortized Debt Expense	2,210,760.73	2,427,460.73	216,700.00CR
1.165.0200 PREPAID PENSION COST	2,865,586.00	2,925,338.00	59,752.00CR
1.186.0300 UNRECOVERED SFAS 143 ADOPTION COSTS (ARO)	3,519,819.30	3,080,200.71	439,618.59
1.186.0400 UNRECOVERED PENSION EXPENSES	658,858.00	354,190.00	304,668.00
1.186.6000 UNRECOVERED CEP COSTS	103,556.93CR	226,772.54	330,329.47CR
1.186.6100 UNRECOVERED CEP REBATES	107,600.00	36,900.00	70,700.00
1.186.6110 UNRECOVERED CEP REBATES - LABOR	13,585.14	3,272.96	10,312.18
1.186.6410 UNRECOVERED CEP ADMIN LABOR	148.30	72.34	75.96
1.186.6500 UNRECOVERED CEP BALANCE ADJUSTMENT	211,856.78	45,825.44	166,031.34

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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## 1 Balance Sheet-Delta - Detail

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
1.186.7000 COST OF REMOVAL - REG ASSET	3,189,540.23	.00	3,189,540.23
9.186.0000 COST OF REMOVAL - REG ASSET	.00	2,900,819.36	2,900,819.36CR
1.128.0100 SUPPLEMENTAL RETIREMENT TRUST	1,285,280.92	1,360,293.85	75,012.93CR
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Other	11,748,717.74	10,933,685.20	815,032.54
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Total Other Assets	18,756,503.94	18,819,465.73	62,961.79CR
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Property, Plant & Equipment			
1.101.0000 PLANT IN SERVICE	247,751,559.46	243,519,861.48	4,231,697.98
1.106.0100 COMPLETED CONSTRUCTION NOT CLASSIFIED	.00	1,119,233.28	1,119,233.28CR
1.114.0000 GAS PLANT ACQ ADJ - TRANEX	1,045,703.73CR	1,045,703.73CR	.00
1.114.0100 GAS PLANT ACQ ADJ-MT OLIVET	464,944.65	464,944.65	.00
1.108.0100 PROV FOR DEPR PLANT IN SERVICE	110,562,971.32CR	109,755,481.18CR	807,490.14CR
1.115.0000 PROV FOR AMORT ACQ ADJ - TRANEX	1,045,703.73	1,045,703.73	.00
1.115.0100 PROV FOR AMORT ACQ ADJ-MT OLIVET	464,944.65CR	464,944.65CR	.00
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Gas Utility Plant in Service	247,170,800.38	244,058,335.68	3,112,464.70
Less Accumulated Provision for Depr	109,982,212.24CR	109,174,722.10CR	807,490.14CR
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Net Plant in Service	137,188,588.14	134,883,613.58	2,304,974.56
1.107.0100 CONST WORK IN PROGRESS CONTROL	1,326,187.59	565,052.68	761,134.91
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Construction Work In Progress	1,326,187.59	565,052.68	761,134.91
1.117.0000 CUSHION GAS	4,208,069.49	4,208,069.49	.00
Gas Stored Underground	4,208,069.49	4,208,069.49	.00
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Total Net Utility Plant	142,722,845.22	139,656,735.75	3,066,109.47
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Non-Utility Property	.00	.00	.00
Less Accumulated Provision for Depr	.00	.00	.00
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Net Non-Utility Property	.00	.00	.00
Total Net Property, Plant & Equip	142,722,845.22	139,656,735.75	3,066,109.47
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TOTAL ASSETS	177,448,800.08	176,731,310.69	717,489.39
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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

1 Balance Sheet-Delta - Detail

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
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<b>LIABILITIES</b>			
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<b>CURRENT LIABILITIES</b>			
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1.232.0100 ACCOUNTS PAYABLE GENERAL	946,332.22CR	361,065.63CR	585,266.59CR
1.232.0200 ACCOUNTS PAYABLE CUSTOMERS	1,173,106.96CR	1,042,560.91CR	130,546.05CR
1.232.0600 ACCOUNTS PAYABLE GAS PURCHASES	2,145,071.67CR	1,443,504.85CR	701,566.82CR
1.232.0800 WINTERCARE PAYABLES	380.23CR	435.71CR	55.48
1.232.0900 ACCOUNTS PAYABLE FAITHFUL ESCR	4,175.02CR	4,175.02CR	.00
1.232.1000 GAS IMBALANCES PAYABLE	232,246.28CR	42,683.25CR	189,563.03CR
1.232.1200 ACCRUED GTI	10,037.07CR	8,651.23CR	1,385.84CR
1.232.1300 ACCRUED ENERGY ASSISTANCE PROGRAM	42,869.74CR	27,964.26CR	14,905.48CR
1.232.1400 ACCRUED REGULATORY COMMISSION EXPENSE	47,558.00CR	41,440.30CR	6,117.70CR
1.234.0000 PAYABLE TO PNG COMPANIES	437,688.91CR	2,638,910.74CR	2,201,221.83
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Accounts Payable	5,039,466.10CR	5,611,391.90CR	571,925.80
1.231.1000 NOTES PAYABLE TO PNG COMPANIES	3,347,765.52CR	.00	3,347,765.52CR
Notes Payable	3,347,765.52CR	.00	3,347,765.52CR
1.230.0200 LONG TERM DUE IN ONE YEAR	1,500,000.00CR	1,500,000.00CR	.00
Current Portion of Long-Term Debt	1,500,000.00CR	1,500,000.00CR	.00
1.236.0100 TAXES ACCRUED FEDERAL INCOME	51,504.85CR	1,560,448.88	1,611,953.73CR
1.236.0200 TAXES ACCRUED STATE INCOME	8,239.78CR	232,923.64	241,163.42CR
1.236.0300 TAXES ACCRUED SALES	74,814.84CR	73,273.39CR	1,541.45CR
1.236.0400 TAXES ACCRUED PAYROLL	32,334.45CR	23,366.37CR	8,968.08CR
1.236.0500 TAXES ACCRUED PROPERTY	2,172,297.78CR	2,657,603.91CR	485,306.13
1.236.0800 TAXES ACCRUED SCHOOL	129,194.41CR	142,352.72CR	13,158.31
1.236.0900 TAXES ACCRUED FRANCHISE	80,265.11CR	94,778.50CR	14,513.39
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Accrued Taxes	2,548,651.22CR	1,198,002.37CR	1,350,648.85CR
Refunds Due Customers	.00	.00	.00
1.235.0000 CUSTOMER SERVICE DEPOSITS	794,831.46CR	744,289.95CR	50,541.51CR
Customers' Deposits	794,831.46CR	744,289.95CR	50,541.51CR
1.237.0600 INTEREST ACCRUED CUST DEPOSITS	31,692.59CR	28,924.26CR	2,768.33CR
1.237.1000 INTEREST ACCRUED SERIES A NOTE 4.26% DUE	56,208.33CR	59,758.33CR	3,550.00
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Accrued Interest on Debt	87,900.92CR	88,682.59CR	781.67
1.242.1300 DEF INC TAX DEF GAS COST	308,072.91CR	481,576.08CR	173,503.17
1.242.1400 DEF INC TAX BAD DEBT RESERVE	38,578.69	39,070.75	492.06CR
1.242.1600 DEF INC TAX PREPAID INS	260,545.99CR	192,254.54CR	68,291.45CR
1.242.1700 DEF INC TAX KY TAX REFUND	.01	.01	.00
1.242.1800 DEF INC TAX IBNR	31,387.10	.00	31,387.10
1.242.1900 DEF INC TAX PROFESSIONAL FEES	19,461.00	18,738.72	722.28
1.242.2000 DEF INC TAX CURRENT FIN 48	16.22	16.22	.00

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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## 1 Balance Sheet-Delta - Detail

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
1.242.2100 DEF INC TAX BONUS ACCRUAL	168,487.35	.00	168,487.35
1.242.2200 DEF INC TAX ACCRUED VACATION	21,329.76	.01	21,329.75
1.242.3000 DEF INC TAX CURRENT OTHER	1,851,738.42CR	.00	1,851,738.42CR
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Current Deferred Income Taxes	2,141,097.19CR	616,004.91CR	1,525,092.28CR
1.241.0000 PAYROLL TAXES WITHHELD	151,127.29CR	111,358.26CR	39,769.03CR
1.242.0100 ACCRUED NET PAYROLL	1,384.00CR	.00	1,384.00CR
1.242.0600 UNITED WAY DEDUCTION	180.00CR	147.00CR	33.00CR
1.242.0700 401K SAVINGS PLAN	10.00CR	.00	10.00CR
1.243.0000 ACCRUED VACATION/ANNUAL LEAVE	598,130.50CR	604,407.08CR	6,276.58
1.243.0100 ACCRUED OVERTIME	11,289.72CR	10,991.20CR	298.52CR
1.244.0100 ACCOUNTING SERVICES	77,999.76CR	72,800.26CR	5,199.50CR
1.244.0200 MEDICAL - SELF INSURED	125,800.00CR	82,800.00CR	43,000.00CR
1.253.0200 OTHER DEFERRED CREDITS	296,592.32CR	314,666.42CR	18,074.10
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Other Current & Accrued Liabilities	1,262,513.59CR	1,197,170.22CR	65,343.37CR
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Total Current Liabilities	16,722,226.00CR	10,955,541.94CR	5,766,684.06CR
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1.221.1000 SERIES A NOTE 4.26% DUE 2031	47,499,999.95CR	49,000,000.00CR	1,500,000.05
1.230.0100 LONG TERM ONE YEAR OFFSET	1,500,000.00	1,500,000.00	.00
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Long-Term Debt	45,999,999.95CR	47,500,000.00CR	1,500,000.05
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DEFERRED CREDITS AND OTHER			
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1.282.0100 DEF INC TAX ACCEL DEPR	26,320,920.04CR	26,815,861.89CR	494,941.85
1.282.0200 DEF INC TAX PENSION PLAN	583,575.54CR	746,133.64CR	162,558.10
1.282.0600 DEF INC TAX ANNUAL LEAVE	127,903.87	155,574.30	27,670.43CR
1.282.0700 CONSTRUCTION CONTRIBUTIONS	11,068.81	11,419.29	350.48CR
1.282.1000 DEF INC TAX DEBT EXPENSE	536,214.59CR	607,427.11CR	71,212.52
1.282.1200 DEF INC TAX STORAGE GAS	14,853.73	25,641.16	10,787.43CR
1.282.1400 DEF INC TAX ASSET RETIREMENT OBLIGATION	917,566.31	914,554.34	3,011.97
1.282.1700 DEF INC TAX - RATE CASE EXPENSE	.01CR	.01CR	.00
1.282.1800 DEF INC TAX - COST OF REMOVAL	632,390.04CR	595,129.03CR	37,261.01CR
1.283.0000 DEF INC TAX - UNRECOVERED PENSION EXPENS	164,384.97CR	91,168.41CR	73,216.56CR
1.283.0300 DEF INC TAX - SUPP RET	320,677.57	350,139.62	29,462.05CR
1.283.0600 DEF INC TAX - CONDITIONAL ARO REG ASSET	878,194.94CR	792,843.70CR	85,351.24CR
1.283.0700 DEF INC TAX - DELTA ARO BOOK TAX DIFF	46,738.08CR	129,310.55CR	82,572.47
1.283.1000 DEF INC TAX - 2005 KY APB11 DEFERRED GRO	837,300.00CR	837,300.00CR	.00
1.283.1010 DEF INC TAX - 2005 KY RATE CHANGE AMORTI	532,700.00	493,100.00	39,600.00
1.283.1020 DEF INC TAX - 2005 KY FAS109 DEFERRED	304,600.00	344,200.00	39,600.00CR
1.283.1030 DEF INC TAX - 2005 KY FAS109 GROSS UP	101,263.52	119,307.34	18,043.82CR
1.283.2000 EXCESS DIT - 2018 FED RATE CHANGE APB 11	14,285,218.00CR	14,285,217.00CR	1.00CR
1.283.2010 EXCESS DIT - 2018 FED RATE CHANGE AMORT	174,073.89	.00	174,073.89
1.283.2020 EXCESS DIT - 2018 FED RATE CHANGE FAS 10	14,111,144.11	14,285,217.00	174,072.89CR
1.283.2030 EXCESS DIT - 2018 FED FAS 109 GROSS UP	4,691,179.82	4,951,541.69	260,361.87CR

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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## 1 Balance Sheet-Delta - Detail

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
1.283.3000 EXCESS DIT - 2018 KY RATE CHANGE APB 11	776,549.89CR	.00	776,549.89CR
1.283.3010 EXCESS DIT - 2018 KY RATE CHANGE AMORT	9,462.75	.00	9,462.75
1.283.3020 EXCESS DIT - 2018 KY RATE CHANGE FAS 109	767,087.14	.00	767,087.14
1.283.3030 EXCESS DIT - 2018 KY FAS 109 GROSS UP	255,015.66	.00	255,015.66
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Deferred Income Taxes	22,722,888.92CR	23,249,696.60CR	526,807.68
Deferred Investment Tax Credits	.00	.00	.00
1.254.0500 EXCESS DIT 2005 KY RATE DEC	405,863.52CR	463,507.34CR	57,643.82
1.254.0800 EXCESS DIT - 2018 FED RATE CHANGE	18,802,323.93CR	.00	18,802,323.93CR
1.254.0900 EXCESS DIT - 2018 KY RATE CHANGE	1,022,102.80CR	.00	1,022,102.80CR
1.254.1100 EXCESS DIT - TCJA 2018 STUB PERIOD	915,290.26CR	.00	915,290.26CR
1.108.8000 COST OF REMOVAL DEPRECIATION	654,909.35CR	2,312,080.09	2,966,989.44CR
1.245.0800 EXCESS DIT - 2018 FED RATE CHANGE	.00	19,236,758.69CR	19,236,758.69
9.108.8000 COST OF REMOVAL DEPR	.00	2,900,819.36CR	2,900,819.36
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Regulatory Items	21,800,489.86CR	20,289,005.30CR	1,511,484.56CR
1.252.0000 ADVANCES FOR CONSTRUCTION	565,709.00CR	646,879.00CR	81,170.00
1.252.0100 PROMISSORY NOTES-EXT AGMNT	521,345.00	602,515.00	81,170.00CR
1.230.0000 ASSET RETIREMENT OBLIGATIONS	3,707,145.75CR	3,582,572.45CR	124,573.30CR
1.228.0310 SUPPLEMENTAL RETIREMENT PLAN LIABILITY	1,285,280.92CR	1,360,293.85CR	75,012.93
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Asset Retirement Obligation and Other	5,036,790.67CR	4,987,230.30CR	49,560.37CR
Accum Provision for Pensions & Benefits	.00	.00	.00
	-----	-----	-----
Total Deferred Credits and Other	49,560,169.45CR	48,525,932.20CR	1,034,237.25CR
	-----	-----	-----
Shareholders' Equity			
Common Stock, Par Value	.00	.00	.00
1.207.0000 PREMIUMS ON COMMON STOCK	60,919,172.03CR	67,919,172.03CR	7,000,000.00
Paid In Surplus	60,919,172.03CR	67,919,172.03CR	7,000,000.00
Capital Stock Expense	.00	.00	.00
Accum Other Comprehensive Income	.00	.00	.00
1.216.0000 RETAINED EARNINGS	1,830,664.52CR	1,202,309.93	3,032,974.45CR
1.403.0000 DEPRECIATION EXPENSE	6,658,020.46	6,389,586.12	268,434.34
1.408.0100 LICENSE & PRIVILEGE FEES	4,992.43	5,335.00	342.57CR
1.408.0200 PROPERTY TAXES	2,599,000.00	2,579,252.00	19,748.00
1.408.0300 PAYROLL TAXES	612,901.29	590,510.11	22,391.18
1.409.0100 CURRENT FED INC TAX	1,741,562.30	2,887,058.77	1,145,496.47CR
1.409.0120 CURRENT FED INC TAX - EQUITY & INCENT CO	134,722.35CR	163,022.39CR	28,300.04
1.409.0200 CURRENT STATE INC TAX	317,586.17	565,467.93	247,881.76CR
1.409.0220 CURRENT STATE INC TAX - EQUITY & INCENT	33,765.00CR	30,604.96CR	3,160.04CR

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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## 1 Balance Sheet-Delta - Detail

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
1.409.0800 NON REGULATED FEDERAL TAXES	330,156.85CR	1,542,789.51CR	1,212,632.66
1.409.0810 NON REGULATED FEDERAL TAXES - NAT GAS LI	206,008.90	230,606.43	24,597.53CR
1.409.0900 NON REGULATED STATE TAXES	82,746.08CR	289,635.08CR	206,889.00
1.409.0910 NON REGULATED STATE TAXES - NAT GAS LIQU	51,631.30	43,292.82	8,338.48
1.410.0000 DEFERRED INCOME TAXES	1,751,445.46	494,760.77	1,256,684.69
1.410.0100 AMORT OF REGULATORY LIABILITY	223,136.64CR	39,600.00CR	183,536.64CR
1.415.0100 LABOR SERVICE REVENUE	3,335.00CR	4,340.00CR	1,005.00
1.415.0200 MERCHANDISING REVENUE	8,623.55CR	10,837.87CR	2,214.32
1.415.0300 SALES TAX COMMISSION	600.00CR	600.00CR	.00
1.416.0100 LABOR SERVICE EXPENSE	1,355.10	1,550.77	195.67CR
1.416.0200 MERCHANDISING EXPENSE	6,503.83	7,717.04	1,213.21CR
1.418.0100 NET EARNINGS OF SUBSIDIARY	.00	990,000.93CR	990,000.93
1.419.0000 INTEREST & DIVIDEND INCOME	74,936.39	188,066.69CR	263,003.08
1.419.0100 INTERCOMPANY INTEREST	333,106.92CR	.00	333,106.92CR
1.421.0000 MISC NON OPERATING INCOME	2,523.57CR	8,574.67CR	6,051.10
1.421.0100 MISC NON OPERATING EXPENSE - PAYROLL	4,540.53	4,909.62	369.09CR
1.426.0200 LIFE INSURANCE CO. BENEFICIARY	19,617.61	55,687.34CR	75,304.95
1.426.0500 OTHER NON-OPERATING DEDUCTIONS	2,042,355.35	5,079,896.60	3,037,541.25CR
1.427.0000 INTEREST ON LONG TERM DEBT	2,083,850.00	2,151,300.00	67,450.00CR
1.428.0000 AMORT OF DEBT EXPENSES	216,700.00	223,800.00	7,100.00CR
1.431.0100 INTEREST ON CUSTOMER DEPOSITS	9,629.06	4,231.55	5,397.51
1.431.0200 INTEREST ON SHORT-TERM DEBT	.00	36,387.65	36,387.65CR
1.431.0210 SUBSIDIARY INTEREST	92,500.00CR	63,600.00CR	28,900.00CR
1.480.0100 GS RATE SALES RESIDENTIAL	22,932,701.96CR	20,027,285.13CR	2,905,416.83CR
1.480.0110 UNBILLED REVENUE - RESIDENTIAL	734,532.00	831,487.00CR	1,566,019.00
1.480.0120 PRP REVENUE - RESIDENTIAL	1,047,574.02CR	899,965.56CR	147,608.46CR
1.480.0130 TCJA SURCREDIT - RESIDENTIAL	339,386.88	.00	339,386.88
1.480.0200 GS RATE SALES OTHER COMMERCIAL	8,802,493.36CR	7,834,167.97CR	968,325.39CR
1.480.0210 UNBILLED REVENUE - OTHER COMMERCIAL	247,707.00	293,301.00CR	541,008.00
1.480.0220 PRP REVENUE - COMMERCIAL	427,716.57CR	364,450.11CR	63,266.46CR
1.480.0230 TCJA SURCREDIT - LARGE NON-RES	145,226.88	.00	145,226.88
1.480.0300 GS RATE SALES INDUSTRIAL	710,533.44CR	627,941.46CR	82,591.98CR
1.480.0310 UNBILLED REVENUE - INDUSTRIAL	30,623.00	23,497.00CR	54,120.00
1.480.0320 PRP REVENUE - INDUSTRIAL	17,763.22CR	15,952.92CR	1,810.30CR
1.480.0400 GS RATE SALES SMALL COMMERCIAL	7,164,034.67CR	5,930,627.39CR	1,233,407.28CR
1.480.0410 UNBILLED REVENUE - SMALL COMMERCIAL	207,210.00	289,501.00CR	496,711.00
1.480.0420 PRP REVENUE - SMALL COMMERCIAL	271,355.73CR	234,228.75CR	37,126.98CR
1.480.0430 TCJA SURCREDIT - SMALL NON-RES	87,084.03	.00	87,084.03
1.480.0500 UNMETERED GAS LIGHT REVENUE	3,944.91CR	3,780.21CR	164.70CR
1.480.0600 WNA RESIDENTIAL	70,214.14	776,015.60CR	846,229.74
1.480.0610 UNBILLED REVENUE - WNA RESIDENTIAL	134,343.00CR	63,975.00	198,318.00CR
1.480.0700 WNA SMALL NON-RESIDENTIAL	25,908.76	247,533.91CR	273,442.67
1.480.0710 UNBILLED REVENUE - WNA NON-RESIDENTIAL	43,394.00CR	19,063.00	62,457.00CR
1.480.0800 RESIDENTIAL CEP LOST SALES	133,258.89CR	94,491.79CR	38,767.10CR
1.481.0200 INTERRUPTIBLE RATE COMMERCIAL	30,182.38CR	23,039.41CR	7,142.97CR
1.481.0210 UNBILLED REVENUE INTERRUPTIBLE RATE COMM	161.00CR	2,358.00CR	2,197.00
1.481.0220 PRP REVENUE - INT COMMERCIAL	2,723.98CR	2,565.80CR	158.18CR
1.481.0230 TCJA SURCREDIT - INTERRUPTIBLE	4,457.16	.00	4,457.16
1.481.0300 INTERRUPTIBLE RATE INDUSTRIAL	165,326.34CR	145,503.62CR	19,822.72CR
1.481.0310 UNBILLED REVENUE INTERRUPTIBLE RATE INDU	2,677.00	6,064.00CR	8,741.00
1.481.0320 PRP REVENUE - INT INDUSTRIAL	11,605.89CR	8,035.40CR	3,570.49CR

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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

1 Balance Sheet-Delta - Detail

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
1.488.0100 COLLECTION REVENUE	171,880.00CR	154,060.00CR	17,820.00CR
1.488.0200 RECONNECT REVENUE	158,580.00CR	140,760.00CR	17,820.00CR
1.488.0400 BAD CHECK REVENUE	8,760.00CR	7,890.00CR	870.00CR
1.489.0200 OFF SYSTEM TRANSP REVENUE	1,073,661.29CR	1,684,543.28CR	610,881.99
1.489.0210 OFF SYSTEM TRANSP REVENUE - DELGASCO	2,134,770.57CR	2,149,221.63CR	14,451.06
1.489.3100 ON SYSTEM TRANSP RESIDENTIAL	1,612.91CR	3,233.06CR	1,620.15
1.489.3120 ON SYSTEM PRP- RESIDENTIAL	142.20CR	244.50CR	102.30
1.489.3130 TCJA SURCREDIT - ON SYSTEM - RESIDENTIAL	61.40	.00	61.40
1.489.3200 ON SYSTEM TRANSP LG NON-RES	2,410,160.24CR	2,218,677.39CR	191,482.85CR
1.489.3220 ON SYSTEM PRP- LG NON-RES	36,476.94CR	31,205.12CR	5,271.82CR
1.489.3230 TCJA SURCREDIT - ON SYS - LARGE NON-RES	15,803.86	.00	15,803.86
1.489.3400 ON SYSTEM TRANSP SM NON-RES	105,675.22CR	102,486.24CR	3,188.98CR
1.489.3420 ON SYSTEM PRP- SMALL NON-RES	6,083.10CR	5,359.96CR	723.14CR
1.489.3430 TCJA SURCREDIT - ON SYS - SMALL NON-RES	2,629.80	.00	2,629.80
1.489.3500 ON SYSTEM TRANSP INTERRUPTIBLE	950,532.64CR	1,005,102.78CR	54,570.14
1.489.3520 ON SYSTEM PRP- INTERRUPTIBLE	65,125.13CR	55,110.60CR	10,014.53CR
1.489.3530 TCJA SURCREDIT - ON SYS - INTERRUPTIBLE	25,241.26	.00	25,241.26
1.489.3620 ON SYSTEM - SPECIAL CONTRACTS	360,938.11CR	360,835.93CR	102.18CR
1.489.4100 ON SYSTEM TRANSP - DR RESIDENTIAL	8,502.49CR	8,353.00CR	149.49CR
1.489.4120 ON SYSTEM DR - PRP RES	497.70CR	447.75CR	49.95CR
1.489.4130 TCJA SURCREDIT - ON SYS DR - RESIDENTIAL	214.90	.00	214.90
1.489.4200 ON SYSTEM TRANSP - DR LG NON-RES	705,654.86CR	866,502.66CR	160,847.80
1.489.4220 ON SYSTEM DR PRP - LG NON-RES	16,767.63CR	14,715.40CR	2,052.23CR
1.489.4230 TCJA SURCREDIT - ON SYS DR - LARGE NON-R	7,218.42	.00	7,218.42
1.489.4400 ON SYSTEM TRANSP - DR SM NON-RES	21,781.56CR	20,100.67CR	1,680.89CR
1.489.4420 ON SYSTEM DR PRP - SM NON-RES	1,284.21CR	1,055.70CR	228.51CR
1.489.4430 TCJA SURCREDIT - ON SYS DR - SMALL NON-R	555.18	.00	555.18
1.489.4500 ON SYSTEM TRANSP - DR INTERRUPTIBLE	333,487.34CR	377,883.68CR	44,396.34
1.489.4520 ON SYSTEM DR PRP - INTERRUPTIBLE	45,970.68CR	35,200.92CR	10,769.76CR
1.489.4530 TCJA SURCREDIT - ON SYS DR - INTERRUPTIB	17,817.36	.00	17,817.36
1.490.0000 CM SALES OF PRODUCTS EXTRACTED FROM GAS	1,032,626.03CR	721,547.04CR	311,078.99CR
1.753.0100 WELLS & GATHERING PAYROLL	28,480.95	24,875.91	3,605.04
1.753.0200 WELLS & GATHERING MISC	1,997.81	231.01	1,766.80
1.754.0100 COMPRESSOR STATION PAYROLL	58,489.62	55,432.16	3,057.46
1.754.0200 COMPRESSOR STATION MISC.	74,740.47	71,602.15	3,138.32
1.764.0100 MNT WELLS & GATHERING PAYROLL	2,507.44	1,039.80	1,467.64
1.765.0100 MNT COMPRESSOR STATION PAYROLL	32,881.57	35,696.16	2,814.59CR
1.765.0200 MNT COMPRESSOR STATION OTHER	24,309.71	23,459.31	850.40
1.803.0100 PURCHASED GAS COST - RESIDENTIAL	9,195,736.67	6,843,403.03	2,352,333.64
1.803.0200 PURCHASED GAS COST - LARGE NON-RES	5,049,418.84	4,130,569.04	918,849.80
1.803.0400 PURCHASED GAS COST - SMALL NON-RES	3,294,861.14	2,388,771.66	906,089.48
1.803.0500 PURCHASED GAS COST - INTERRUPTIBLE	156,109.18	122,040.05	34,069.13
1.803.2100 UNBILLED PURCHASE GAS - RESIDENTIAL	381,513.00CR	569,059.00	950,572.00CR
1.803.2200 UNBILLED PURCHASE GAS - LARGE NON-RES	155,564.00CR	240,956.00	396,520.00CR
1.803.2400 UNBILLED PURCHASE GAS - SMALL NON-RES	118,856.00CR	201,275.00	320,131.00CR
1.803.2500 UNBILLED PURCHASE GAS - INTERRUPTIBLE	1,083.00CR	7,413.00	8,496.00CR
1.816.0100 CM WELLS EXPENSES - PAYROLL	45,762.95	89,683.17	43,920.22CR
1.816.0200 CM WELLS EXPENSES - MISC	5,812.26	7,747.08	1,934.82CR
1.818.0100 CM COMPRESSOR STATION EXPENSES - PAYROLL	24,594.62	21,625.54	2,969.08
1.818.0200 CM COMPRESSOR STATION EXPENSES - MISC	63,321.93	75,398.34	12,076.41CR
1.821.0200 CM PURIFICATION OF NATURAL GAS - MISC	96,746.07	90,457.40	6,288.67

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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## 1 Balance Sheet-Delta - Detail

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
1.824.0200 CM OTHER UNDERGROUND STORAGE EXPENSES -	7,738.75	3,206.25	4,532.50
1.825.0000 CM STORAGE WELL ROYALTIES/RENTS	53,109.17	53,290.67	181.50CR
1.831.0200 CM MAINTENANCE STRUCTURES & IMPROVEMENTS	3,421.49	6,955.36	3,533.87CR
1.832.0100 CM MAINT OF RESERVOIRS AND WELLS - PAYRO	402.95	1,287.10	884.15CR
1.832.0200 CM MAINTENANCE OF RESERVOIRS AND WELLS -	55,816.90	59,646.14	3,829.24CR
1.834.0100 CM MAINT OF COMPRESSOR STAT EQUIP - PAYR	11,807.75	18,847.29	7,039.54CR
1.834.0200 CM MAINTENANCE OF COMPRESSOR STAT EQUIP	8,477.40	9,490.53	1,013.13CR
1.835.0100 CM MAINT OF MEAS & REG STAT EQUIP - PAYR	180.83	.00	180.83
1.835.0200 CM MAINTENANCE OF MEAS & REG STAT EQUIP	392.86	97.42	295.44
1.837.0200 CM MAINTENANCE OF OTHER EQUIPMENT - MISC	578.66	1,732.83	1,154.17CR
1.838.0100 CM MAINT OF DEW POINT CONTROL UNIT - PAY	19,448.88	22,336.52	2,887.64CR
1.838.0200 CM MAINT OF DEW POINT CONTROL UNIT - MIS	40,526.75	18,559.78	21,966.97
1.856.0000 RIGHT OF WAY CLEARING	70,788.23	124,744.00	53,955.77CR
1.871.0000 TELEMETRY COSTS	9,978.89	13,278.80	3,299.91CR
1.880.0100 OPERATIONS OFFICE TELEPHONE	126,830.39	124,236.26	2,594.13
1.880.0200 OPERATIONS OFFICE UTILITIES	108,770.61	108,494.60	276.01
1.880.0210 UTILITIES DEW POINT CONTROL UNIT	74,200.09	76,701.99	2,501.90CR
1.880.0300 OPERATIONS OFFICE MISC.	95,571.69	81,293.80	14,277.89
1.880.0310 CM OPERATIONS MISC.	1,300.90	1,677.10	376.20CR
1.880.0400 FEES TRAINING SCHOOLS	30,658.20	24,669.97	5,988.23
1.880.0500 UNIFORMS	26,938.07	64,053.38	37,115.31CR
1.880.0600 WELDING SUPPLIES	21,968.05	19,851.78	2,116.27
1.881.0200 RENT LAND & LAND RIGHTS	14,419.99	14,341.17	78.82
1.887.0100 MNT TRANS & DIST MAINS PAYROLL	50,245.49	38,590.16	11,655.33
1.887.0200 MNT TRANS & DIST MAINS OTHER	73,700.37	71,596.56	2,103.81
1.889.0000 MNT REG STATION TRANS & DIST.	4,049.18	2,817.29	1,231.89
1.893.0100 MNT OF METERS & REG PAYROLL	13,355.95	11,139.29	2,216.66
1.893.0200 MNT OF METERS & REG OTHER	50,740.85	63,357.29	12,616.44CR
1.894.0100 MNT OF OTHER EQUIPMENT PAYROLL	6,627.67	2,188.63	4,439.04
1.894.0200 MNT OF OTHER EQUIPMENT OTHER	129,014.19	144,700.73	15,686.54CR
1.898.0100 MNT - TRANSP EQUIP EXPENSE-PAYROLL	32,544.34	31,808.58	735.76
1.898.0200 MNT - POWER OPR EQUIP EXPENSE-PAYROLL	8,081.23	6,725.37	1,355.86
1.900.0100 TRANS & DIST. PAYROLL	3,107,519.39	2,953,416.62	154,102.77
1.900.0200 OPR TRANSPORTATION EXPENSES	821,746.88	784,471.25	37,275.63
1.900.0300 SMALL TOOLS & WORK EQUIPMENT	108,589.19	97,535.45	11,053.74
1.903.0100 CASHING PAYROLL	439,525.47	435,017.84	4,507.63
1.903.0200 CUSTOMER COLLECTIONS & RECORDS	348,397.77	326,295.37	22,102.40
1.904.0000 UNCOLLECTIBLE ACCOUNTS	192,057.00	84,827.63	107,229.37
1.908.0100 CUSTOMER ASSISTANCE	30,000.00	30,000.00	.00
1.913.0000 ADVERTISING	.00	475.00	475.00CR
1.920.0100 ADMINISTRATIVE PAYROLL	2,904,050.08	3,094,666.84	190,616.76CR
1.920.0200 ADM TRANSPORTATION EXPENSES	74,700.00	72,600.00	2,100.00
1.921.0100 ADM TELEPHONE	295,559.39	150,152.96	145,406.43
1.921.0300 BOOKS & SUBSCRIPTIONS	24,872.98	21,033.44	3,839.54
1.921.0400 COMPANY FORMS	7,296.95	5,016.74	2,280.21
1.921.0500 SMALL SUPPLY ITEMS	31,836.05	29,590.19	2,245.86
1.921.0600 MISCELLANEOUS OTHER ITEMS	61,905.76	52,263.88	9,641.88
1.921.0700 EMPLOYEE MEMBERSHIPS	4,548.40	6,847.38	2,298.98CR
1.921.0800 SAFETY LITERATURE & EDUCATION	10,883.86	13,133.99	2,250.13CR
1.921.0900 ENGR & DRAFTING SUPPLIES	8,500.07	4,785.44	3,714.63
1.921.1000 ADM UTILITIES	57,254.82	58,604.49	1,349.67CR

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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## 1 Balance Sheet-Delta - Detail

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
1.921.1100 INVENTORY - DIFFERENCE	1,228.89CR	3,741.74CR	2,512.85
1.921.2100 TRAVEL ETC CO BUS PRES & CEO	6,863.97	6,886.13	22.16CR
1.921.2200 TRAVEL ETC CO BUS OFFICERS	4,699.28	5,449.68	750.40CR
1.921.2300 TRAVEL ETC CO BUS OPER & CONST	11,443.92	10,685.63	758.29
1.921.2400 TRAVEL ETC CO BUS ADM&CUST SER	827.96	1,544.29	716.33CR
1.921.2600 TRAVEL ETC CO BUS FINANCE	8,771.63	6,796.66	1,974.97
1.921.2900 CO. BUS. MEALS & ENTERTAINMENT	30,336.34	27,584.65	2,751.69
1.921.3000 COMPUTER EQUIPMENT OPERATIONS	13,697.01	7,932.90	5,764.11
1.922.0000 EXP. TRANSFERRED - CAPITAL	2,771,442.02CR	3,061,439.58CR	289,997.56
1.922.0100 EXPENSES TRANSFERRED (CANADA MOUNTAIN)	219,857.00CR	232,446.00CR	12,589.00
1.922.1000 EXP. TRANSFERRED I/C	253,982.00CR	301,630.00CR	47,648.00
1.922.2000 EXP. TRANSFERRED - INCENTIVE COMP	.00	24,844.00CR	24,844.00
1.923.0100 OUTSIDE SERVICES LEGAL	42,466.77	269,246.73CR	311,713.50
1.923.0200 OUTSIDE SERVICES ACCOUNTING	127,079.45	299,735.00	172,655.55CR
1.923.0300 OUTSIDE SERVICES JANITORIAL	64,232.00	63,010.00	1,222.00
1.923.0400 OUTSIDE SERVICES OTHER	158,377.46	70,533.38	87,844.08
1.923.0500 OUTSIDE SERVICES COMPUTERS	523,627.22	543,497.60	19,870.38CR
1.923.0600 OUTSIDE SERVICES ACQUISITION COSTS	2,093.54	.00	2,093.54
1.924.0000 INSURANCE	651,023.46	816,906.72	165,883.26CR
1.925.0000 TERM LIFE INSURANCE	4,203.52	3,988.42	215.10
1.926.0100 TIME OFF PAYROLL	653,267.98	604,743.64	48,524.34
1.926.0200 PENSION	478,880.04	1,129,925.80	651,045.76CR
1.926.0300 EMPLOYEE 401K PLAN	411,705.61	389,528.99	22,176.62
1.926.0400 MEDICAL COVERAGE	1,644,758.50	1,118,357.37	526,401.13
1.926.0500 SALARY CONTINUATION COVERAGE	73,874.95	73,558.13	316.82
1.926.0800 EMPLOYEE RECREATION & SOCIAL	3,534.50	8,583.50	5,049.00CR
1.926.1000 SUPPLEMENTAL RETIREMENT PLAN	72,864.75CR	229,831.78	302,696.53CR
1.926.1100 EQUITY & INCENTIVE COMPENSATION	675,300.00	534,926.29	140,373.71
1.928.0000 REGULATORY COMMISSION EXPENSE	182,464.55	181,860.06	604.49
1.930.0100 DIRECTOR FEES & EXPENSES	39,500.00	483,913.61	444,413.61CR
1.930.0200 COMPANY MEMBERSHIPS	51,243.60	49,961.13	1,282.47
1.930.0300 FEES CONVENTIONS & MEETINGS	1,818.50	2,994.00	1,175.50CR
1.930.0400 MARKETING	15.86	911.43	895.57CR
1.930.0500 COMPANY RELATIONS	21,246.96	8,891.01	12,355.95
1.930.0600 TRUSTEE, REGISTRAR, AGENT FEES	184.00	71,165.78	70,981.78CR
1.930.0800 STOCKHOLDER REPORTS	542.11CR	13,851.64	14,393.75CR
1.930.0900 CUSTOMER & PUBLIC INFORMATION	16,474.87	62,661.14	46,186.27CR
1.930.1000 PUBLIC & COMMUNITY RELATIONS	12,855.10	13,490.74	635.64CR
1.930.1100 CONSERVATION PROGRAM	.00	800.00	800.00CR
1.930.1200 LOBBYING EXPENDITURES	7,042.10	8,750.26	1,708.16CR
1.930.1300 MISC NON TAX DEDUCTIBLE	79,222.91	250.00	78,972.91
1.932.0100 MNT COMMUNICATION EQUIPMENT	13,142.58	59,556.06	46,413.48CR
1.932.0200 MNT OFFICE EQUIPMENT	33,802.30	32,968.27	834.03
1.932.0300 MNT GENERAL STRUCTURES	30,183.59	37,141.20	6,957.61CR
1.932.0500 MAINTENANCE COMPUTER EQUIPMENT	71,495.51	89,003.35	17,507.84CR
Retained Earnings	4,247,232.65CR	1,830,664.52CR	2,416,568.13CR

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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## 1 Balance Sheet-Delta - Detail

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
Total Common Equity	65,166,404.68CR	69,749,836.55CR	4,583,431.87
	-----	-----	-----
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	177,448,800.08CR	176,731,310.69CR	717,489.39CR
	=====	=====	=====



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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Balance Sheet - Delta Natural

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
01			
ASSETS			
CURRENT ASSETS			
-----			
Cash	444,262.23	3,233,287.43	2,789,025.20CR
Accounts Receivable	7,424,489.61	8,608,932.32	1,184,442.71CR
Less Accum Prov for Doubtful Accounts	154,624.31CR	151,790.40CR	2,833.91CR
Net Accounts Receivable	7,269,865.30	8,457,141.92	1,187,276.62CR
Gas in storage, at average cost	2,233,389.33	2,355,001.19	121,611.86CR
Deferred gas cost	1,234,762.19	1,870,925.94	636,163.75CR
Materials and Supplies	731,538.49	606,455.44	125,083.05
Prepayments	4,055,633.38	1,732,297.29	2,323,336.09
Deferred Income Taxes	.00	.00	.00
Total Current Assets	15,969,450.92	18,255,109.21	2,285,658.29CR
OTHER ASSETS			
-----			
Investment in Associated Companies	.00	.00	.00
Receivables from Associated Companies	4,313,134.09	4,963,384.81	650,250.72CR
Cash Value of Officers Life Insurance	483,891.38	494,934.99	11,043.61CR
Unamortized Debt Expense	2,210,760.73	2,427,460.73	216,700.00CR
Other	11,748,717.74	10,933,685.20	815,032.54
Total Other Assets	18,756,503.94	18,819,465.73	62,961.79CR
Property, Plant & Equipment			
Gas Utility Plant in Service	247,170,800.38	244,058,335.68	3,112,464.70
Less Accumulated Provision for Depr	109,982,212.24CR	109,174,722.10CR	807,490.14CR
Net Plant in Service	137,188,588.14	134,883,613.58	2,304,974.56
Construction Work In Progress	1,326,187.59	565,052.68	761,134.91
Gas Stored Underground	4,208,069.49	4,208,069.49	.00
Total Net Utility Plant	142,722,845.22	139,656,735.75	3,066,109.47
Non-Utility Property	.00	.00	.00
Less Accumulated Provision for Depr	.00	.00	.00
Net Non-Utility Property	.00	.00	.00
Total Net Property, Plant & Equip	142,722,845.22	139,656,735.75	3,066,109.47

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## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Balance Sheet - Delta

For Period Ending: December 31, 2018

	Current Y-T-D Amount	Last Year Y-T-D Amount	Current Y-T-D (-) Last Y-T-D Amount
-----			
LIABILITIES			
-----			
CURRENT LIABILITIES			
-----			
Accounts Payable	5,039,466.10CR	5,611,391.90CR	571,925.80
Notes Payable	3,347,765.52CR	.00	3,347,765.52CR
Current Portion of Long-Term Debt	1,500,000.00CR	1,500,000.00CR	.00
-----			
Accrued Taxes	2,548,651.22CR	1,198,002.37CR	1,350,648.85CR
Refunds Due Customers	.00	.00	.00
Customers' Deposits	794,831.46CR	744,289.95CR	50,541.51CR
-----			
Accrued Interest on Debt	87,900.92CR	88,682.59CR	781.67
-----			
Current Deferred Income Taxes	2,141,097.19CR	616,004.91CR	1,525,092.28CR
-----			
Other Current & Accrued Liabilities	1,262,513.59CR	1,197,170.22CR	65,343.37CR
-----			
Total Current Liabilities	16,722,226.00CR	10,955,541.94CR	5,766,684.06CR
-----			
Long-Term Debt	45,999,999.95CR	47,500,000.00CR	1,500,000.05
-----			
DEFERRED CREDITS AND OTHER			
-----			
Deferred Income Taxes	22,722,888.92CR	23,249,696.60CR	526,807.68
Deferred Investment Tax Credits	.00	.00	.00
-----			
Regulatory Items	21,800,489.86CR	20,289,005.30CR	1,511,484.56CR
-----			
Asset Retirement Obligation and Other	5,036,790.67CR	4,987,230.30CR	49,560.37CR
Accum Provision for Pensions & Benefits	.00	.00	.00
-----			
Total Deferred Credits and Other	49,560,169.45CR	48,525,932.20CR	1,034,237.25CR
-----			
Shareholders' Equity			
Common Stock, Par Value	.00	.00	.00
Paid In Surplus	60,919,172.03CR	67,919,172.03CR	7,000,000.00
Capital Stock Expense	.00	.00	.00
Accum Other Comprehensive Income	.00	.00	.00
-----			
Retained Earnings	4,247,232.65CR	1,830,664.52CR	2,416,568.13CR
-----			
Total Common Equity	65,166,404.68CR	69,749,836.55CR	4,583,431.87
-----			
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	177,448,800.08CR	176,731,310.69CR	717,489.39CR
=====			

Account Number		2017	2018
	INCOME STATEMENT		
	INCOME BEFORE EXTRAORDINARY INCOME		
	UTILITY OPERATING INCOME		
	Operating Revenues (400)		
9480000	9480000 Residential Sales	-1,430,010.35	-1,705,529.52
	Sales of Gas (480-484)	-1,430,010.35	-1,705,529.52
9487000	9487000 Forfeited Discounts	-129.16	-154.31
9488000	9488000 Miscellaneous Service Revenues	-10,016.88	-9,457.88
9495000	9495000 Other Gas Revenues	0	-54.69
	Other Operating Revenues (485-496)	-10,146.04	-9,666.88
	Total Operating Revenues (400)	-1,440,156.39	-1,715,196.40
	Operating Expenses:		
	Operation Expenses (401)		
	Gas Production Operating Expense:		
	Natural Gas Production Oper Exp:		
9753000	9753000 Nat Gas Prod/Gath Op - Field Lines Expenses	0	136.82
	Natural Gas Prod & Gath Operation Exp	0	136.82
	Total Natural Gas Production Oper Exp	0	136.82
9803000	9803000 Oth Gas Supply Op - Nat Gas Transm Line Pu	637,970.81	857,955.96
9805100	9805100 Oth Gas Supply Op - Pur Gas Cost Adjustmen	-89,586.98	-162,848.51
9813000	9813000 Oth Gas Supply Op - Other Gas Suppl	1,171.35	587.18
	Other Gas Supply Operation Expenses	549,555.18	695,694.63
	Total Gas Production Operating Exp	549,555.18	695,831.45
9858000	9858000 Gas Transmission Op - Transm/Compres Gas	222,233.03	288,715.66
	Gas Transmission Operations Exp	222,233.03	288,715.66
9870000	9870000 Gas Distribution Op - Supervision and Enginee	13,961.06	0
9874000	9874000 Gas Distribution Op - Mains and Services Exp	761.37	689.75
9875000	9875000 Gas Distribution Op - Meas/Reg Sta Exps-Gen	87.8	34.61
9878000	9878000 Gas Distribution Op - Meter/House Reg Exps	356,618.83	342,044.30
9879000	9879000 Gas Distribution Op - Customer Installations E	56,439.20	81,588.40
9880000	9880000 Gas Distribution Op - Other Expenses	7,610.86	11,799.83
	Gas Distribution Operations Exp	435,479.12	436,156.89
9902000	9902000 Customer Accounts - Meter Reading Expense	272,227.97	355,069.18
9903000	9903000 Customer Accounts - Customer Records & Co	110,811.55	79,153.26
9904000	9904000 Customer Accounts - Uncollectible Accounts	40,000.00	30,000.00
	Customer Accounts Expense	423,039.52	464,222.44
9909000	9909000 Customer Service/Info - Info & Instructional Ac	5,038.00	2,858.73
	Customer Service and Informational Expen	5,038.00	2,858.73
9912000	9912000 Sales Expense - Demonstrating & Selling	1,758.93	883.18
	Sales Expense	1,758.93	883.18
9920000	9920000 Admin & General - Salaries	0	107,406.38
9921000	9921000 Admin & General - Office Supplies & Expense	65,053.93	78,835.30
9922000	9922000 Admin & General - Admin Exp Transferred - C	-21,867.43	-14,149.17
9923000	9923000 Admin & General - Outside Services Employe	260,462.71	68,122.74
9924000	9924000 Admin & General - Property Insurance	1,007.59	1,202.69
9925000	9925000 Admin & General - Injuries & Damages	49,704.10	16,655.49
9926000	9926000 Admin & General - Employee Benefits	336,472.03	368,461.48
9930100	9930100 Admin & General - General Advertising Expen	512.5	0
9930200	9930200 Admin & General - Miscellaneous Expenses	794.64	825.51
9931000	9931000 Admin & General - Rents	112.05	11,508.49
	Administrative & General Operations Exp	692,252.12	638,868.91

	Total Operation Expenses (401)	2,329,355.90	2,527,537.26
	Maintenance Expenses (402)		
	Gas Production Maintenance Expenses		
9764000	9764000 Nat Gas Prod/Gath Maint - Field Lines	0	23.02
	Natural Gas Prod & Gath Maint Exp	0	23.02
	Total Nat Gas Production Maint Exp	0	23.02
	Total Gas Production Maintenance Exp	0	23.02
9863000	9863000 Gas Transmission Maint - Mains	0	57.7
	Gas Transmission Maintenance Expense	0	57.7
9886000	9886000 Gas Distribution Maint - Structures/Improvement	28,403.13	30,619.37
9887000	9887000 Gas Distribution Maint - Mains	195.6	807.7
9889000	9889000 Gas Distribution Maint - Meas/Reg Sta Equip-	87.8	23.07
9892000	9892000 Gas Distribution Maint - Services	32,346.93	38,271.62
9894000	9894000 Gas Distribution Maint - Other Equipment	8,740.79	7,778.33
	Gas Distribution Maintenance Expense	69,774.25	77,500.09
9932000	9932000 Admin & General Maint -Other General Plant	3,357.07	128.37
	Administrative & General Maintenance Exp	3,357.07	128.37
	Total Maintenance Expenses (402)	73,131.32	77,709.18
9403000	9403000 Depreciation Expense - Utility Plant	72,205.90	84,699.90
	Depreciation Expense (403)	72,205.90	84,699.90
9404000	9404000 Amortization Expense - Utility Plant	23,707.85	27,846.16
	Amort & Depletion of Util Plnt (404-405)	23,707.85	27,846.16
9408100	9408100 Taxes Other than Income Taxes - Utility Oper	73,982.03	93,430.89
	Taxes Other than Income Taxes (408.1)	73,982.03	93,430.89
9410100	9410100 Provision for Deferred Income Taxes - Utility C	-473,952.00	-311,259.00
	Prov for Deferred Income Taxes (410.1)	-473,952.00	-311,259.00
	Total Operating Expenses	2,098,431.00	2,499,964.39
	NET UTILITY OPERATING INCOME	658,274.61	784,767.99
	OTHER INCOME & DEDUCTIONS		
	Other Income:		
9415000	9415000 Revenues from Merchandising,Jobbing & Con	-20,207.41	-18,471.64
	Rev - Mrchndng/Jobbng/Conrtct Wrk (415)	-20,207.41	-18,471.64
	Total Other Income	-20,207.41	-18,471.64
	Other Income Deductions:		
9426300	9426300 Other Income Deductions - Penalties	0	481.77
	Penalties (426.3)	0	481.77
9426400	9426400 Other Income Deductions - Civic/Political Activ	7.8	40.43
	Exp Certain Civic, Pol & Rel Activ(426.4)	7.8	40.43
	Total Other Income Deductions	7.8	522.2
	NET OTHER INCOME & DEDUCTIONS	-20,199.61	-17,949.44
	INTEREST CHARGES		
9428000	9428000 Amortization of Debt Discount & Exp	4,240.32	7,269.12
	Amort of Debt Discount & Expense (428)	4,240.32	7,269.12
9430000	9430000 Interest on Debt to Associated Companies	98,653.07	163,250.85
	Interest on Debt to Assoc. Companies (430)	98,653.07	163,250.85
9431000	9431000 Other Interest Expense	54.81	-188.84
	Other Interest Expense (431)	54.81	-188.84
9432000	9432000 Allowance Borrowed Funds Used During Const	-431.43	-774.89
	Allow-Brrwed Fnds Usd Durng Const-Cr (432)	-431.43	-774.89
	NET INTEREST CHARGES	102,516.77	169,556.24
	TOTAL INC. BEFORE EXTRAORDINARY INC.	740,591.77	936,374.79
	NET INCOME	740,591.77	936,374.79

		-740,591.77	-936,374.79
--	--	-------------	-------------

Account Number		12/31/2017	12/31/2018
	<b>ASSETS &amp; OTHER DEBITS:</b>		
	<b>UTILITY PLANT:</b>		
9101000	9101000 Plant in Service	2,250,674.30	2,420,989.36
	Utility Plant (101,-106,114)	2,250,674.30	2,420,989.36
9107000	9107000 Construction Work in Progress	17,943.12	37,615.71
	Construction Work in Progress (107)	17,943.12	37,615.71
	Total Utility Plant (Gross)	2,268,617.42	2,458,605.07
9108000	9108000 Accumulated Depreciation-Utility Plant	-537,027.55	-597,372.55
9111000	9111000 Accumulated Amortization-Utility Plant	-71,063.52	-98,909.68
	Accum Prov for Depr & Amort (108,111,115)	-608,091.07	-696,282.23
	Net Utility Plant	1,660,526.35	1,762,322.84
	Total Net Utility Plant	1,660,526.35	1,762,322.84
	<b>TOTAL UTILITY PLANT</b>	<b>1,660,526.35</b>	<b>1,762,322.84</b>
	<b>OTHER PROPERTY &amp; INVESTMENTS:</b>		
9128000	9128000 Other Special Funds	1,250.00	1,250.00
	Other Special Funds (128)	1,250.00	1,250.00
	<b>TOTAL OTHER PROPERTY &amp; INVESTMENTS</b>	<b>1,250.00</b>	<b>1,250.00</b>
	<b>CURRENT &amp; ACCRUED ASSETS:</b>		
9131000	9131000 Cash	12,486.92	16,278.36
	Cash (131)	12,486.92	16,278.36
9142000	9142000 Customer Accounts Receivable	186,817.87	241,674.97
	Customer Accounts Receivable (142)	186,817.87	241,674.97
9144000	9144000 Accumulated Provision for Uncollectible Accou	-30,761.38	-31,923.64
	Accum Prov - Uncollectible Accts (144)	-30,761.38	-31,923.64
9146000	9146000 Accounts Receivable from Associated Compa	2,425.23	65.84
	Accts Receivable from Assoc. Co.'s (146)	2,425.23	65.84
9154000	9154000 Plant Materials & Operating Supplies	465.98	465.98
	Plant Materials & Operating Supplies (154)	465.98	465.98
9165000	9165000 Prepayments	41,727.09	41,838.97
	Prepayments (165)	41,727.09	41,838.97
9173000	9173000 Accrued Utility Revenues	180,923.05	192,582.69
	Accrued Utility Revenues (173)	180,923.05	192,582.69
	<b>TOTAL CURRENT &amp; ACCRUED ASSETS</b>	<b>394,084.76</b>	<b>460,983.17</b>
	<b>DEFERRED DEBITS:</b>		
9181000	9181000 Unamortized Debt Expense	32,105.15	24,836.03
	Unamortized Debt Expenses (181)	32,105.15	24,836.03
9190000	9190000 Accumulated Deferred Income Taxes	266,117.00	254,394.00
	Accumulated Deferred Income Taxes (190)	266,117.00	254,394.00
9191000	9191000 Unrecovered Purchased Gas Costs	5,483.60	168,332.11
	Unrecovered Purchased Gas Costs (191)	5,483.60	168,332.11
	<b>TOTAL DEFERRED DEBITS</b>	<b>303,705.75</b>	<b>447,562.14</b>
	<b>TOTAL ASSETS &amp; OTHER DEBITS</b>	<b>2,359,566.86</b>	<b>2,672,118.15</b>
	<b>LIABILITIES &amp; OTHER CREDITS:</b>		
	<b>PROPRIETARY CAPITAL:</b>		
9211000	9211000 Miscellaneous Paid-In Capital	-96,430.19	-96,430.19
	Other Paid-In-Capital (208-211)	-96,430.19	-96,430.19
9216000	9216000 Unappropriated Retained Earnings	1,415,585.79	2,156,177.56
	Retained Earnings - Prior Year Balance	1,415,585.79	2,156,177.56
	Current Year Loss	740,591.77	936,374.79
	Retained Earnings (215, 215.1, 216)	2,156,177.56	3,092,552.35
9219000	9219000 Accumulated Other Comprehensive Income	29,248.38	43,887.50
	Accum Other Comprehensive Income (219)	29,248.38	43,887.50
	<b>TOTAL PROPRIETARY CAPITAL</b>	<b>2,088,995.75</b>	<b>3,040,009.66</b>
	<b>LONG TERM DEBT:</b>		

9223000	9223000 Advances from Associated Companies	-318,800.00	-318,800.00
	Advances From Associated Companies (223)	-318,800.00	-318,800.00
	TOTAL LONG TERM DEBT	-318,800.00	-318,800.00
	OTHER NON-CURRENT LIABILITIES:		
9228200	9228200 Accumulated Provision for Injuries and Damag	-2,444.99	0
	Accum Prov for Injuries and Damages (228.2)	-2,444.99	0
9228300	9228300 Accumulated Provision for Pensions & Benefit	-343,653.61	-251,601.37
	Accum Prov for Pensions & Benefits (228.3)	-343,653.61	-251,601.37
	TOTAL OTHER NON-CURRENT LIABILITIES	-346,098.60	-251,601.37
	CURRENT & ACCRUED LIABILITIES:		
9232000	9232000 Accounts Payable	-467,920.04	-584,297.44
	Accounts Payable (232)	-467,920.04	-584,297.44
9233000	9233000 Notes Payable to Associated Companies	-3,185,055.13	-4,380,275.01
	Notes Payable to Assoc Companies (233)	-3,185,055.13	-4,380,275.01
9234000	9234000 Accounts Payable to Associated Companies	-92,166.62	-134,124.04
	Accounts Payable to Assoc Companies (234)	-92,166.62	-134,124.04
9235000	9235000 Customer Deposits	-4,497.24	-6,213.74
	Customer Deposits (235)	-4,497.24	-6,213.74
9236000	9236000 Taxes Accrued	-15,000.00	-21,523.34
	Taxes Accrued (236)	-15,000.00	-21,523.34
9237000	9237000 Interest Accrued	-266.63	-2.91
	Interest Accrued (237)	-266.63	-2.91
9241000	9241000 Tax Collections Payable	-3,653.99	-4,153.10
	Tax Collections payable (241)	-3,653.99	-4,153.10
9242000	9242000 Miscellaneous Current & Accrued Liabilities	-31,922.24	-26,804.63
	Misc Current & Accrued Liabilities (242)	-31,922.24	-26,804.63
	TOTAL CURRENT & ACCRUED LIABILITIES	-3,800,481.89	-5,157,394.21
	DEFERRED CREDITS:		
9253000	9253000 Other Deferred Credits	-152,703.12	-147,223.23
	Other Deferred Credits (253)	-152,703.12	-147,223.23
9254000	9254000 Other Regulatory Liabilities	224,407.00	247,199.00
	Other Regulatory Liabilities (254)	224,407.00	247,199.00
9282000	9282000 Accumulated Deferred Income Taxes-Other P	-118,967.00	-142,006.00
9283000	9283000 Accumulated Deferred Income Taxes-Other	64,081.00	57,698.00
	Accum Deferred Income Taxes (281-283)	-54,886.00	-84,308.00
	TOTAL DEFERRED CREDITS	16,817.88	15,667.77
	TOTAL LIABILITIES & OTHER CREDITS	-2,359,566.86	-2,672,118.15



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

**SECOND ATTORNEY GENERAL DATA REQUEST**  
**DATED AUGUST 25, 2021**

2. **Plant in Service.** Delta's rate filing Tabs and workpapers (such as Tab 55) refer to "Plant in Service" for the Base Period (\$277,645,551) and Forecasted Period (\$301,255,707), when in fact this "Plant in Service" amount is a subtotal that includes Plant in Service and four other accounts that are not Plant in Service, such as: 1) Property Under Capital Leases; 2) Plant Acquisition Adjustment; 3) CWIP, and 4) Gas Stored Noncurrent. Just to clarify, the Forecasted Period Plant in Service balance of \$301,255,707 includes the same March 31, 2021 actual book balances for these other four accounts from the Base Period. Address the following using the table below:

Description	Type	Tab 55	Tab 55
		Base Period 3/31/21 Actual	Forecasted Period 12/31/2022
Plant in service	Per 3/31/21 books	\$ 268,424,110	\$ 268,424,110
Property under capital leases	Per 3/31/21 books	\$ 85,472	\$ 85,472
Plant acquisition adjustment	Per 3/31/21 books	\$ (580,759)	\$ (580,759)
CWIP	Per 3/31/21 books	\$ 5,508,659	\$ 5,508,659
Subtotal plant	Per 3/31/21 books	\$ 273,437,482	\$ 273,437,482
Gas Stored - Noncurrent	Per 3/31/21 books	\$ 4,208,069	\$ 4,208,069
Subtotal Utility Plant		<b>\$ 277,645,551</b>	<b>\$ 277,645,551</b>
Forecasted/budget plant April to Dec. 2021			\$ 15,827,055
Forecasted/budget plant Jan. to Dec. 2022			\$ 7,783,101
<b>Delta - Utility Plant in Service</b>		<b>\$ 277,645,551</b>	<b>\$ 301,255,707</b>

- a. Explain why Delta refers to this entire group of accounts as "Plant in Service" in its filing, when only one of these accounts is a Plant in Service account and the other four accounts are not.
- b. Explain why Delta includes these other four accounts in the "Plant in Service" category, but does not include the other remaining rate base accounts in this category (such as M&S, Prepayments, Gas Stored Current, CWC, Unamortized Debt Expense, etc.). Explain what characteristics or reasons justify these four other asset accounts being included in the Plant in Service category, versus the remaining other rate base accounts noted above.
- c. Regarding the four other accounts included in the Plant in Service category noted above (Property Under Capital Leases, CWIP, etc.) for the Base Period and Forecasted Period, explain why these accounts are included in rate base at the March 31, 2021 actual book balances and are not included at 13-month averages like most of the other rate base components (such as M&S, Prepayments, Gas Stored Current, etc.) not included in the Plant in Service category by Delta.



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

**SECOND ATTORNEY GENERAL DATA REQUEST  
DATED AUGUST 25, 2021**

Response:

- a. Delta refers to this entire group of accounts as “Plant in Service” in its filing to be consistent with the Commission’s approach at determining rate base. Please see the documentation provided in response to Item No. 13 of these requests.
- b. Delta does not include other remaining rate base accounts in the Plant in Service category (such as M&S, Prepayments, Gas Stored Current, CWC, Unamortized Debt Expense, etc.) in its filing to be consistent with the Commission’s approach at determining rate base. Please see the documentation provided in response to Item No. 13 of these requests.
- c. For simplicity in following actual Plant in Service changes through the 13-month average projected test year, Delta opted to use Plant in Service as the Commission has defined it (see response to subpart a above) as its 3/31/21 base and reflect anticipated capital additions and retirements to arrive at the Plant in Service future test year average. Consistent with this approach was the expectation that any changes to Property Under Capital Leases, Plant Acquisition Adjustments, CWIP and Gas Stored Underground would be minimal and insignificant to the total Plant in Service amount.

Sponsoring Witness: John B. Brown

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

**SECOND ATTORNEY GENERAL DATA REQUEST  
DATED AUGUST 25, 2021**

3. **Updated Rate Base Components for Forecasted Period.** The “Type” column at the table on the next page shows OAG’s understanding of the method that Delta used for including various accounts in rate base (actual March 31, 2021 book balance, 13-mo. average, Delta calculation, or some other undetermined method). However, for some of the rate base accounts it is not clear which method is used, and it is not clear if Delta will be updating all or some of these amounts for the Forecasted Period in future filings (or if Delta will be switching from a month-end balance to a 13-month average for some accounts). Address the following:

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Description	Type	Tab 55	Tab 55
		Base Period	Forecasted Period
		3/31/21 Actual	12/31/2022
Plant in service	Per 3/31/21 books	\$ 268,424,110	\$ 268,424,110
Property under capital leases	Per 3/31/21 books	\$ 85,472	\$ 85,472
Plant acquisition adjustment	Per 3/31/21 books	\$ (580,759)	\$ (580,759)
CWIP	Per 3/31/21 books	\$ 5,508,659	\$ 5,508,659
Subtotal plant	Per 3/31/21 books	\$ 273,437,482	\$ 273,437,482
Gas Stored - Noncurrent	Per 3/31/21 books	\$ 4,208,069	\$ 4,208,069
Subtotal Utility Plant		<b>\$ 277,645,551</b>	<b>\$ 277,645,551</b>
Forecasted/budget plant April to Dec. 2021			\$ 15,827,055
Forecasted/budget plant Jan. to Dec. 2022			\$ 7,783,101
<b>Delta - Utility Plant in Service</b>		<b>\$ 277,645,551</b>	<b>\$ 301,255,707</b>
<b>Add:</b>			
M&S	3/31/2021 13-mo. avg.	\$ 604,905	\$ 604,905
Prepayments	3/31/2021 13-mo. avg.	\$ 1,072,741	\$ 1,072,741
Gas Stored - Current	3/31/2021 13-mo. avg.	\$ 1,143,702	\$ 1,143,702
Unamortized Debt Exp. per books	Note 3	\$ 1,747,661	\$ 1,747,661
CWC	Delta calc.	\$ 2,000,869	\$ 2,000,869
<b>Subtotal Additions</b>		<b>\$ 6,569,878</b>	<b>\$ 6,569,878</b>
<b>Deduct:</b>			
Accumulated Deprec.	Note 1	\$ (116,648,786)	\$ (127,857,043)
Accumulated Amort.	Per 3/31/21 books	\$ (2,872,822)	
Accum. prov. plant acq. adj.	Per 3/31/21 books	\$ 580,759	
	Per 3/31/21 books	<b>\$ (118,940,849)</b>	<b>\$ (127,857,043)</b>
Customer Advances for constr.	Per 3/31/21 books	\$ (457,600)	\$ (457,600)
Customer Deposits (acct. 9235)			
ADIT and Other Deferred Credits	Note 2	\$ (42,472,111)	\$ (42,774,952)
<b>Subtotal Deducts</b>		<b>\$ (161,870,560)</b>	<b>\$ (171,089,595)</b>
<b>Rate Base Total</b>		<b>\$ 122,344,869</b>	<b>\$ 136,735,990</b>

Note 1: Base Period is actual per books at March 31, 2021, and Forecasted Period is 13-mo. avg. at Dec. 31, 2022, although it's unclear how this is calculated (and amortization not shown separately).

Note 2: Base Period is not 3/31/2021 per books and is 13-month average, but unclear how it's calculated. Forecast period is 12/31/2022 13-mo. avg., but unclear how it's calculated.

Note 3: Cannot locate amount at the 3/31/21 or 12/31/2020 balance sheets at OAG 1-20.

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- a. For each of the line item accounts included in rate base for both the Base Period and the Forecasted Period in the above table, explain if Delta's filing used the actual March 31, 2021 balance, a 13-month average, or some other method (and explain the time period used for the month-end balances, 13-month averages, and other methods). If OAG's comment in the "Type" column is correct regarding its understanding of the method used by Delta, then please confirm this.
- b. For each of the line item accounts included in rate base for the Forecasted Period in the above table, explain how Delta's future updating filing will update each of these accounts to: i) an "actual" month-end balance (explain which actual month-end balance will be used); ii) a "13-month average" (explain which 13-month period will be used for each account); or iii) some other method (explain this method).
- c. Regarding (a) and (b) above, if possible, update the OAG table for all amounts included in rate base that Delta will use in its updated filing along with supporting calculations, if these amounts are known at this time.
- d. Regarding the Unamortized Debt Expense of \$1,747,661 included in rate base for the Base and Forecasted Periods, this detailed amount could not be identified in the subtotal for the March 31, 2021 "Other Regulatory Assets" of \$2,537,114 in account 9182300 in the Balance Sheets provided in the response to OAG DR 1-20 (if that is where the balance is located). However, Delta's response to OAG DR 1-17 provided separate Balance Sheets for Delta and PKY for March 31, 2021 through June 30, 2021, but these Balance Sheets show a zero balance for Unamortized Debt Expense at March 31, 2021 and April 31, 2021, a change of \$48,187 from March to April 2021 (although there were zero balances, so the amount of this "change" is not clear), a balance of \$2,591,104 for May 2021 which appears to be reclassified from the regulatory asset account (and a change of \$185,059 which is not clear), and a balance of \$2,776,162 in June 2021. None of these balance agree with Delta's amount of \$1,747,661 included in this rate case. Also, there is a workpaper provided at Tab 55, page 5, which does not explain the source of these amounts. Please explain and provide the source of the Unamortized Debt Expense included in rate base for the Base and Projected Periods of \$1,747,661, and provide all supporting calculations. This amount is addressed in more detail in a subsequent data request.
- e. Regarding the Gas Stored – Noncurrent amount of \$4,208,069 included in rate base for the Base and Forecasted Periods, explain if this is the March 31, 2021 amount per books, a 13-month average (and for which period), or explain if the March 31, 2021 balance per book amount and the 13-month average amount is the same

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because the balance has not changed for at least the past 13 months through March 31, 2021. This amount is addressed in more detail in a subsequent data request.

- f. Regarding the Accumulated Depreciation amount of \$127,857,043 included in rate base for the Forecasted Period, the amounts at Tab 55 (page 3) and the “2021 capex & dep” and “2022 capex & dep”, do not provide detailed calculations to show how the monthly Accumulated Depreciation balances were determined (for inclusion in the 13-month average at December 31, 2022). Explain and provide supporting calculations for the monthly amounts. For example, explain if the monthly accumulated depreciation amounts are calculated as a percent (or ratio) of the monthly forecasted plant additions, and explain and show how the percent or ratio (or all other calculations) was determined.
- g. The ADIT and Excess ADIT (Other Regulatory Liabilities) amount of \$42,472,111 included in rate base for the Base Period does not agree to amounts included in the March 31, 2021 balance sheet (provided at OAG Data Request 1-20). Also, for both the ADIT & Excess ADIT amounts of \$42,472,111 and \$42,774,952 included in the Base and Projected Periods, respectively, it was not possible to determine how monthly amounts included in the 13-month averages were determined at Tab 55 and at the tabs “13 mo Avg ADIT” and “2021 capex & dep” (these amounts are addressed in more detail in a subsequent data request). Explain and provide supporting calculations for the monthly amounts included in the Base and Projected Periods.

Response:

- a. The OAG’s comment in the “Type” column is correct regarding its understanding of the method used by Delta, with the following clarifications:
  - Delta forecasted Utility Plant in Service as implicitly defined by the Commission is a 12/31/22 13-month average.
  - Unamortized Debt. Exp. per books is a component of the \$2,537,114 Other Regulatory Assets at 3/31/21. Please see the Excel file accompanying this response for a complete detail of Other Regulatory Assets.
  - Similar to Utility Plant in Service, Delta’s forecasted Accumulated Depreciation is calculated beginning with actual 3/31/21 Accumulated Depreciation as implicitly defined by the Commission. That is, it is shown on a combined basis without amortization shown separately. Please see the response and attachment provided in

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response to Item No. 13 of these requests. Projected depreciation expense and retirements are added monthly through 12/31/22. Delta's forecasted Accumulated depreciation is a 12/31/22 13-month average. Please see Tab 55 p2 – rows 52-55 and Tab 55 p3 – rows 54-57.

- ADIT reflects only rate base – related items as opposed to total book ADIT. Please see the Excel file accompanying this response for the calculation of forecasted 13-month average ADIT at 12/31/22.
- b. Delta will update its 3/31/21 amounts to 8/31/21 in the manner used in its filing excepting the following:
- For Plant in Service, Accumulated Depreciation and Accumulated Deferred Income Taxes, while actual balances at 8/31/21 will be provided, the intent will be to support the reasonableness of the forecasted 13-month average 12/31/22 amounts rather than revising them.
- c. Once 8/31/21 actual data is available, Delta will utilize the OAG table (if the Excel file is provided to Delta) to update rate base in a manner consistent with its responses to (a) and (b) above.
- d. Please see response to subpart a above.
- e. Consistent with Property Under Capital Leases, Plant Acquisition Adjustments and CWIP, 3/31/21 per books was utilized for Gas Stored Underground. The Gas Stored Underground amount at 12/31/19 and 12/31/20 was the same as 3/31/21, indicating a 13-month average would produce the same result.
- f. Please see response to subpart a above.
- g. Please see response to subpart a above.

Sponsoring Witness: John B. Brown

## AG Set 2-3a

## Unamortized Debt expense

Regulatory Assets:			3/31/21			
				PKY	Delta	Total
Other Regulatory Assets						
1300	1242010	1242010 Reg Asset - FAS 109	(17,423)	(17,423)		(17,423)
****	1242020	1242020 Reg Asset - Rate Case Expenses	35,110	15,965	19,145	35,110
1600	1242142	1242142 Reg Asset - CEP	(5,805)		(5,805)	(5,805)
1600	1242150	1242150 Reg Asset - Loss on Extinguishment of Debt	1,699,057		1,699,057	1,699,057
****	1242204	1242204 Reg Asset - Vacation Balancing	665,608	27,868	637,740	665,608
1600	1242206	1242206 Reg Asset - Asset Retirement Obligation	111,963		111,963	111,963
1600	1242207	1242207 Reg Asset - Debt Issuance Costs	48,604		48,604	48,604
Other Regulatory Assets Total			2,537,114	26,410	2,510,704	2,537,114

## Debt Extinguishment and Issuance Costs (from above)

1600	1242150	1242150 Reg Asset - Loss on Extinguishment of Debt	1,699,057		1,699,057	1,699,057
1600	1242207	1242207 Reg Asset - Debt Issuance Costs	48,604		48,604	48,604

Total 3/31/2021			1,747,661		1,747,661	<b>1,747,661</b>
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**AG Set 2-3a**

**ADIT**

	282 Property		282 Property		Reg Liability	Other Rate Base	Total
	Delta	Delta Norm Adj	PGKY	PGKY Norm Adj	Total	ADIT	
Month							
December-20	28,723,418		146,248		13,627,244	174,806	42,671,716
January-21	28,807,083		146,226		13,110,048	174,806	42,238,164
February-21	28,890,749		146,205		13,048,869	174,806	42,260,629
March-21	28,974,414		146,183		13,179,041	172,473	42,472,111
April-21	29,065,138		153,379		12,926,512	172,473	42,317,501
May-21	29,155,861		160,574		12,865,333	172,473	42,354,241
June-21	29,246,585		167,770		12,804,154	172,473	42,390,981
July-21	29,337,308		174,965		12,742,975	172,473	42,427,722
August-21	29,428,032		182,161		12,681,796	172,473	42,464,462
September-21	29,518,755		189,356		12,620,617	172,473	42,501,202
October-21	29,609,479		196,552		12,559,438	172,473	42,537,942
November-21	29,700,203		203,748		12,498,260	172,473	42,574,683
December-21	29,790,926	(27,044)	210,943	(3,250)	12,622,881	172,473	42,766,929
January-22	29,849,681	(27,044)	218,004	(3,250)	12,558,402	172,473	42,768,266
February-22	29,908,436	(27,044)	225,065	(3,250)	12,493,923	172,473	42,769,603
March-22	29,967,191	(27,044)	232,126	(3,250)	12,429,444	172,473	42,770,941
April-22	30,025,946	(27,044)	239,187	(3,250)	12,364,965	172,473	42,772,278
May-22	30,084,701	(27,044)	246,248	(3,250)	12,300,486	172,473	42,773,615
June-22	30,143,456	(27,044)	253,310	(3,250)	12,236,007	172,473	42,774,952
July-22	30,202,211	(27,044)	260,371	(3,250)	12,171,529	172,473	42,776,290
August-22	30,260,967	(27,044)	267,432	(3,250)	12,107,050	172,473	42,777,627
September-22	30,319,722	(27,044)	274,493	(3,250)	12,042,571	172,473	42,778,964
October-22	30,378,477	(27,044)	281,554	(3,250)	11,978,092	172,473	42,780,301
November-22	30,437,232	(27,044)	288,615	(3,250)	11,913,613	172,473	42,781,638
December-22	30,495,987	(27,044)	295,676	(3,250)	11,849,134	172,473	42,782,976
<b>13-Month</b>							
<b>Average Balance</b>	30,143,456	(27,044)	253,310	(3,250)	12,236,007	172,473	<b>42,774,952</b>



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4. **CWIP.** Delta includes the same amount of CWIP of \$5,508,659 in both the Base Period and Forecasted Period balances, and this amount is the March 31, 2021 balance and not a 13-month balance (see the table in the prior data request). Address the following:
- a. Explain if Delta's future updating filing, will update the CWIP balance to: i) an "actual" month-end balance, and explain which actual month-end balance will be used; or ii) a "13-month average", and explain which 13-month period will be used.
  - b. Provide documentation to show how much of the capital expenditure forecast/budget for the period January to December 31, 2021 and the period January to December 31, 2022 is included in the March 31, 2021 CWIP balance of \$5,508,659, and show amounts by specific project, description, and amount, along with all necessary reconciliations. At the minimum, it would appear that some of the capital expenditure forecast/budget related to the period January to March 31, 2021 (that is included in the total capital expenditure forecast/budget for the period January to December 2021) would also be included in the actual CWIP balance for the period ending March 31, 2021 (or explain why these amounts do not overlap).
  - c. Explain and show the amount of the March 31, 2021 CWIP balance of \$5,508,659 that is now complete and included in Plant in Service, and provide copies of supporting documentation showing amounts by specific project and description closed out to the Plant in Service account by account number and date. Provide copies of journal/accounting entries showing amounts transferred from CWIP to Plant in Service by date and account.
  - d. Regarding the March 31, 2021 CWIP balance of \$5,508,659, show the amount as of the latest date that is not included in Plant in Service, and provide copies of work orders and other supporting documentation to show when these amounts (by project and description) will be completed and transferred to Plant in Service.

Response:

- a. Please see response to 3(b) of these Requests.
- b. These amounts do not overlap. Per Tab 55 at page 2, actual 3/31/21 Plant in Service as implicitly defined by the Commission of \$277,645,551- inclusive of the \$5,508,659 CWIP balance – is the base on which forecasted April 2021 – December 2022 capital expenditures are added. Thus, January-March 2021 capital expenditures are actual rather than forecast/budget. Please see also the response to 2(c).

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- c. The projects in CWIP amounting to \$5,508,659 at 3/31/21 are in progress rather than complete. The amount is included in Plant in Service according to the Commission's approach at determining rate base. Please see response to 2(a).
- d. As noted in response to (c), while the CWIP balance is included in Plant in Service for ratemaking, the projects remain in progress at 3/31/21. A project detail totaling \$5,508,659 accompanies this response.

Sponsoring Witness: John B. Brown

Company Code	Account Number	Asset Number	Description	WBS Element	Requesting Cost Center	Requesting Cost Center Description	Current Balance MAR 2021	First Charge	Last Charge	Aging Days
1600	1311010	4000636	SW.DELTA.CRB.2 IN-HOUSE	SW.DELTA.CRB.2	165104	DEL IT Applications	\$3,897,926.46	2/28/2019	3/31/2021	762
		4000742	DELTA OVERHEAD - CONSTRUCTION	DELTAOH.CON	169108	DISTRIB - SETTLE	\$372,709.71	3/31/2019	3/31/2021	731
		4000754	19LOND-REP BS PIPE S DIXIE ST LONDON	506.19.004.1	160001	DELTA NATURAL GAS CO	\$9,684.96	5/31/2019	7/31/2019	670
		4000824	DELTA MISC METER MATERIAL	D9525.MISCMTMAT	169108	DISTRIB - SETTLE	\$10,968.99	6/30/2019	12/31/2020	640
		4000904	19STAT-REP 4483 FT KYTC RD PROJECT	505.19.008.1	160001	DELTA NATURAL GAS CO	\$87,226.05	7/31/2019	3/31/2021	609
		4000902	REP KY 11 LEE COUNTY HWY 4" STEEL	525.19.017.1	160001	DELTA NATURAL GAS CO	\$1,258.36	8/31/2019	1/31/2021	578
		4000992	REP 26300 PIPE AT MULTIPLE LOCATIONS	503.19.019.1	160001	DELTA NATURAL GAS CO	\$53,035.61	8/31/2019	3/31/2021	578
		4001106	REP ALDYL PIPE BEREA CITY LIMITS	502.19.031.1	160001	DELTA NATURAL GAS CO	\$100,939.00	11/30/2019	5/31/2020	487
		4001108	REP IPE BEREA CITY LIMITS E HAITI RD	502.19.032.1	160001	DELTA NATURAL GAS CO	\$20,285.04	11/30/2019	5/31/2020	487
		4001112	REP 6" CS TL 108 MEADOWLARK DR	525.19.031.1	160001	DELTA NATURAL GAS CO	\$1,223.26	11/30/2019	11/30/2019	487
		4001182	REP BS SEVERAL LOCATIONS	510.19.017.1	160001	DELTA NATURAL GAS CO	\$85,733.64	1/31/2020	4/30/2020	425
		4001184	19MIDD-REP CRANK & ROD CAN MTN #5 COMP	526.19.005.1	160001	DELTA NATURAL GAS CO	\$12,563.93	3/31/2020	3/31/2020	365
		4001344	REP ALDYL-A MAIN BURNING SPRINGS	512.20.007.1	160001	DELTA NATURAL GAS CO	\$57,946.16	3/31/2020	7/31/2020	365
		4001350	REP Aldyl-A MAIN HWY 60	501.20.015.1	160001	DELTA NATURAL GAS CO	\$68,009.96	4/30/2020	10/31/2020	335
		4001352	REP Aldyl-A PIPE US Hwy 60	501.20.014.1	160001	DELTA NATURAL GAS CO	\$51,509.58	4/30/2020	12/31/2020	335
		4001400	DELTA COMPUTER SOFTWARE 2020	SW.SIP.DELT.WORKDAY.2	165104	DEL IT Applications	\$31.99	5/31/2020	7/31/2020	304
		4001402	DELTA COMPUTER SOFTWARE 2020	SW.SIP.DELT.EAM.REDSGN.2	165104	DEL IT Applications	\$178,255.61	5/31/2020	3/31/2021	304
		4001428	REP 3/4" 1" 2" MAINS VARIOS LOCAT	511.20.017.1	160001	DELTA NATURAL GAS CO	\$3,067.68	6/30/2020	3/31/2021	274
		4001458	DELTA COMPUTER SOFTWARE 2020	SW.DELT.CYBER.RISK.3	165104	DEL IT Applications	\$10,411.85	9/30/2020	9/30/2020	182
		4001510	REP 2" PE MAIN ON SILER ST	507.20.004.1	160001	DELTA NATURAL GAS CO	\$942.16	9/30/2020	9/30/2020	182
		4000744	DELTA OVERHEAD - G&A	DELTAOH.GA	161510	DEL Capitalized A&G	\$249,765.96	12/31/2020	12/31/2020	90
		4001664	DELTA COMPUTER SOFTWARE 2020	SW.SIP.DELT.COFENSE.3	165104	DEL IT Applications	\$4,604.82	12/31/2020	1/31/2021	90
		4001666	DELTA COMPUTER SOFTWARE 2020	SW.SIP.DELT.NORMSHIELD.3	165104	DEL IT Applications	\$1,308.97	12/31/2020	3/31/2021	90
		4001668	DELTA COMPUTER SOFTWARE 2020	SW.SIP.DELT.RELIAQUEST.3	165104	DEL IT Applications	\$8,170.11	12/31/2020	3/31/2021	90
		4001670	DELTA COMPUTER SOFTWARE 2020	SW.SIP.DELT.SANS.3	165104	DEL IT Applications	\$2,853.97	12/31/2020	1/31/2021	90
		4001672	DELTA COMPUTER SOFTWARE 2020	SW.SIP.DELT.SPLUNK.3	165104	DEL IT Applications	\$12,567.35	12/31/2020	3/31/2021	90
		4001674	DELTA COMPUTER SOFTWARE 2020	SW.SIP.DELT.QUALYS.3	165104	DEL IT Applications	\$5,667.67	12/31/2020	1/31/2021	90
		4001684	DELTA OVERHEAD	DELTA.AIP.CAP	169935	DEL Corporate	\$18,347.31	12/31/2020	12/31/2020	90
		4001084	REP 2" PL SACKER RD MIKE HOOKER	512.19.016.1	160001	DELTA NATURAL GAS CO	\$118.56	2/28/2021	2/28/2021	31
		4001692	REP PIPE LAUREL COUNTY CORB	511.21.001.1	160001	DELTA NATURAL GAS CO	\$60.66	2/28/2021	2/28/2021	31
		4001694	REP 8" CS ELLISON STREET	511.21.002.1	160001	DELTA NATURAL GAS CO	\$60.66	2/28/2021	2/28/2021	31
		4001712	REP 100FT 6" YOUNG CREEK XING	525.21.004.1	160001	DELTA NATURAL GAS CO	\$121.33	2/28/2021	2/28/2021	31
		4001170	REP 2" PL MAIN OLD 25 SAM PARK RD	511.19.028.1	160001	DELTA NATURAL GAS CO	\$28,108.00	3/31/2021	3/31/2021	0
		4001534	REPL FAN COIL UNIT IN WINCH OFFC - TBD	FCDELTA.20.06	160001	DELTA NATURAL GAS CO	\$4,425.50	3/31/2021	3/31/2021	0

		4001536	REPL FAN COIL UNIT IN WINCH OFFC - TBD	FCDELT.20.07	160001	DELTA NATURAL GAS CO	\$4,425.50	3/31/2021	3/31/2021	0
		4001538	REPL FAN COIL UNIT IN WINCH OFFC - TBD	FCDELT.20.08	160001	DELTA NATURAL GAS CO	\$4,425.50	3/31/2021	3/31/2021	0
		4001644	RET 2" PL 313' BEECH ST KNOX CO	511.20.027.8	160001	DELTA NATURAL GAS CO	\$900.81	3/31/2021	3/31/2021	0
		4001702	REBUILD WOODBINE COMPRESSOR	526.21.001.1	160001	DELTA NATURAL GAS CO	\$3,526.94	3/31/2021	3/31/2021	0
		4001710	EXT 4" 6000FT STL KY374 APPHARV-I	525.21.003.1	160001	DELTA NATURAL GAS CO	\$230.20	3/31/2021	3/31/2021	0
		4001738	EXT ML IN STONEY RD - R	502.21.004.1	160001	DELTA NATURAL GAS CO	\$4,801.91	3/31/2021	3/31/2021	0
		4001740	REP KY 129 and HWY 229	506.21.001.1	160001	DELTA NATURAL GAS CO	\$3,386.04	3/31/2021	3/31/2021	0
		4001758	REP 2" WEST GORDON HILL RD	511.21.006.1	160001	DELTA NATURAL GAS CO	\$4,739.62	3/31/2021	3/31/2021	0
		<b>1311010</b>					<b>\$5,386,347.39</b>			
<b>Company Code</b>	<b>Account Number</b>	<b>Asset Number</b>	<b>Description</b>	<b>WBS Element</b>	<b>Requesting Cost Center</b>	<b>Requesting Cost Center Description</b>	<b>Current Balance MAR 2021</b>	<b>First Charge</b>	<b>Last Charge</b>	<b>Aging Days</b>
	1311018	4001622	SW SIP CONTRACT MGMT - IN HOUSE	SW.SIP.DELT.CONT.MGT.2	165104	DEL IT Applications	\$5,598.70	12/31/2020	3/31/2021	90
		4001678	SW CPMS PH5 - IN HOUSE	SW.DELT.CPMS.PH5.2	165104	DEL IT Applications	\$10,044.31	1/31/2021	3/31/2021	59
		4001680	SW WORKFORCE OPT PH6 - IN HOUSE	SW.DELT.WFO.PH6.2	165104	DEL IT Applications	\$16,559.19	1/31/2021	3/31/2021	59
		4001732	SW SCADA (EAGLE TALON) - PURCHASED	SW.DELT.SCADA.3	165104	DEL IT Applications	\$46,358.67	2/28/2021	3/31/2021	31
		4001580	SW SIP SAP BPC IMPLEMENT - IN HOUSE	SW.SIP.DELT.SAP.BPC.2	165104	DEL IT Applications	\$9.51	3/31/2021	3/31/2021	0
		4001630	SW MATL TRXN ENTRY (FIORI) - IN HOUSE	SW.DELT.MATLTXN.2	165104	DEL IT Applications	\$792.00	3/31/2021	3/31/2021	0
		4001730	SW RAMTECH MOBILE MAPS	SW.DELT.MOBILEMAPS.3	165104	DEL IT Applications	\$17,547.13	3/31/2021	3/31/2021	0
		4001754	SW SIP POWERPLAN BUILDOUT - IN HOUSE	SW.SIP.DELT.PWRPLN.BLD.2	165104	DEL IT Applications	\$116.25	3/31/2021	3/31/2021	0
		4001774	SW DUNNING STRATEGY - IN HOUSE	SW.DELT.DUNNING.2	165104	DEL IT Applications	\$840.00	3/31/2021	3/31/2021	0
		4001790	SW VEEAM BACKUP - PURCHASED	SW.DELT.VEEAM.3	165104	DEL IT Applications	\$8,191.01	3/31/2021	3/31/2021	0
		<b>1311018</b>					<b>\$106,056.77</b>			
<b>1600</b>							<b>\$5,492,404.16</b>			
<b>Company Code</b>	<b>Account</b>	<b>Asset Number</b>	<b>Description</b>	<b>WBS Element</b>	<b>Requesting</b>	<b>Requesting Cost Center</b>	<b>Current Balance</b>	<b>First Charge</b>	<b>Last Charge</b>	<b>Aging Days</b>
1300	1311018	4000268	SW PERCEPTIVE UPGRADE - IN HOUSE	SW.PKYC.PERCEP.UPGRD.2	135103	KY EQ IT	\$232.80	9/30/2019	3/31/2021	548
		4000304	SW DELINQUENT CUST MODEL - IN HOUSE	SW.PKYC.DELINQ.CUST.2	135103	KY EQ IT	\$828.12	2/29/2020	3/31/2021	396
		4000306	SW PERCEPTIVE UPGRADE - PURCHASED	SW.PKYC.PERCEP.UPGRD.3	135103	KY EQ IT	\$377.82	4/30/2020	3/31/2021	335
		4000308	SW WORKDAY IMPLEMENT - IN HOUSE	SW.SIP.PKYC.WORKDAY.2	135103	KY EQ IT	\$2.74	5/31/2020	3/31/2021	304
		4000312	SW CYBER RISK SCORECARD - PURCHASED	SW.PKYC.CYBER.RISK.3	135103	KY EQ IT	\$880.89	9/30/2020	3/31/2021	182
		4000322	SW SAP BILLING CONSOLIDATE - IN HOUSE	SW.PKYC.SAP.BILLING.2	135103	KY EQ IT	\$638.75	9/30/2020	3/31/2021	182
		4000324	SW GASTAR ENHANCEMENT 2020 - IN HOUSE	SW.PKYC.GASTAR.2020.2	135103	KY EQ IT	\$141.37	10/31/2020	3/31/2021	151
		4000318	SW INTERROGATORY MGMT - IN HOUSE	SW.PKYC.INTER.MGR.2	135103	KY EQ IT	\$247.09	11/30/2020	3/31/2021	121
		4000332	SW SIP MICROSOFT M365 - PURCHASED	SW.SIP.PKYC.MS.M365.3	135103	KY EQ IT	\$4,577.10	11/30/2020	3/31/2021	121
		4000328	SW SIP CONTRACT MGMT - IN HOUSE	SW.SIP.PKYC.CONT.MGT.2	135103	KY EQ IT	\$468.05	12/31/2020	3/31/2021	90
		4000334	SW SIP COFENSE - PURCHASED	SW.SIP.PKYC.COFENSE.3	135103	KY EQ IT	\$386.58	12/31/2020	3/31/2021	90
		4000336	SW SIP NORMSHIELD - PURCHASED	SW.SIP.PKYC.NORMSHIELD.3	135103	KY EQ IT	\$109.90	12/31/2020	3/31/2021	90
		4000338	SW SIP RELIAQUEST - PURCHASED	SW.SIP.PKYC.RELIAQUEST.3	135103	KY EQ IT	\$691.64	12/31/2020	3/31/2021	90
		4000340	SW SIP SANS - PURCHASED	SW.SIP.PKYC.SANS.3	135103	KY EQ IT	\$239.62	12/31/2020	3/31/2021	90
		4000342	SW SIP SPLUNK - PURCHASED	SW.SIP.PKYC.SPLUNK.3	135103	KY EQ IT	\$1,048.98	12/31/2020	3/31/2021	90
		4000344	SW SIP QUALYS - PURCHASED	SW.SIP.PKYC.QUALYS.3	135103	KY EQ IT	\$475.88	12/31/2020	3/31/2021	90
		4000348	SW CRM REPLACE PH2 - IN HOUSE	SW.PKYC.CRM.PH2.2	135103	KY EQ IT	\$2,694.87	1/31/2021	3/31/2021	59
		4000350	SW WORKFORCE OPT PH6 - IN HOUSE	SW.PKYC.WFO.PH6.2	135103	KY EQ IT	\$1,383.38	1/31/2021	3/31/2021	59

		4000296	SW MATL TRXN ENTRY (FIOR) - IN HOUSE	SW.PKYC.MATLTXN.2	135103	KY EQ IT	\$66.00	3/31/2021	3/31/2021	0
		4000326	SW SIP SAP BPC IMPLEMENT - IN HOUSE	SW.SIP.PKYC.SAP.BPC.2	135103	KY EQ IT	\$0.79	3/31/2021	3/31/2021	0
		4000360	SW SIP POWERPLAN BUILDOUT - IN HOUSE	SW.SIP.PKYC.PWRPLN.BLD.2	135103	KY EQ IT	\$9.69	3/31/2021	3/31/2021	0
		4000362	SW DUNNING STRATEGY - IN HOUSE	SW.PKYC.DUNNING.2	135103	KY EQ IT	\$70.00	3/31/2021	3/31/2021	0
		4000364	SW VEEAM BACKUP - PURCHASED	SW.PKYC.VEEAM.3	135103	KY EQ IT	\$682.58	3/31/2021	3/31/2021	0
	<b>1311018</b>						<b>\$16,254.64</b>			
<b>1300</b>							<b>\$16,254.64</b>			
							<b>5,508,658.8</b>			

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

**SECOND ATTORNEY GENERAL DATA REQUEST**  
**DATED AUGUST 25, 2021**

5. **Property Under Capital Leases.** Per the OAG table at the previous data request, Delta has included the account “Property Under Capital Leases” at the March 31, 2021 balance of \$85,472 in both the Base Period and Forecasted Period rate base. This account (and balance) was not included in Delta’s rate base in its prior rate case in 2010-00116. Address the following:

- a. Explain why Property Under Capital Leases should be included in rate base in this rate case when it was not included in Delta’s prior rate case.
- b. Explain when Property Under Capital Leases first appeared on Delta’s books and the related conditions (explain if this is the result of any prior acquisitions).
- c. Explain the leases included in this account, along with related supporting documentation that explains the type of lease, the type of property leased, and the entity from which Delta leases the property (identify if the entity is an affiliate or related party).
- d. Provide the date these leases will expire, explain if these leases will automatically renew, or explain if Delta will pursue leases with other entities at that time.
- e. Explain why the March 31, 2021 Obligations Under Capital Lease credit balance of \$24,552 should not be offset against the above.
- f. Identify and explain Commission precedent for allowing Property Under Capital Leases in rate base for Kentucky rate cases (provide links to recent cases cited as precedent or provide related supporting documents).

Response:

- a. Delta had no capital leases at the time of its prior rate case, Case No. 2020-00116. The Company was required to adopt ASC 842 in 2020 and record its capital leases as assets on its balance sheet. The standard requires companies to recognize both a liability for its lease obligation (initially measured at the present value of lease payments not yet paid) and an asset for its right to use the underlying asset (i.e., the ROU asset, initially measured equal to the lease liability and adjusted for lease payments made at or before lease commencement, lease incentives, and any initial direct costs). To the extent Property Under Capital Leases is a component of Total Utility Plant (Gross), and Total Utility Plant (Gross) is reflected in the Commission’s Total Utility Plant in Service (see response to 2a), Delta believes it should be included in rate base.
- b. The lease first became part of Delta in 2021 due to the PKY acquisition.

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

**SECOND ATTORNEY GENERAL DATA REQUEST  
DATED AUGUST 25, 2021**

- c. Both balances cited in OAG-5 relate to the lease of the Pikeville office facilities at 463 Hambley Boulevard. This lease is recorded on the books of PKY. The lessor in Ran Rob Investments LLC which is an unrelated party. See the lease documents attached.
- d. The lease began in August 2013 and currently runs through July 2022. The current lease amount is \$2,500 per month. There are no automatic renewals of the current lease extension. Delta desires to purchase a building prior to then that better suits the PKY operations and to eliminate the lease.
- e. If it is determined Obligations Under Capital Lease credit balance would similarly be a component of the Commission's implicitly defined Accumulated Depreciation, Delta agrees with inclusion. See subpart a.
- f. Delta did not rely on specific Commission decisions, but follows Generally Accepted Accounting Principles (ASC 842) and included this capital lease as an asset on the Company's balance sheet and thus included it in rate base. The economic reality of a finance leasing transaction does not provide any valid reason for treating it differently from a purchase transaction. The risk associated with leasing an asset for its total economic life under a noncancelable finance lease is virtually identical to the risk associated with owning that asset. If the interest implicit in the lease is not included in operating expenses, then the rented property should be included within the rate base. Furthermore, with Delta's desire to purchase a building and cease leasing, rate treatment as a capital lease would be more consistent with the rate treatment of an owned facility.

Sponsoring Witness: John B. Brown

RANDY WALTERS

KY. LEASE



**LEASE AGREEMENT**

THIS LEASE AGREEMENT ("Agreement") is made and entered into, this the \_\_\_\_\_ day of \_\_\_\_\_ 2013, by and between **RanRob Investments LLC**, P.O. Box 2041, Pikeville, Kentucky 41502, Party of the First Part ("LESSOR"), and **Peoples Natural Gas LLC**, 375 North Shore Drive, Suite 600, Pittsburgh, Pennsylvania 15212, Party of the Second Part ("LESSEE").

**W-I-T-N-E-S-S-E-T-H:**

**WHEREAS**, LESSOR is the owner of a certain parcel of property located in the City of Pikeville, Pike County, Kentucky commonly known as 463 Hambley Blvd. and being the same property conveyed to LESSOR by Deed from Rush L. Scott, et al dated June 28, 2010 of record in Deed Book 956, Page 509 of the Pike County Clerk's Office, which is more specifically bounded and described as follows:

**BEGINNING at the Northwest corner of Central Avenue and Hambley Boulevard on Street right-of-way; thence with the Southwest right-of-way of Central Avenue N 34 46 W 107.5 feet to corner of right-of-way; thence with South right-of-way S 69 00 W 34 feet more or less to 1/2" pipe; thence leaving said right-of-way S 34 13 E 115.86 feet to 1/2" pipe on Northwest right-of-way of Hambley Boulevard; thence with said right-of-way N 56 02 E 34 feet more or less to the beginning.**

**WHEREAS**, LESSEE desires to lease all the above described property being herein below referred to as the "Leased Premises", and LESSOR has agreed to lease unto LESSEE the Leased Premises; and,

**NOW, THEREFORE**, for and in consideration of the sum of the



hereinbelow specified compensation, the sufficiency of which is hereby acknowledged, LESSORS have bargained and do hereby grant, lease, and demise unto LESSEE, for and during the continuance of the term hereof and all extensions of the same, the exclusive rights and privileges to use the Leased Premises for any lawful and legitimate business purpose, together with all uses and easements, rights, and privileges necessary, convenient, and/or incidental therewith.

**THIS AGREEMENT IS MADE UPON AND IS SUBJECT  
TO THE FOLLOWING PROVISIONS:**

**ARTICLE I  
TERM**

**(1.01)** The initial term of this Agreement shall be for a period of THREE (3) years commencing on August 1, 2013, however, at the end of said initial period, if LESSEE desires to extend the term of this Agreement LESSEE may, but without obligation to do so, extend this Agreement for ONE (1) TWO (2) year period provided lessee gives lessor not less than ninety days prior written notice of lessee's desire to extend this agreement. ~~Such election to extend shall be deemed automatic unless LESSEE gives to the LESSOR thirty (30) days notice prior to the expiration of the initial term of its intention not to extend this Agreement.~~

**(1.02)** Upon the expiration or sooner termination hereof, LESSEE shall surrender the Leased Premises to LESSOR in good order and condition normal

wear and tear excepted. All equipment and appliances purchased and installed by LESSEE shall remain the property of LESSEE and shall be removed at LESSEE's expense.

**ARTICLE II**  
**RENTAL AND FINANCIAL OBLIGATIONS**

**(2.01)** LESSEE covenants and agrees to pay LESSOR a monthly rental payable in advance on the first day of each and every month pursuant to the following schedule:

Initial Term

August 2013 – December 2013 (inclusive)	\$1,250.00 per month
January 201 <del>3</del> <sup>4</sup> – July 2016 (inclusive)	\$2,000.00 per month

Extended Term

August 2016 – July 2018 (inclusive)	\$2,100.00 per month
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**(2.02)** A security deposit of one month's rental (\$~~1,500.00~~<sup>1,250</sup>) shall be paid to LESSOR upon execution hereof and shall secure the performance of LESSEE's obligations hereunder. LESSOR may, but is not obligated to, apply all or any portion of said deposit on account of LESSEE's last month obligations hereunder. Any refundable deposit shall be refunded, without interest, within forty-five (45) days from the date possession is delivered to the LESSOR, along with written notice of LESSOR's reasons for withholding any portion thereof.

**(2.03)** LESSOR shall be responsible for the payment of all taxes or assessments made against the Leased Premises.

**(2.04)** Any holding over after the expiration of the Term of this Lease Agreement with the consent of the LESSOR shall be construed as month-to-month tenancy. Upon holdover, all terms of this lease shall be the same except the Rent, which may be increased, by no greater than 115% of the rent being paid in the last month of the initial Lease Term, at LESSOR's sole discretion at any time during the holdover with 30 days written notice. Failure of LESSEE to move out after notice of a rental increase, during any holdover period, shall be deemed acceptance by LESSEE of the increased rental demanded by the LESSOR, unless previously stated otherwise.

**ARTICLE III**  
**USE OF PREMISES, UTILITIES**  
**And MAINTENANCE**

**(3.01)** LESSEE may use the Leased Premises for any lawful or legitimate business purposes.

**(3.02)** LESSEE shall fully and promptly pay any and all public utilities of every kind of or in connection with its use of the premises. LESSOR shall have no responsibility of any kind for any utilities related to the Leased Premises.

**(3.03)** LESSEE acknowledges the Premises are in good order and repair. LESSEE will at LESSEE's own expense and at all times, maintain the Premises in a clean and sanitary manner, including all equipment and appliances and shall surrender the same at the termination hereof, in as good condition as

received, normal wear and tear excepted. LESSEE agrees normal wear and tear will be determined by LESSOR. LESSEE shall be responsible for all repairs for damages caused by LESSEE's actions or neglect and/or the actions or neglect of LESSEE's customers, employees, guests, or visitors. LESSOR shall be responsible for all repairs for damages to the structure or property caused by LESSOR's actions or neglect, or causes such as wind, rain and or acts of God.

**(3.04)** LESSEE hereby covenants and agrees that all repairs, maintenance or work of any nature which they perform or have performed on the Leased Premises shall be done in a workman like manner to the relevant industry standard and in compliance with applicable laws and building codes.

**(3.05)** LESSOR shall be responsible for the maintenance of the heating and cooling systems, the electrical and sewage systems, water-heater and roof.

**(3.06)** LESSEE covenants and agrees to conduct its operations and other activities hereunder in compliance with applicable federal, state, and local ordinances, laws and regulations;

**(3.07)** During the term of this Agreement LESSEE shall have exclusive possession of the Leased Premises and LESSOR covenants and agrees to

refrain at all times from all activities upon the Leased Premises which may interfere with and/or disturb LESSEE's possession of the Leased Premises. The above notwithstanding, LESSOR shall be permitted to enter into and upon the Leased Premises during business hours ~~at all reasonable times~~ for the purpose of inspecting the same.

**(3.08)** In the event of the destruction of the improvements currently on or later constructed on the premises or damage thereto from any cause so as to make it untenable, occurring during the term hereof, LESSOR and/or LESSEE, if not in default hereunder, may elect to immediately terminate this Agreement by written notice served on LESSORS within thirty (30) days after the occurrence of such damage or destruction. On such termination, rent and any other sums payable by LESSEE to LESSOR hereunder shall be prorated as of the termination date, and in the event any rent shall have been paid in advance, LESSOR shall repay the same for the unexpired period for which payment shall have been made.

#### **ARTICLE IV** **IMPROVEMENTS and SIGNAGE**

**(4.01)** LESSEE shall make certain improvements to the Leased Premises which have been approved by LESSOR and are generally outlined on the drawing marked Exhibit A, attached hereto and made a part hereof. Said improvements shall include but not be limited to the reflooring of the entire interior of the building (garage excluded) with ceramic tile, repainting the

interior and the installation of a security door and customer service window.

**(4.02)** Any additional upgrades or changes to enhance the look of the Leased Premises, including painting of any part of the Premises, may be made, at any time, with the advance written consent of LESSOR which consent shall not be unreasonably withheld.

**(4.03)** Upon request from LESSEE, LESSOR shall provide, at no cost to LESSEE, space for LESSEE's signage on the exterior of the building. Any and all costs associated with erection and use of such signage shall be at the expense of the LESSEE.

**ARTICLE V**  
**INSURANCE**

**(5.01)** Throughout the term of this Agreement, LESSEE shall keep in full force and affect a policy of liability insurance against claims for bodily injury, death or property damage occurring in or about the Leased Premises in the amount of One Million Dollars (\$1,000,000.00) per occurrence with a waiver of subrogation rights. Throughout the term of this Agreement, LESSOR shall keep in force and affect a policy of general insurance against claims for damage to the building and drive / parking lot in the amount of ~~XXXXXXXXXX~~250,000.00.

**(5.02)** The insurance required to be purchased by LESSEE pursuant to Section 5.01 shall be with such company as may be determined prudent and adequate by LESSOR. LESSOR shall be named as an additional insured on said policy and shall be provided with a certificate of said coverage. Any insurance procured by LESSEE as herein required shall contain endorsements that: (a) such insurance may not be cancelled or amended with respect to LESSOR without thirty (30) days written notice by certified mail, return receipt requested, to LESSOR by the insurance company; (b) LESSEE shall be solely responsible for payment of premiums and LESSOR shall not be required to pay any premiums for such insurance; and (c) in the event of payment of any loss covered by such policy, such payment shall be payable to LESSEE and LESSOR as their interests may appear.

**ARTICLE VI**  
**OPTION TO PURCHASE**

**(6.01)** The LESSOR grants to the LESSEE the option to purchase (the "Option to Purchase") the Leased Premises pursuant to the following terms and conditions:

- (i)** From August 1, 2014 to August 1, 2016, the LESSEE, shall have the right and option to purchase the Leased Premises for a purchase price ("hereinafter the "Purchase Price") of the fair market value in cash to be paid by LESSEE to LESSOR at the Closing as hereinafter defined.

- (ii)** Fair Market Value shall be determined by agreement of the parties.
- (iii)** One half of all rents paid pursuant to Section 2.01 up to the date of Closing shall be applied to the Purchase Price.
- (iv)** Exercise of the Option to Purchase shall be by written notice thereof from LESSEE to LESSOR. Notice shall be deemed timely if postmarked on or before the expiration date of this Option to Purchase and shall be given in the manner provided in Section 10.01 of this Lease Agreement.
- (v)** Within Ninety (90) days after timely and proper exercise of the Option to Purchase granted herein in this Section 7.01, the LESSOR and LESSEE shall close the transaction contemplated herein. The closing (the "Closing") shall take place at the offices of Baird and Baird, P.S.C., 162 Second Street, Pikeville, Kentucky 41501, at a time to be mutually agreed upon by the parties, but not less than Ninety (90) days after the exercise of this Option to Purchase.
- (vi)** At the Closing, LESSOR shall deliver to LESSEE an executed original of a Special Warranty Deed, conveying to LESSEE all of LESSOR's right, title and interest in the Leased Premises, with covenants of Special Warranty. The LESSEE at the Closing shall deliver to LESSOR the Purchase Price via a Cashier's Check or wire



transfer payable to RanRob Investments LLC. The LESSOR shall be responsible for payment of all transfer taxes associated with the conveyance of the Leased Premises and Lessee shall be responsible for the payment of all recording fees. All property and ad valorem taxes shall be pro-rated to the closing.

**ARTICLE VII**  
**INDEMNIFICATION**

**(7. 01)** LESSEE covenants and agrees to indemnify and forever save LESSOR harmless against any and all liabilities, demands, liens, claims, and suits of every kind, nature, and description, on account of (i) injury or death of any person(s), (ii) damages to or loss of property, or (iii) violation of law or other government regulation arising out of LESSEE's operations and other activities upon the Leased Premises hereunder, together with all costs and expenses (including, but not limited to, reasonable attorneys' fees) that may be incurred by LESSOR in connection therewith. LESSOR agree (i) to give LESSEE timely and expeditious notice of any such liabilities, demands, liens, claims and/or suits made against LESSOR so that LESSEE's ability to defend, settle, and/or mitigate the same is not prejudiced and (ii) to fully cooperate with LESSEE in the defense and mitigation of such liabilities, demands, liens, claims and/or suits made against LESSOR; all of which LESSEE shall have the right to defend, mitigate, and/or settle the same as, when, and to the extent LESSEE, in and its sole discretion, may then elect.

**ARTICLE VIII**  
**DEFAULT**

**(8.01)** In the event of failure of LESSEE is thirty (30) days in arrears on the payment of any of the installments of rent due pursuant to Section 2.01, then LESSEE shall be considered in default under the covenants and provisions of this Agreement and shall be allowed fifteen (15) days after mailing of written notice of said default within which to cure the same. If after said periods of time said arrears are not paid, then this Agreement shall be declared forfeited and the LESSOR shall have the right to enter upon the property and restore the same to its possession and enjoyment.

**(8.02)** In the Event that the LESSEE shall be in default in any other term, condition, or provision hereunder and shall fail to cure the same or make diligent efforts toward the cure thereof within sixty (60) days after mailing of written notice thereof, the LESSEE shall be construed as to have defaulted in said Agreement and the provisions of 6.01 regarding forfeiture of the Agreement shall be applicable.

**(8.03)** ~~In the event LESSOR retains counsel as a result of any breach by LESSEE of the terms of this Lease Agreement or to enforce any of its terms, LESSOR shall be entitled to recover all costs incurred in connection with such actions, including but not limited to reasonable attorney's fees.~~

**(8.04)** In the event of a default of this Lease Agreement by LESSEE, LESSOR may have any one or more of the following described remedies, in addition to all rights and remedies provided at law or in equity:

LESSOR may terminate this Lease Agreement and forthwith repossess the Leased Premises and be entitled to recover as damages a sum of money equal to the total of (i) the cost of recovering Leased Premises, including the LESSOR's attorney's fees; (ii) the unpaid rent earned at the time of termination, plus interest thereon at the rate of 20% per annum from the due date; (iii) the balance of the rent for the remainder of the term; (iv) damages for the wrongful withholding of the Leased Premises by LESSEE; and (v) any other sum of money and damages owed by LESSEE to LESSOR.

Any payment due under this Lease which is not paid when due shall bear interest at the rate of 20% per annum.

**ARTICLE IX**  
**MISCELLANEOUS**

**(9.01)** Any notice(s) which LESSOR may, from time to time, elect to tender to LESSEE hereunder shall be written and served via U. S. Certified Mail (postage prepaid, return receipt requested) addressed as follows to the below designated individual (or to such other mailing address and individual

which LESSEE may, from time to time, designate via notice of that effect to LESSOR); to-wit:

Peoples Natural Gas LLC  
375 North Shore Drive  
Suite 600  
Attn: Chief Operating Officer  
Pittsburgh, Pennsylvania 15212

Any notice(s) which LESSEE may, from time to time, elect to tender to LESSOR hereunder shall be written and served via U.S. Certified Mail (postage prepaid, return receipt requested) addressed as follows to the below designated individual (or to such other mailing address and individual which LESSOR may, from time to time, designate via notice of that effect to LESSEE); to-wit:

RanRob Investments LLC  
P.O. Box 2041  
Pikeville, Kentucky 41502

Notices tendered in accordance with the provisions of this Numerical Paragraph (7.01) shall be (when mailed) deemed served for all notice purposes of this Agreement upon its receipt.

**(9.02)** LESSEE shall have the right to terminate this agreement without penalty in the event the sale of Equitable Gas Company to the LESSEE is not approved by the Public Service Commission and does not close. Termination pursuant to this Section 9.02 shall not relieve the LESSEE of its obligation to complete the improvements listed in Section 4.01.

**(9.03)** The Parties hereto agree that the captions and headings of the various provisions of this Agreement are for the purpose of convenience only and in no way define, limit, affect, and/or describe the scope or intent of this Agreement and/or the respective rights and obligations hereunder of the Parties hereto.

**(9.04)** LESSEE shall not assign or sublet this Lease Agreement in whole or in part without prior written consent from LESSOR. LESSOR shall not unreasonably withhold such consent so long as the proposed assignee or sublessee is an affiliate or a -company of similar financial standing to that of LESSEE.

**(9.05)** The relationship between the Parties hereto created by this Agreement is only that of lessor and lessee. Nothing contained herein or implied hereby (i) shall be construed as creating hereunder any relationship between the Parties hereto other than that of lessor and lessee, or (ii) shall be construed as creating or conferring hereunder or by reason hereof any rights, remedies, benefits, obligations, causes of action-, and/or chooses in action in or to any person(s) and/or entity(ies) other than the Parties hereto and their respective successors and assigns.

**(9.06)** This Agreement shall be governed and construed in accordance with the substantive law of the Commonwealth of Kentucky and both parties do hereby submit to the jurisdiction of the appropriate court of Pike County Kentucky for the resolution of any dispute hereunder.

**(9.07)** This Agreement (i) may not be amended, supplemented, altered and/or otherwise modified, in whole or in part, except by written executed agreement between the Parties hereto, (ii) constitutes the entire agreement between the Parties hereto with respect to the subject matters hereof, and (iii) supersedes all prior and contemporaneous representations, negotiations, understandings, and agreements between the Parties hereto concerning the subject matters hereof. No evidence of any amendment, supplement, alteration, and/or otherwise modification of this Agreement, in whole or in part, shall be received in any controversy arising out of or pursuant to the same unless written and executed as aforesaid.

**(9.08)** This Agreement, and each of its provisions, shall inure to the benefit of and be of binding effect upon the Parties hereto, and their respective successors, heirs, assigns, executors, administrators, and representatives.

**(9.09)** The undersigned representative of each party is duly authorized to execute this Lease Agreement on behalf of their respective company.

**IN TESTIMONY WHEREOF**, the Parties hereto have hereunto subscribed this Agreement (these presents having been executed in multiple copies, each of which shall be treated and considered as a complete original), effective the date first above written.

**LESSOR:**  
**RanRob Investments LLC**

\_\_\_\_\_  
Thomas Randall Walters, Member

**LESSEE:**  
**Peoples Natural Gas LLC**

\_\_\_\_\_  
Kenneth Johnston, Sr. Vice President &  
Chief Operating Officer

COMMONWEALTH OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Subscribed, sworn to and acknowledged before me by Thomas Randall Walters, as a member of RanRob Investments, LLC, this the \_\_\_\_ day of \_\_\_\_\_, 2013.

My Commission Expires:\_\_\_\_\_.

\_\_\_\_\_  
Notary Public

COMMONWEALTH OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Subscribed, sworn to and acknowledged before me by Kenneth  
Johnston as Senior Vice President and Chief Operating Officer of Peoples  
Natural Gas LLC, this the \_\_\_\_ day of \_\_\_\_\_, 2013.

My Commission Expires:\_\_\_\_\_.

\_\_\_\_\_  
Notary Public

This instrument prepared by:

\_\_\_\_\_  
David L. Baird  
Baird & Baird, P.S.C.  
P.O. Box 351  
Pikeville, Kentucky 41502  
(606) 437-6276



**AMENDMENT TO LEASE AGREEMENT**

THIS AMENDMENT TO LEASE AGREEMENT ("Amendment") is made and entered into, this the 29<sup>th</sup> day of MAY 2018, by and between **RanRob Investments LLC**, P.O. Box 2041, Pikeville, Kentucky 41502, ("LESSOR"), and **Peoples Gas KY LLC**, 375 North Shore Drive, Suite 600, Pittsburgh, Pennsylvania 15212 ("LESSEE").

**W-I-T-N-E-S-S-E-T-H:**

**WHEREAS**, by Lease Agreement dated August 8<sup>th</sup>, 2013 (the "Lease"), LESSOR leased to Peoples Natural Gas LLC ("PNG") certain property commonly known as 463 Hambley Blvd., Pikeville, Kentucky; and

WHEREAS, by assignment dated May 21<sup>st</sup>, 2018, PNG assigned to LESSEE, and LESSEE assumed from PNG, the Lease and all rights and obligations under the Lease; and

**WHEREAS**, LESSOR and LESSEE desire to amend the Lease to extend the term and modify the monthly rental provisions.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, LESSOR AND LESSEE hereby covenant and agree as follows with all such terms and conditions to be effective as of the date first set forth above.

1. The Term described in Article I of the Lease is hereby extended for a period of THREE (3) years commencing on August 1, 2018. At the end of said extended period, if LESSEE desires to further extend the term of the Lease,

LESSEE may, but without obligation to do so, extend the Lease for ONE (1) THREE (3) year period provided LESSEE gives LESSOR not less than ninety days prior written notice of LESSEE'S desire to extend this Agreement.

2. Section 2.01 of the Lease is hereby supplemented to include the following schedule for the monthly rental relevant to the extended terms:

<u>Extended Terms</u>	
August 2018 – July 2021 (inclusive) (Applicable only if further extended)	\$2,200.00 per month
August 2021 – July 2024 (inclusive)	\$2,300.00 per month



3. The undersigned representative of each party is duly authorized to execute this Amendment on behalf of their respective company.

4. In all other respects the Lease is in full effect and unmodified.

**LESSOR:**  
**RanRob Investments LLC**

  
Thomas Randall Walters, Member

**LESSEE:**  
**Peoples Gas KY LLC**

   
Joseph A. Gregorini, Sr. Vice President & Chief  
Operating Officer

COMMONWEALTH OF KENTUCKY  
COUNTY OF PIKE

Subscribed, sworn to and acknowledged before me by Thomas Randall Walters, as a member of RanRob Investments, LLC, this the 12<sup>th</sup> day of June, 2018.

My Commission Expires: May 22, 2021



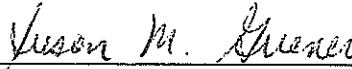
Notary Public

NOTARY PUBLIC  
STATE AT LARGE  
KENTUCKY  
MATTHEW STURGILL 579121  
MY COMMISSION  
EXPIRES 5.22.21

COMMONWEALTH OF Pennsylvania  
COUNTY OF Allegheny

Subscribed, sworn to and acknowledged before me by Joseph A. Gregorini as Senior Vice President and Chief Operating Officer of Peoples Gas KY LLC, this the 29 day of May, 2018.

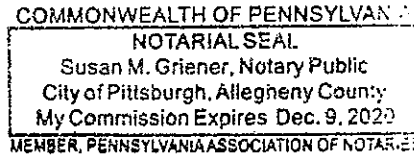
My Commission Expires: 12/9/20



Notary Public

This instrument prepared by:

\_\_\_\_\_  
David L. Baird  
Baird & Baird, P.S.C.  
P.O. Box 351  
Pikeville, Kentucky 41502  
(606) 437-6276



**LEASE EXTENSION AGREEMENT**

**PARTIES:** This Lease Extension Agreement is made and entered into this 24<sup>th</sup> day of MAY, 2021, by and between RanRob Investments, LLC, P.O. Box 2041, Pikeville, KY 41502 (hereinafter "Lessor") and Peoples Gas KY LLC, 375 North Shore Dr., Suite 600, Pittsburgh, PA 15212 (hereinafter "Lessee").

**PREMISES:** 463 Hambley Blvd., Pikeville, Kentucky 41501

**ORIGINAL LEASE:** Lessor and Lessee had entered into a Lease Agreement dated August 8, 2013 (hereinafter "Original Lease") for the premises described above. This Original Lease was amended pursuant to an Amendment to Lease Agreement on May 29, 2018. This Lease, as previously amended, has an expiration date of July 31, 2021.

**RENEWAL TERMS AND CONDITIONS:** That both Lessor and Lessee hereby agree to extend the Original Lease for a further term of one (1) year with no automatic renewals thereof. The lease extension start date is August 1, 2021 and the expiration date is July 31, 2022.

The Lessor and Lessee further agree that the Lessee shall pay to the Lessor a monthly rent of \$2,500.00 commencing with the August 1, 2021 lease payment.

This one-year lease extension for monthly rent of \$2500 is in place of the lease extension terms contained in the Amendment to Lease Agreement, which lease extension terms are hereby cancelled and of no ongoing force and effect.

The Lessee further agrees that the Lessor has the right to advertise the availability of the leased premises beginning no earlier than six (6) months after the lease start date of August 1, 2021. This advertising may include, but is not limited to, placing signs on the leased premises.

All of the other terms and provisions of the original Lease except as hereabove modified, are to remain in full force and effect and are incorporated herein.

RANROB INVESTMENTS, LLC,  
"LESSOR"

PEOPLES GAS KY LLC, "LESSEE"

BY:   
RANDY WALTERS

BY:   
MICHAEL HUWAR

ITS: MEMBER

ITS: PRESIDENT



STATE OF Kentucky  
COUNTY OF Pike

The foregoing was duly acknowledged, subscribed and sworn to before me this 24<sup>th</sup>  
day of MAY, 2021, by RANDY WALTERS on behalf of RANROB  
INVESTMENTS LLC, as its MEMBER.

My Commission expires: 9-10-22.

Shane Yates  
NOTARY PUBLIC ID Number 608393

NOTARY PUBLIC  
STATE AT LARGE  
KENTUCKY  
SHANE YATES  
MY COMMISSION  
EXPIRES 9-10-22

STATE OF Pennsylvania  
COUNTY OF Allegheny

The foregoing was duly acknowledged, subscribed and sworn to before me this 18<sup>th</sup>  
day of May, 2021, by MICHAEL HUWAR on behalf of PEOPLES GAS KY LLC  
as its PRESIDENT.

My Commission expires: 12/9/24.

Susan M. Griener  
NOTARY PUBLIC ID Number

THIS INSTRUMENT WAS PREPARED BY:

\_\_\_\_\_  
Max K. Thompson  
Thompson & Kennedy PLLC  
P. O. BOX 1079  
PIKEVILLE, KY 41502

Commonwealth of Pennsylvania - Notary Seal  
Susan M. Griener, Notary Public  
Allegheny County  
My commission expires December 9, 2024  
Commission number 1246565  
Member, Pennsylvania Association of Notaries

**DELTA NATURAL GAS COMPANY, INC.****CASE NO. 2021-00185****SECOND ATTORNEY GENERAL DATA REQUEST****DATED AUGUST 25, 2021**

6. **Noncurrent Gas Stored.** Per the OAG table showing rate base components for the Base and Projected Periods at the prior data request, the March 31, 2021 Gas Stored – Noncurrent balance of \$4,208,069 is included in both Delta’s Base Period and Forecasted Period rate base. In Delta’s prior rate case (2010-00116), Delta’s December 31, 2009 balance sheet shows the same balance of \$4,208,069 for this account. Address the following:

- a. Explain why the balance in the Gas Stored – Noncurrent account has not changed from the prior rate case balance at December 31, 2009 to the current rate case balance at March 31, 2021, or explain why the balance is the same for both time periods.
- b. Explain the change in activity and balance for the Gas Stored – Noncurrent account, showing quarterly balances from December 31, 2009 to the most recent date available in 2021, and explain the reason for changes in the account. In addition, provide the date (month/year) prior to December 31, 2009 when this account last had a balance different from \$4,208,069.
- c. Explain the Gas Stored – Noncurrent account and how it differs from the Gas Stored – Current account, and explain why none of the gas in the noncurrent account has been utilized since at least December 31, 2009 (and explain why this is or is not unusual).
- d. Explain why a “non-current” asset should be included in rate base, and explain why a “return on and a return of” investment should be allowed in this rate case if these same costs have already been recovered in prior rate cases.
- e. Explain where this gas is stored, and if it has been stored at the same facility for the period that its cost has remained at \$4,208,069.
- f. Explain how the value/amount of \$4,208,069 was determined, is this the original cost, and what was the date of this original cost.
- g. Explain the last time the Gas Stored – Noncurrent account was valued by an independent expert to determine that this specific level of gas remains stored and available. Otherwise, explain how Delta has determined that this same level of gas remains stored from at least December 31, 2009.

Response:

- a. Canada Mountain was once a gas production field with gas only being withdrawn from the gas formation. Delta Natural Gas purchased the field to convert the production field

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into a gas storage field. The pressure on the CM gas formation at that time was less than 90 pounds. Delta purchased and injected gas into the rock formation to increase the pressure to approximately 450 pounds. Delta's transmission pipelines operated at the 450 pound range which required the gas pressure on the gas formation to be increased to this level in order to begin gas flow. This segment of gas is referred to as Cushion Gas or the Noncurrent account with an inventory level of 2.2 Bcf to maintain the minimum 450 pounds on the formation. Gas continued to be injected and the field pressure continued to increase above the 450 pound minimum pressure level. Gas volumes above the 2.2 Bcf Cushion Gas is referred to as Working Gas. The Working Gas segment of 2.9 Bcf was injected bringing the total field capacity to 5.1 Bcf with a maximum gas formation pressure of approximately 1,020 pounds. Delta has not removed any Cushion Gas since the development of the storage field; thus the balance stays the same over time.

- b. See a. The 2.2 Bcf Cushion Gas balance never changes. Only the Working Gas balance changes.
- c. The Noncurrent (Cushion Gas) differs from the Gas Stored (Working Gas) in that the Cushion Gas maintains the gas formation pressure at the minimum 450 pound level in order to flow gas into Delta's high pressure transmission pipelines. This is a normal and usual operation. Once the Working Gas volume (2.9 Bcf) has been withdrawn from the field, the pressure drops from the high 1,020 pound level to the minimum 450 pound level.
- d. The Company cannot have an opportunity to earn its allowed rate of return if necessary operating utility investments such as Gas Stored Noncurrent are excluded from rate base. The Commission has thus included it in the prior rate case as the OAG acknowledges. The Company seeks to be consistent with the Commission's past rate base determination approach.
- e. The gas was stored in the Canada Mountain Storage field near Middlesboro, Ky. Gas was injected into eight (8) working wells and has remained in the Canada Mountain gas formation from the time it was purchased at market price for a value of \$4,208,069.
- f. The cushion gas was purchased at market prices at the time it was injected into the CM gas formation. The volumes and price per unit were calculated to show a value of \$4,208,069 which was the original cost between December 1995 and May 1997 at which time the inventory level reached 2.2 Bcf.
- g. Delta has determined that the 2.2 Bcf of Cushion Gas has remained unchanged by calculating the volume withdrawn and injected each year through Delta's master meter station #711. All gas is measured into and out of the field through station #711. Daily recorded data calculations show total inventory levels above the 2.2 Bcf level at any given



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time. Each year, at the end of the withdraw season (late March to early April) calculations have shown the total ending inventory level to be above the 2.2 Bcf Cushion Gas level. Keyana Company, LLC independently reviews Delta's semi-annual shut-in tests.

Sponsoring Witness: John B. Brown

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7. **Gas Stored Current.** Per OAG 1-17 Attachment, explain why Delta's Gas Stored Current account has increased from \$221,563 at March 31, 2021 to \$2,335,795 at June 2021 and provide supporting documentation.

Response:

The change is due to seasonality. Please see Tab 55 p4 for month by month balances from 3/31/20 – 3/31/21 which supports the logic that less gas would be left in inventory in colder months under increased distribution / sales vs. the summer months when storage supplies would grow under significantly less demand while filling the field in preparation for the winter heating season.

Sponsoring Witness: John B. Brown

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8. **Unamortized Debt Expense and OAG 1-20(a).** Delta included Unamortized Debt Expense of \$1,747,661 in rate base for the Base and Forecasted Periods, this detailed amount could not be identified in the subtotal for the March 31, 2021 “Other Regulatory Assets” of \$2,537,114 in account 9182300 in the Balance Sheets provided in the response to OAG DR 1-20 (if that is where the balance is located). However, Delta’s response to OAG DR 1-17 provided separate Balance Sheets for Delta and PKY for March 31, 2021 through June 30, 2021, but these Balance Sheets show a zero balance for Unamortized Debt Expense at March 31, 2021 and April 31, 2021, and a change of \$48,187 from March to April 2021 (although there were zero balances, so the amount of this “change” is not clear), a Delta balance of \$2,591,104 for May 2021 which appears to be reclassified from the regulatory asset account (and a change of \$185,059 which is not clear), and a Delta balance of \$2,776,162 in June 2021. None of these balance agree with Delta’s amount of \$1,747,661 included in this rate case. Also, there is a workpaper provided at Tab 55, page 5, which does not explain the source of these amounts. Address the following:

- a. If not previously addressed, please explain and provide the source of the Unamortized Debt Expense included in rate base for the Base and Projected Periods of \$1,747,661, and provide all supporting calculations. If a correction or adjustment is necessary, provide and explain this correction.
- b. Delta’s Tab 55, page 5, states that \$1,699,057 of this Unamortized Debt is a “loss on extinguishment of debt” and \$48,604 is related to “debt issuance costs”, and a note at this workpaper states “Associated with Delta \$43,000,000 outstanding \$4.26% bond. Explain how much of the Unamortized Debt is related to a “loss on extinguishment of debt” and how much is related to “debt issuance costs” for the \$43,000,000 outstanding 4.26% bond. Also, if the “loss on extinguishment of debt” is related to other debt, then identify this debt, including the original amount, date of issuance, the amount of debt extinguished, the date when debt was extinguished, and provide supporting documents for this extinguishment.
- c. Regarding (b) above, explain the circumstances that caused the “loss on extinguishment of debt”, and provide supporting documentation explaining these circumstances, and explain if this is an extraordinary or recurring cost.
- d. Explain if Delta received approval from the Commission to recover the “loss on extinguishment of debt”, and provide supporting Commission Orders or related documents – otherwise explain the rationale for recovering these costs in rate base in this rate case.
- e. Explain if the “loss on extinguishment of debt” is related to debt secured after the PNG or Essential acquisition, and explain if these two entities absorbed any of these costs at the Corporate/Parent level, or explain if Delta absorbed all of these costs, and explain why that treatment is appropriate.

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- f. Provide documentation and calculations showing the original amount of “loss on extinguishment of debt”, the number of years amortized (and explain how this was determined), and annual amortization amount and the remaining unamortized amount by year, and reconcile this to the amount included in rate base of this case.
- g. Provide the unamortized balance of the debt issuance costs and the loss on extinguishment of debt at December 31, 2022, and explain why these amounts are not reflected in rate base (if this is the case).
- h. Per the Excel Attachment at OAG 1-20(a), explain why the Unamortized Debt Expense balance has slightly increased from \$1,746,967 at December 31, 2020 to \$1,747,661 at March 31, 2021 through June 30, 2021. Explain why this balance is not being amortized and reduced over time, and provide any corrected amounts and related calculations.

## Response:

- a. Please see response to Item No. 3(a).
- b. The loss on extinguishment of debt was incurred with the calling of debt in 2006. In Delta’s last rate case, this unamortized balance was \$4,542,382 and was included in rate base. At the issuance of the current \$43,000,000 outstanding 4.26% bond in 2011, the remaining balance of loss on extinguishment of debt was \$3,767,857 to be spread over the life of the new debt. The \$48,604 is entirely related to debt issuance costs of the 4.26% bond.
- c. See (b). This is recurring.
- d. See the Commission’s October 21, 2010 Order in 2010-00116.
- e. All of this loss on extinguishment of debt was incurred in 2006, prior to the last rate case and prior to PNG or Essential acquisitions. The treatment has been unchanged since 2010 -  
00116.
- f. The \$3,767,857 is being spread over the 30-year life of the 4.26% bond.
- g. Unamortized Debt Expense at 12/31/22 approximates \$1,491,000, with all but approximately \$39,000 being Loss on Extinguishment of Debt. For simplicity, Delta opted to use 3/31/21 actual as its forecast amount. Per its response to 3(b), Delta will update Unamortized Debt Expense to 8/31/21.

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- h. The \$1,746,957 at 12/31/20 is the Loss on Extinguishment of Debt (LED). Debt Issuance Costs (DIC) was \$50,004, though not reflected in 12/31/20 rate base. LED and DIC have decreased to \$1,699,057 and \$48,604, respectively, at 3/31/21. Consistent with its use of 3/31/21 for its forecast, the \$1,747,661 combined balance at 3/31/21 balance was similarly used through June 30, 2021 in OAG 1-20(a) attachment.

Sponsoring Witness: John B. Brown

**DELTA NATURAL GAS COMPANY, INC.**  
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9. **Change in Plant in Service Account.** Please see the OAG attached Excel document, “OAG Attachment 1 – Change in Plant in Service, Accumulated Depreciation, and ADIT” regarding the information related to change in Plant in Service for prior years and the related questions. Per OAG Attachment 1, the average increase in Plant in Service (just the Plant in Service account, not including Property Under Capital Leases, Plant Acquisition Adj., CWIP, and Noncurrent Gas Stored account which Delta also includes in its “Plant in Service” category for this rate case at Tab 55) for the 4-year period 2016 to 2020 was \$7.6 m (3.04% annual average increase), with the largest increase of \$9.4 m from 2019 to 2020 (3.65% increase).

Also, Delta’s December 31, 2022 Forecasted Period Plant in Service of \$292,034,266 (March 31, 2021 Base Period Plant in Service of \$268,424,110 plus forecasted plant additions of \$15,827,055 (from April to December 2021) and the impact of forecasted 13-month average plant additions of \$7,783,101 (from January to December 2022) represents an average annual increase in Plant in Service of \$12,145,128 and 4.54% from actual December 31, 2020. In addition, the actual Plant in Service at June 30, 2021 is \$270,058,535 (the most recent information provided by Delta), which is only a \$2.3 m increase from December 31, 2020.

If Delta is to achieve its Forecasted Plant in Service of \$292,034,266, it would have to incur capital costs of \$21,975,731 (\$292,034,266 per Dec. 31, 2022 Forecasted Period less \$270,058,535 per actual June 30, 2021) for the remaining 18 month period from June 30, 2021 to December 31, 2022, which appears unusually significant when the average annual increase in Plant is only \$7.5 m (for 4 year average 2016 to 2020), and because actual Plant has only increased \$2.3 m for the 6-month period from December 31, 2020 to June 30, 2021. Finally, CWIP at June 30, 2021 is \$7.7 million, which is only somewhat larger than the CWIP balances in June 30, 2020 and June 30, 2019 of \$5.6 m and \$4.6 m, respectively (and does not appear to support the significant increase in Forecasted Plant at December 31, 2022). Address the following:

- a. Explain how Delta’s December 31, 2022 Forecasted Plant in Service balance of \$292,034,266 is supported by the information set forth above showing historical data and trends in growth for Plant in Service (capital expenditures) per the underlying supporting documentation included at OAG Attachment 1).
- b. Explain how Delta plans to increase its Plant in Service account by \$21,975,731 from June 30, 2021 balances of \$270,058,535 (not including a separate CWIP balance of \$7,651,561), to the December 31, 2022 Forecasted Plant in Service level of \$292,034,266 (not including a separate CWIP balance of \$5,508,659), given the information above, especially when the single largest annual capital expenditure for the four years 2016 to 2020 was the \$9.4 m in 2020, and there is an average annual increase in capital expenditures of \$7.6 m from 2016 to 2020. Explain how Delta plans to incur more capital additions in this 18-month window (June 30, 2021 to December 31, 2022), than it appears Delta has incurred in at least the past four years going back to December 31, 2016 (the earliest Plant in Service data available

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per data requests). Also, the increase in plant of \$21,975,731 from June 30, 2021 to December 31, 2022 is conservatively low, because the December 31, 2022 Forecasted Balance of \$292,034,255 is based on 13-month averages (and not actual month-end balances), so in order to expend its Capex Budget for 2022, Delta would have to spend more than the amount of \$21,975,731.

- c. Provide documentation to show the last year that Delta placed actual capital expenditures of at least \$21,975,731 into Plant in Service over an 18-month window (and explain how many times Delta has achieved this since 2009, and provide supporting documentation for the amounts and related years).
- d. Given that Delta needs to place capital expenditures of \$21,975,731 into Plant in Service between the 18-month window June 30, 2021 to December 31, 2022 to achieve Delta's Forecasted Period Plant in Service of \$292,034,266, and even if this amount is normalized to a 12-month amount of \$16,481,798 ( $\$21,975,731 \times .75$ ), provide documentation to show the last year that Delta placed actual capital expenditures of at least \$16,481,798 into Plant in Service over an 12-month window (and explain how many times Delta has achieved this since 2009, and provide supporting documentation for the amounts and related years).
- e. Provide documentation to show Delta's most recent updated forecast and projections, showing projected monthly capital expenditures from June 30, 2021 to the December 31, 2022 Forecasted Period (and related changes in the CWIP account that are relevant, given that Delta also includes \$5,508,659 of CWIP in the Forecasted Period) that will allow Delta to meet to its Forecasted Period Plant in Service balance of \$292,034,266 and CWIP balance of \$5,508,659. If this type of projected information is not available or is not known, then please confirm this. Also, regarding monthly capital expenditures noted above from June 30, 2021 to December 31, 2022, show this information by major project (such as per Tab 19), or explain if this level of detail is not available.
- f. Per OAG Attachment 1, in order for Delta to achieve its December 31, 2022 Forecasted Plant in Service of \$292,034,266, Plant in Service would have to increase by \$24,290,256 over the 2-year period from December 31, 2020, an average annual capital expenditure of \$12,145,128 (and increase of 4.54%). Given that Delta's Plant in Service has never increased as much as \$12.1 m for one year, or \$24.3 m for two years for any of the periods from January 2016 to March 31, 2021 to date, then explain why Delta would expect its capital expenditures to increase significantly for this two year period from December 31, 2020 to reach the Forecasted Plant in Service level of \$292,034,266.

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- g. Delta's Rate\_Model Excel spreadsheet, "2021 capex & dep" (columns W, X, and Y, line 44), shows that Delta anticipated forecasted capital expenditures for April, May and June 2021 of \$2,125,600, \$1,286,900, and \$2,695,350, respectively (a total of \$6,107,850). However, Delta only actually expended \$2,314,525 for this 3-month period (per OAG Attachment 1 information based on Delta information) instead of the forecasted \$6,107,850. Explain why actual Delta capital expenditures are substantially lagging the forecasted budget for April to June 2021, and identify all other budget lags and the reasons for this lag, and explain how this will impact Delta's Forecasted Period Plant in Service of \$292,034,266.
- h. Provide copies of contracts with outside construction vendors to support and show how Delta will achieve capital expenditures of \$21,975,731 for the 18-month window June 30, 2021 to December 31, 2022 to achieve Delta's Forecasted Period Plant in Service of \$292,034,266 (and CWIP balance of \$5,508,659), and reconcile the contract amounts with monthly anticipated capital expenditures for each month from June 30, 2021 to December 31, 2022. Explain how much of the \$21,975,731 will be achieved via outside construction vendors, and identify the remaining capital expenditure costs as part of this reconciliation.
- i. Explain how Delta's work force and related payroll costs can achieve contribution to capital expenditures of \$21,975,731 for the 18-month window June 30, 2021 to December 31, 2022 to achieve Delta's Forecasted Period Plant in Service of \$292,034,266 (and CWIP balance of \$5,508,659), and reconcile these payroll costs with monthly anticipated capital expenditures for each month from June 30, 2021 to December 31, 2022. Explain how much of the \$21,975,731 will be achieved via Delta's internal work force labor, and identify the remaining capital expenditure costs as part of this reconciliation.
- j. Regarding (g) above, explain how much of this labor is related to "overtime" and explain if attempting to meet a capital expenditures of \$21,975,731 for the 18-month window June 30, 2021 to December 31, 2022 will increase overtime over historical levels, and explain why or why not, and provide supporting documentation for the overtime calculations.
- k. Provide all other reasons to support Delta's argument that the December 31, 2022 Forecasted Plant in Service of \$292,034,266 (plus CWIP of \$5,508,659) is not overstated in this rate case, and provide all revised projected balances for these accounts (if Delta plans to revise these amounts).



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Response:

- a. Delta's actual Plant in Service as defined by the Commission in prior approaches to rate base setting is \$277,645,551. Delta's 12/31/22 13-month average forecast is \$301,255,707. Please see Tab 55 pages 1-3 for support of these amounts. This forecast is not based on historical data and trends. Rather, it is a function of a forward-looking analysis of capital needs for system improvements which enhance customer service and experience, support economic development, improve safety, and upgrade infrastructure at a pace exceeding that of prior years. Please see the testimony of Jonathan Morphew for additional detail on construction projects and budgets and part (h) for support for Delta's forecasted capital.
- b. Please see response to (a) above. Delta remains confident of its targeted capital spending such that the 12/31/22 13-month average forecast of \$301,255,707 is achieved. Admittedly, Delta has fallen slightly behind its construction schedule through June 2021 for various reasons beyond its control. However, its July 2021 spending exceeds budget. If capital spending unavoidably lags at 12/31/21, Delta will endeavor to accelerate its 2022 spending such that the targeted \$301,255,707 is achievable.
- c. We are aware of no such documentation since 2009. Please note, Delta, like countless other regulated utilities, schedules major capital spending in conjunction with rate applications. This allows rate-setting to cover the capital needs noted in (a) above without requiring Delta to file rate applications on a more frequent basis. With more moderate capital spending programs in recent years, Delta has not filed for an increase in base rates in over ten years.
- d. Please see response to (c) above.
- e. Delta has not revised its monthly capital projections. Please refer to AG-3 #5 for the most updated annual breakdown of 2021 and 2022 expenditures and see response to (b) above.
- f. Please see to responses to (a) through (c) above.
- g. Due to scheduling delays by a third party, a major construction project is being constructed in the fourth quarter of 2021 that was budgeted for earlier in the year. Also, a back-log order of equipment, vehicles, trenchers etc. exists. We remain optimistic of completion by 12/31/21. Please see response to (b) above.
- h. Attached are copies of Delta's contracts with its outside construction vendor, Martin Contracting, Inc ("Martin"). Delta extended the contract agreement with Martin under the 2019 terms and conditions for 2020, and again in 2021. The current contract with Martin is due to expire 2/5/22. Also attached is the current contract with Martin for the proposed 8" steel pipeline extension in Lincoln County. This contract amount is subject to change

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based on the actual quantities required at the time of construction. The original purchase order for Martin at the beginning of 2021 was \$4,200,000. Delta has spent and expects to spend approximately \$4,200,000 with Martin for the entire construction season of 2021. Two large projects in 2021 include construction of a high pressure steel pipeline as an extension to a large customer in Madison County at a cost of approximately \$196,200 and construction of the Lincoln County high pressure steel extension at a cost of approximately \$370,000. The actual spend with Martin from 6/30/21 through current is \$1,105,800. Delta projects to spend approximately \$1,470,000 from now to the end of 2021. Delta projects to spend \$4,200,000 with Martin in 2022. This is a conservative estimate as Delta expects an increase in contractor pricing for 2022 due to the fact that Martin has not increased its pricing for the past three construction seasons.

Delta has also attached invoices for EnSiteUSA and Mott MacDonald, two engineering firms with which Delta contracts for engineering design each year. For 6/30/21 to present, EnSiteUSA invoices total \$12,873 and Mott MacDonald invoices total \$37,392. Delta budgets \$400,000 annually for this contracted engineering design (\$200,000 for each firm). In addition to the 6/30/21 to current spending, Delta expects to spend an additional \$212,400 in 2021. Delta forecasts again using both companies in 2022 for outside engineering services at a cost of \$400,000. Additionally, Delta expects to engage one of these engineering firms to provide engineering design services for the Lincoln County Purchase Station at an estimated cost of \$50,000.

In 2022, Delta expects to spend \$1,092,121 on software and \$1,019,020 on computer hardware. Delta previously provided contracts and invoices under confidential seal for software purchases in response to AG 1-75 and AG 1-77. Many of these occur within the 6/30/2021 through 12/31/22 period. Delta's response to AG 1-75 describes the SAP and GIS mapping software and Delta's response to AG 1-75 describes the other software additions in 2021 and 2022.

Delta also expects to spend \$1,087,454 and \$595,652 on vehicle fleet purchases in 2021 and 2022, respectively. Due to vehicle chip shortages, Delta has not received many of the vehicles it has ordered yet. Delta expects to receive vehicles in the period from 6/30/21 through 12/31/22. In 2021, Delta also expects to spend \$2,261,577 on power operated equipment.

As further support that Delta will achieve its forecasted capital spend, Delta's purchase orders total \$7,429,021 for 6/30/21 through present.<sup>1</sup> Delta has attached its purchase orders for amounts greater than \$50,000.

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<sup>1</sup> This amount includes purchase orders that were procured prior to 6/30/21, but the money will not be spent until after 6/30/21.

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Delta is requesting confidential protection for the attachments provided in this subpart.

Capital spending which increases 3/31/21 actual Plant in Service of \$277,645,551 to the 12/31/22 13-month average forecast of \$301,255,707 will be closely monitored with adjustments to budget as necessary to ensure the 12/31/22 target is met. Regarding any reconciliations, the July 2021 through December 2022 monthly capital budgets remain unchanged, with the exception that aggressive efforts to capture in upcoming months the portion of April through June 2021 capital spending shortfalls will be made. For now, this shortfall of approximately \$3.8 million (according to OAG Second Set Supplemental 9(g) data request) can be assumed to be caught up equally in the remaining 2021 months. Please see responses to (a) through (g) above.

- i. Delta's work force and related payroll costs remain on track to achieve the 12/31/22 13-month average Plant in Service forecast of \$301,255,707. As noted in (b) and (g) responses, costs other than Delta's work force and related payroll costs are primarily responsible for the capital spending lag. Regarding any reconciliations, Delta's capitalized labor remains unchanged from its filing. To the extent it must be adjusted to accomplish the forecasted Plant in Service, such adjustments will be made in conformity with actions described in response to (h) above.
- j. Please note, the (g) data request does not specifically address labor. As noted in the response to (i) above, Delta's work force and related payroll costs remain on track to achieve the 12/31/22 13-month average Plant in Service forecast of \$301,255,707. Capitalized overtime is not considered to be a material factor in meeting the noted forecast. Please see responses to (a) – (i) above.
- k. Please see responses to 9(a) – (i) above. Delta has provided support for its forecasted plant in service and CWIP. At this time, Delta believes it will achieve its forecasted spend and does not believe a revision is necessary. When Delta files its updated base period, it will have actual spend through 9/30/21 and will be in a much better position to determine if the 2021 budget can be achieved.

Sponsoring Witness: John B. Brown / Jonathan Morphew

**ATTACHMENTS TO DELTA\_R\_AGDR2\_NUM009\_090821  
FILED UNDER SEAL PURSUANT TO THE PETITION FOR  
CONFIDENTIAL TREATMENT FILED ON  
SEPTEMBER 8, 2021**

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10. **Follow-Up to Excess ADIT per OAG 1-88.** Please see the OAG attached Excel document, "OAG Attachment 1 – Change in Plant in Service, Accumulated Depreciation, and ADIT", along with the table below showing the ADIT and Excess ADIT balance for various periods (March 31, 2021, Base Period, and Forecasted Period), regarding the following questions. Delta's Base Period rate base includes Excess ADIT of \$13,179,041 (included in the Base Period total ADIT of \$42,472,111 in the table below) and the Forecasted Period rate base includes Excess ADIT of \$12,236,007 (included in the Forecasted Period total ADIT of \$42,774,952 in the table below), per Tab 55 and at the Rate\_Model tabs "13 mo Avg ADIT", "2021 capex & dep", and "2022 capex & dep." Finally, Delta's response to OAG 1-88 includes revisions to its original Excess ADIT calculations in the rate case, but OAG was unable to reconcile some of these amounts in the response to OAG 1-88. Address the following:

			Tab 55 and "13 mo Avg ADIT" and "2021 capex & dep"
		Tab 55, p. 12	
	Per Books	Base Period	Forecasted Period
Description	3/31/2021	13-mo. avg.	12/31/2022 -13-mo. avg.
Excess ADIT acct. 9254	\$ (17,587,574)	\$ (13,179,041)	\$ (12,236,007)
ADIT acct. 9282 - Other Property	\$ (28,766,605)	\$ (29,293,070)	\$ (30,366,472)
ADIT acct. 9283 - Other	\$ 775,873	\$ -	\$ (172,473)
<b>Total ADIT</b>	<b>\$ (45,578,306)</b>	<b>\$ (42,472,111)</b>	<b>\$ (42,774,952)</b>

- a. Delta's response to OAG 1-88 does not show any calculations or reconciliation from the original amount of Excess ADIT included in the Base Period of \$13,179,041 and the Forecasted Period of \$12,236,077 (as shown in the table below), please provide a reconciliation from these amounts to the revised amounts shown at Delta's response to OAG 1-88.
- b. Delta's response to OAG 1-88(d) states the corrected amount of unamortized Excess ADIT is \$11,985,368 per line 34, column E, of the Attachment, but this field shows an amount of \$11,939,491 (not \$11,958,368), and Delta states that \$11,939,490 equals \$12,300,624 - \$361,134 + \$45,878, but this calculation actually equals \$11,958,368 (not \$11,939, 490). Also, there are no supporting calculations showing the amount of \$345,083 at Column D, line 33, and provide these calculations. Also, explain how the amount of (\$244,063) at Column M, line 10, figures into these calculations (and explain if the amount of \$244,063 has any relationship to the amount of \$345,083 noted above. Explain which numbers are correct and providing correct calculations, and citations to correct fields.

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- c. Delta's response to OAG 1-88(d) (and the related Attachment), states the Excess ADIT for protected assets are amortized at \$673,579 per year and the unprotected assets are amortized at \$60,567, and the total of these two amounts is \$734,146. However, OAG attached Excel document, "OAG Attachment 1 – Change in Plant in Service, Accumulated Depreciation, and ADIT", shows the actual annual reduction due to amortization expense (of the Excess ADIT) in the Excess ADIT balance is \$1,792,813 from December 31, 2017 to December 31, 2018, and from December 31, 2018 to December 31, 2019, and from December 31, 2019 to December 31, 2020, and the two year reduction from December 31, 2020 to December 31, 2022 is \$1,391,237 (or an average annual reduction of \$695,618 for 2021 and 2022). Explain why Delta's claimed annual Excess ADIT amortization expense of \$734,146 does not agree with the actual annual change in its Excess ADIT balances on its books from December 31, 2017 through the Forecasted Period December 31, 2022 explained above of \$1,792,813, and provide a reconciliation and explanation of these amounts.
- d. Provide the account number which includes the annual Excess ADIT amortization expense, and reconcile the amortization expense per books for the periods December 31, 2018 to December 31, 2020, and the amortization expense included in the Base Period and Forecasted Period (and identify where this amortization expense is included in the rate case filing by account number), to the calculation of amortization expense included at Delta's response to OAG 1-88 Attachment, and explain the reasons for all differences.
- e. Delta's response to OAG 1-88(d) states that income tax expense was not reduced in the rate case for the amortization impact of Excess ADIT, and Delta states that income tax expense should be reduced by \$734,146 for Delta and \$4,028 for PKY (and Delta states it will make these adjustments in its updated filing). Please confirm this is correct.
- f. Regarding (c) and (e) above, explain why the adjusted reduction to income tax expense should be \$734,146 and \$4,028, when the actual per book annual reduction (Excess ADIT amortization expense) in Excess ADIT was \$1,792,813 for December 31, 2018, December 31, 2019, and December 31, 2020.
- g. Regarding (c), (e), and (f) above, if the actual annual reduction in Excess ADIT was \$1,792,813 from December 31, 2018 to December 31, 2020, but Delta claims the correct annual amortization is \$738,174 (\$734,146 and \$4,028), then does Delta agree that the Excess Deferred tax balance is understated (because excessive amortization was taken in 2018 to 2020), and doesn't this cause rate base to be overstated. Explain why Delta agrees or disagrees with this statement, and if Delta

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agrees, then provide the adjustment that should be made to increase the Excess ADIT balance for this rate case.

Response:

- a. The balance of Excess ADIT at 12-31-22 shown in OAG-1-88 in the amount of \$11,984,969 is different from the balance of \$12,236,007 which was included in the original filing by the amount of \$251,038. The differences are shown in the table below:

Tab 55 and "13 mo Avg ADIT" and	
"2021 capex & dep" Forecasted	
Period 12/31/2022-13 mo. Avg	\$ (12,236,007)
State Excess ADIT not in \$12,236,007	166,000
PGKY Excess ADIT correction	(276,096)
Non Rate Base Excess ADIT	361,134
OAG 1-88 -13 mo. Avg-Total Excess ADIT	\$ (11,984,969)

The explanations are as follows: The \$12,236,007 represents total Excess ADIT which includes State Excess ADIT being returned to customers (as a result of the state rate decrease to 5%) in the amount of \$166,000 (13 mo. Average). Since OAG-1-88 only requested detail for TCJA Excess ADIT, this was not included in the Company's response to OAG 1-88.

Also, included in the \$11,984,969 is an adjustment for the corrected balance of Excess ADIT for PKY which is an adjustment from the amount provided in the original filing. The \$12,236,007 originally provided included an understated balance of PKY TCJA Excess ADIT as reflected on the books when compared to the approved amortization schedule of the PKY TCJA Excess ADIT. Updating the amount for PKY Excess ADIT results in an increase to the Excess ADIT of \$276,096.

Additionally, in the course of preparing OAG 1-88 it was discovered that included in the \$12,236,007 amount provided in the original filing, are balances of non-rate base related Excess ADIT in the amount of \$361,134 which should not be included as a reduction to rate base because the underlying ADIT are not included as a rate base reduction. The details of non-rate base related Excess ADIT can be

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seen in Attachment 1 to this response. The total correct balance of Excess ADIT (both TCJA and State Excess combined) is \$12,150,969 (a decrease of \$85,038 from the \$12,236,007 originally reported).

- b. In response to OAG 1-88(d), the Company references the Column labeled “Column E” which is \$11,984,969 (not Column E of the Excel workpaper which is \$11,939,491) and inadvertently misstated this balance in the response by \$399. The balance of \$11,984,969 shown in the Attachment is correct. For the supporting calculation of the adjustment of \$345,083 shown in Excel Column D, line 33, please see Attachment 1. This represents the balance at December 31, 2022 of the non-rate base related Excess ADIT discussed in the response to 10a above.

The amount of \$244,063 in Column M, Line 10, represents the deferred tax asset which is the offset to the gross up of the regulated liability for the Excess ADIT. It is not included in the calculations of Excess ADIT in rate base because only the un-grossed up or net regulatory liability for Excess ADIT should be included in rate base. To include the grossed-up balance would be a normalization violation. OAG 1-88 requested the journal entries that were recorded for TCJA, so the (\$244,063) was shown for that reason. It is unrelated to the \$345,083. The \$244,063 is depicted in the response to OAG 1-88 because the data request asked to show the journal entries that were recorded for TCJA.

- c. The Company’s claimed annual Excess ADIT amortization of expense of \$734,146 does not agree with the annual change in the Excess ADIT balances shown on OAG Attachment 1- “Change in Plant in Service, Accumulated Depreciation, and ADIT” from December 31, 2017 through the Forecasted Period December 31, 2022 in the amount of \$1,792,813 because the balances in OAG Attachment 1 are based on estimates at the time OAG 1-20 (the source for the balances in OAG Attachment 1) was prepared.
- d. The Excess amortization expense was recorded to account number 411 Deferred Tax Expense. The reasons for the differences have been stated in the response to 10 c. above.
- e. The Company’s statement that adjustments for income tax expense for the amortization of Excess ADIT in the amount of \$734,146 and \$4,028 will be included in the updated filing is correct.
- f. The reduction to income tax expense for Federal TCJA excess should be \$734,146 and \$4,028, for Delta Gas and PKY respectively, pursuant to filings with the Commission which were approved. The actual annual amount of Excess ADIT on the books was not \$1,792,613 as explained in the response to 10(c) above.



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- g. The Company disagrees with this statement because the Excess Deferred Tax Balance is not understated in this filing. The \$1,792,613 is not the actual per book annual reduction. The correct Excess ADIT balances pursuant to Commission orders have been included in this filing except for the additional \$85,038 needed which is mentioned in the response to 10(a) above.

Sponsoring Witness: William C. Packer

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11. **ADIT.** Please see the OAG attached Excel document, "OAG Attachment 1 – Change in Plant in Service, Accumulated Depreciation, and ADIT", regarding changes in the ADIT account from December 31, 2017 to December 31, 2020, and for the Base and Forecasted Periods to address the following questions. Also, per the table below, for the ADIT amounts (excluding Excess ADIT) of \$29,293,070 and \$30,538,945 (\$30,366,472 + \$172,473) included in the Base and Projected Periods, respectively, it was not possible to determine how monthly amounts included in the 13-month averages were determined at Tab 55 and at the tabs "13 mo Avg ADIT" and "2021 capex & dep". Address the following:

			Tab 55 and "13 mo Avg ADIT" and "2021 capex & dep"
	Per Books	Base Period	Forecasted Period
Description	3/31/2021	13-mo. avg.	12/31/2022 -13-mo. avg.
Excess ADIT acct. 9254	\$ (17,587,574)	\$ (13,179,041)	\$ (12,236,007)
ADIT acct. 9282 - Other Property	\$ (28,766,605)	\$ (29,293,070)	\$ (30,366,472)
ADIT acct. 9283 - Other	\$ 775,873	\$ -	\$ (172,473)
<b>Total ADIT</b>	<b>\$ (45,578,306)</b>	<b>\$ (42,472,111)</b>	<b>\$ (42,774,952)</b>

- a. Per the ADIT amounts (not including the Excess ADIT amounts) included in the table above for the Base Period and Forecasted period of \$29,293,070 and \$30,538,945, explain and provide supporting documentation and calculations to show how these 13-month averages were calculated. Formulas and methods for calculating these amounts could not be identified in Delta workpapers, so explain and show how these amounts were determined. Explain if Delta calculated these amounts based on a ratio or percentage of ADIT to plant balances (or plant additions), or explain other methods used to estimate ADIT costs included in the Base Period and Forecasted Period.
- b. Per OAG Attachment 1, explain (and provide calculations and supporting documentation) to address why ADIT balances (not including Excess ADIT) per books fluctuated up and down from year-to-year, and: i) decreased \$1,114,391 from December 31, 2017 to December 31, 2018; ii) increased \$7,563,277 from December 31, 2018 to December 31, 2019; iii) decreased \$2,400,136 from December 31, 2019 to December 31, 2020; iv) and increased by \$2,568,607 over the two year period from actual December 31, 2020 to the Forecasted Period December 31, 2022 (which is an average annual increase of \$1,284,303 for 2021 and 2022).

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- c. Regarding (a) above, explain the drivers that caused ADIT to increase significantly by the amount of \$7,563,277 from December 31, 2018 to December 31, 2019, and explain if this is related to recurring or nonrecurring issues or events.
- d. Regarding (a) and (b) above, explain the relationship between capital expenditures/plant additions and the change in ADIT from year-to-year, and provide calculations to show how these additions impacted the fluctuating ADIT balances from December 31, 2017 to Forecasted Period December 31, 2022.
- e. Explain (and provide supporting calculations) why ADIT per books was \$27,970,338 at December 31, 2020, and then increased slightly to \$27,990,732 at March 31, 2021, and then declined to \$27,623,477 at June 30, 2021, and then increased to \$30,538,945 for the December 31, 2022 Forecasted Period.

## Response:

- a. See Attachment to OAG 2-3(g) which provides the supporting documentation and calculations to show how the 13-month averages were calculated. The monthly balances of ADIT were calculated based on differences in actual tax depreciation and book depreciation in the forecasted period for actual capex spend prior to 3/31/21 plus differences in tax depreciation based on forecasted capex spend and forecasted book depreciation after 3/31/21.
- b. The decrease in ADIT from 12/31/17 to 12/31/18 of \$1,114,391 is due to the recording of 2017 return to accrual net operating losses during 2018. The increase in ADIT from 12/31/18 to 12/31/19 of \$7,523,277 is a result of recording the tax gross up on the regulatory liability which was not recorded at 12/31/17. The decrease in ADIT from 12/31/19 to 12/31/20 of \$2,400,137 is due to recording ADIT associated with the remeasurement of the OPEB liability. The increase in ADIT from 12/31/20 to 12/31/22 of \$2,568,607 is due to additional capital spending resulting in additional tax depreciation greater than book depreciation. For the entire period from 12/31/17 to 12/31/22, this is also the case, however for years where ADIT actually decreased, there were offsetting transactions as previously described.
- c. The ADIT increase of \$7,523,277 as explained in the response to 11(b) is a non-recurring event.
- d. The relationship between capital expenditures/plant additions and plant related ADIT is generally congruent. As capital expenditures increase, so does accelerated tax depreciation expense. Since tax depreciation is almost always greater than book depreciation expense, this results in an increase to ADIT.

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Customers benefit from the recording of ADIT because it is included as a reduction in rate base and represents zero cost capital which can be used to fund additional capital spend at zero interest. For an explanation of how the additions impacted ADIT balances from December 31, 2017 to December 31, 2022, please see the responses to 11b above.

- e. ADIT per books increased slightly from December 31, 2020 to March 31, 2021 primarily due to tax depreciation greater than book depreciation offset by a restatement of the opening balance of ADIT which occurred during this period. ADIT then declined slightly from March 31, 2021 to June 30, 2021 due to the recording of an ADIT reduction to tax effect the recording of a large cost of removal accrual during this period which offset the ADIT increase resulting from tax depreciation greater than book depreciation. ADIT then increased from June 30, 2021 to December 31, 2022 due to the projected increase in capital expenditures. As explained in the response to 11(d) above, an increase in capital expenditures normally result in a corresponding increase to ADIT.

Sponsoring Witness: William C. Packer

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12. **ADIT per OAG 1-17.** Per Delta's response to OAG 1-17 Attachment, explain why the ADIT balance of \$28,620,422 at March 31, 2021 has decreased slightly through June 30, 2021 at \$28,360,167 in light of increases in capital expenditures (because deferred taxes should be increasing on the difference between tax and book depreciation expense). Provide supporting documentation for Delta's explanation.

Response:

Please see the response to OAG 2-11(d) for an explanation of the decrease in the ADIT balance from March 31, 2021 to June 30, 2021. Please see table below for support.

Description-Book vs. Tax Difference	April 2021 to June 2021 Activity
Accrued Incentive	\$ 54,038
Amortization of Intangibles	21,970
Bad Debts	29,289
Charitable Contributions	25
Cost of Removal	500,566
Debt Expense Amortization	11,951
Depreciation Differences	(268,132)
Equity Compensation	1,361
Other	18,326
Post Retirement Benefits	(12,224)
Purchased Gas	(89,416)
Vacation Accrual	(7,499)
<b>Grand Total</b>	<b>\$ 260,255</b>

Sponsoring Witness: William C. Packer

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13. **Customer Deposits.** Explain why Delta treated Customer Advances for Construction (account 9252) as a deduction to rate base of \$457,600 (March 31, 2021 book balance) for the Base and Forecasted periods, but did not also deduct similar Customer Deposits of \$553,810 (March 31, 2021 book balance) from rate base. Explain how Advances are different than Customer Deposits for purposes of rate base treatment, and provide documentation to show the Commission does, or does not, allow Customer Deposits to be deducted from rate base in other rate cases.

Response:

Delta's rate base in the instant proceeding is based on the approach the Commission has used for Delta in previous rate cases. Customer Advances for Construction relate directly to plant in service such as the costs of main extensions installed to provide service to customers. It is therefore necessary to deduct Customer Advances for Construction because without the deduction these costs would otherwise remain in rate base. In the case of Customer Deposits, there is no corresponding amount included in rate base associated with these deposits. Therefore, it is inappropriate to deduct Customer Deposits from rate base, as is done for Customer Advances for Construction.

In prior rate cases the Commission has correctly deducted Advances but not adjusted rate base for Customer Deposits. Please see the excerpt from the Commission's December 21, 2010 Order in Case No. 2010-00116 confirming that the Commission does not deduct Customer Deposits from rate base. Case No. 2010-00116 was Delta's last base rate case prior to the instant proceeding.

Sponsoring Witness: John B. Brown

RATE BASE

Delta proposed a rate base of \$110,358,397<sup>3</sup> based on the approach the Commission has generally used to determine the rate base in previous Delta rate cases. The Commission has determined Delta's rate base following the same approach. The cash working capital allowance has been adjusted to reflect the accepted pro forma adjustments to operation and maintenance expenses as discussed later in this Order.

Accordingly, we find Delta's rate base for rate-making purposes as of December 31, 2009 to be as follows:

Total Utility Plant in Service	\$194,819,356
Add:	
Materials & Supplies	596,121
Prepayments	1,631,110
Gas in Storage	7,985,970
Unamortized Debt Expense	4,542,382
Cash Working Capital Allowance	<u>1,599,417</u>
Subtotal	\$ 16,355,000
Deduct:	
Accumulated Depreciation	71,887,911
Customer Advances for Construction	54,605
Accumulated Deferred Income Taxes	<u>29,427,209</u>
Subtotal	\$ 101,369,725
Rate Base	<u>\$109,804,631</u>

<sup>3</sup> Application, Tab 27, Schedule 6. Delta recalculated the rate base to recognize the correction or revision of some items. The revised rate base amount was \$109,855,579 (August 24, 2010, Revised Tab 27, Schedule 6). Delta calculated a revised revenue increase based on its revised rate base.

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14. **Prepayments.** Address the following regarding Delta's response to OAG 1-91:
- a. Regarding the 13-month average balance of Prepayments at March 31, 2021 shown in Delta's Excel spreadsheet, explain how and why the February 2021 balance shows a negative Prepaid Federal Income Tax of \$466,123. Explain how it is possible to have negative prepaid taxes.
  - b. It appears that prepaid State and Federal Income Taxes largely drive the Prepaid balance for each month/year. If Delta's earnings are decreasing over time (and the revenue deficiency is increasing over time as reflected by the December 31, 2022 calculated deficiency in this rate case), it would appear that State and Federal Income Taxes would be declining over time (along with the related Prepaid balances), and that Prepaid State/Federal Income Taxes (and the related tax liability) at Forecasted December 31, 2022 (before the rate increase) would be less than the Prepaid State/Federal Income Taxes at March 31, 2021 (for months March 2020 to March 2021) which is currently used for the Forecasted December 31, 2022 amount in rate base (unless these amounts will be updated). Explain why the December 31, 2022 13-month average of Prepaid State/Federal Income Taxes would be based on prior periods with increased earnings (and increased Prepaid Income Taxes and an increased Tax liability), versus amounts largely driven by the decreased earnings (and decreased Prepaid Income Taxes and decreased tax liability) associated with the Forecasted 13-month period ending December 31, 2022. Explain why Delta agrees or disagrees with these statements.
  - c. Explain why Delta's Prepaid State/Federal Income Taxes included in the Prepaid balance are not declining over time if earnings are decreasing (and the related claimed revenue deficiency is increasing). Provide the detailed amounts included in Prepaid balances at April to June 2021, including Prepaid State/Federal Taxes.

Response:

- a. There was an estimated liability for Federal taxes payable (i.e. credit to the 236 account) but on a consolidated basis there was a net debit balance of federal taxes payable (debit to the 236 account) so Delta's federal tax payable in February was reclassified to the prepaid federal account (account 165) for consolidated presentation purposes.
- b. While the Company generally agrees with the statements made, the Company's overall monthly closing methodology is to record the monthly tax provision based on calculating non property book vs. tax differences on the actual underlying



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

**SECOND ATTORNEY GENERAL DATA REQUEST  
DATED AUGUST 25, 2021**

account balance changes for book balances. This can cause changes in the Prepaid income taxes and Tax liabilities that are not commensurate with the decreased earnings associated with the Forecasted Test period. Additionally increased capital spend will continue to result in decreased taxable income as tax depreciation expense deductions increase. Based on this, the historical balances are still the best estimate of the Forecasted test period balances. The Company will update the balances of Prepaid income taxes and Tax liabilities with the August 31, 2021 actuals update.

- c. Please see the response to 14(b) above for an explanation of why the Prepaid income taxes are not declining over time. Details of what comprises the Federal and State Prepaid balances from April 2021 to June 2021 can be seen in the response to OAG 2-12.

Sponsoring Witness: William C. Packer

**DELTA NATURAL GAS COMPANY, INC.****CASE NO. 2021-00185****SECOND ATTORNEY GENERAL DATA REQUEST****DATED AUGUST 25, 2021**

15. **Dues.** Address the following regarding Dues expenses and adjustments (including for AGA and other vendors) per OAG 1-6, Staff 1-7, and Delta Tabs 27 and 59:

- a. Delta's response to OAG 1-6(e) states that 6.8% of AGA dues have been excluded from this rate case, but OAG could not find a corresponding rate case adjustment at Tab 27 or the Income State Summary (at the Rate\_Model Excel spreadsheet). Provide and cite to supporting workpapers showing the amount of AGA dues removed from this rate case (by account number), along with related calculations (showing total amount multiplied by the 6.8% or related exclusion), and reconcile to the AGA dues shown at Tab 59 for the Base and Forecasted periods (and show each AGA expenses by date and provide a copy of the related invoice).
- b. Delta's response to OAG 1-6(a) states that some expenses were not correctly identified as AGA-related expenses, and refers to the amount of AGA dues expense included in this rate case as being provided at Tab 59 and the response to Staff 1-7 (Delta only refers to Attachments for these AGA expenses and did not specifically state the amount of expense included in this rate case for the Base Period and Forecasted test period). Tab 59 shows Base and Forecasted period AGA expenses of \$44,568 (including those costs for Kentucky Utilities, North Manchester Water Association, and Windstream that are supposed to be treated as AGA expenses) which are comprised of \$10,716, \$10,716, \$12,615, and \$10,521. Explain if \$44,568 is the correct amount of AGA dues/expenses included in the Base and Forecasted periods for a one-year period (or explain if part of these AGA expenses are related to another period), or provide the correct amounts and reconcile the amounts to Tab 59 and Staff 1-7. Provide copies of invoices to support the amount of AGA expenses for the Base and Forecasted Test periods.
- c. Delta's response to Staff 1-7 refers to an attachment for the preceding period AGA expense (although Delta does not specifically state the amount of AGA expenses), and this attachment appears to show AGA expenses of \$14,930 (two entries of \$7,359 for April 2020 and \$7,571 for October 2020). Per the AGA expenses of \$44,568 identified in (b) above for the Base/Forecasted Test Period, explain why this amount is substantially greater than prior year AGA expenses of \$14,930, and explain the reason for the increase and provide supporting documentation (and provide copies of invoices).
- d. Per (a) above, explain why Delta proposed removing 6.8% of AGA dues, when its response to OAG 1-6(c)(i) states that AGA invoices identify lobbying related expenses of 3.8% of member dues. Provide a copy of AGA invoices for 2020 and 2021 year-to-date that show the related percent of AGA dues related to lobbying.

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

**SECOND ATTORNEY GENERAL DATA REQUEST  
DATED AUGUST 25, 2021**

- e. Per Delta's response to OAG 1-6(e), provide copies of invoices supporting the exclusion of lobbying costs of 25% for KOGA, 15% for the Kentucky Chamber dues, and 7.2% for the Kentucky Association for Economic Development ("KAED").

Response:

- a. Delta's response to OAG 1-6(e) inadvertently stated "6.2%" instead of "6.8%" of AGA dues have been excluded. The amount excluded as lobbying was posted to FERC Account 426 – Other Income Deductions which is below the line, therefore an adjustment in the case was not necessary. Attached are the quarterly invoices for calendar years 2019, 2020 and 2021 with the supporting calculations for each quarter. Also attached is an Excel file that shows the AGA-related expenses that were included on Tab 59 and on the attachments for PSC 1-7 that inadvertently listed different organization names that should have been AGA dues or were excluded due to invoices processed outside of the period requested in the original question.
- b. See the response to part a. The Excel attachment provided in response to part a includes the actual amount of AGA dues applicable to the periods reflected and are supported by quarterly AGA dues invoices also attached to part a. Delta will file the actual results for the projected financial data for the months of April to August 2021 no later than October 15, 2021, as required by KRS 278.192(2)(b).
- c. See attachments provided in response to part a.
- d. See the response to part a. The portion of AGA dues allocable to lobbying is posted to a FERC account that is below the line and not recoverable in rates, therefore Delta would not propose to include some portion of amounts in that account. The AGA membership dues is processed at Peoples and the change in the lobbying percentage was an inadvertent oversight.
- e. See attached.

Sponsoring Witness: Andrea Schroeder

File # 551137

# AMERICAN GAS ASSOCIATION

Invoice # 116541

## Invoice for Peoples Natural Gas

Jan 31, 2019

Mr. Andrew Wachter  
Manager, Rates and Regulatory Affairs  
Peoples Natural Gas  
375 North Shore Drive  
Suite 600  
Pittsburgh, PA 15212

DESCRIPTION	AMOUNT
Dues for 2019 membership year: \$513,208.00	
First Quarterly Payment	\$128,302.00

REMIT PAYMENT WITH DUPLICATE COPY OF INVOICE TO:

AMERICAN GAS ASSOCIATION  
Post Office Box 79226  
Baltimore, MD 21279-0226  
Telephone (202) 824-7256  
Fax (202) 824-9156

**RECEIVED**  
FEB 06 2019  
**ACCTS PAYABLE**

### IMPORTANT IRS REQUIRED NOTICE

Dues payments, contributions or gifts to the American Gas Association are not tax-deductible as charitable contributions for federal income tax purposes. However, they may be deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of AGA's lobbying activities as defined by the Budget Reconciliation Act of 1993. AGA estimates that the nondeductible portion of your 2019 dues - the portion that is allocable to lobbying is 3.5%.

Included with membership is a one-year subscription to American Gas, the subscription rate for which is \$59.00 per year for U.S. and Canadian subscribers and \$110.00 per year for international subscribers and is not deductible from member dues.

2019 AGA Dues Allocations - Quarterly Payment

Co Code	Peoples	EGC PA	EGC WV	EGC KY	PTWV	Subtotal	Delta**	Total
1000	1000	1200	1300	3100			1600	AGA Invoiced
109935	109935	129935	139935	319935			<del>274.50</del> 1499.35	99.35
G/L 5308090	\$ 63,436.11	\$ 40,561.99	\$ 55,098.00	\$ 41.83	\$ 13,619.61	\$ 116,740.52	\$ 7,570.91	\$ 123,811.43
G/L 6302020	\$ 2,900.79	\$ 1,471.16	\$ 2,117.00	\$ 1.52	\$ 421.44	\$ 4,215.88	\$ 274.50	\$ 4,490.37
G/L 1133156								Dues
								Lobbying
<b>Total</b>	\$ 69,736.90	\$ 42,049.15	\$ 60,215.00	\$ 43.35	\$ 12,041.05	\$ 120,456.50	\$ 7,845.60	\$ 128,302.00

3.50M

% Allocation (%)

\*\* assumes Delta in SAP for 2019. Once Delta is in SAP then will use Co Code 1600 and GLE5308090 & 6302020

(\*) based on Operating Income (basis of AGA dues) - Invoiced 2015 dues level due to merge. UNUSE  
3 yrs av (3011-2013)

Peoples	\$ 61,451	55%
EGC PA	\$ 39,293	35%
Peoples WV	\$ 563	0.50%
Peoples KY	\$ 41	0.04%
PTWV	\$ 11,256	10%
	\$ 112,608	100%
Peoples WV	\$ 1,365	5% of EGC
Peoples KY	\$ 141	0.36% of EGC
EGC PA	\$ 47,750	94.7%
	\$ 39,896	

Delta \$ 8,417

File # 551137

AMERICAN GAS ASSOCIATION

Invoice # 116541

Invoice  
for  
Peoples Natural Gas

Mar 27, 2019

Mr. Andrew Wachter  
Manager, Rates and Regulatory Affairs  
Peoples Natural Gas  
375 North Shore Drive  
Suite 600  
Pittsburgh, PA 15212

3-776

DESCRIPTION	AMOUNT
Dues for 2019 membership year: \$513,208.00	
Second Quarterly Payment	\$128,302.00

REMIT PAYMENT WITH DUPLICATE COPY OF INVOICE TO:

AMERICAN GAS ASSOCIATION  
Post Office Box 79226  
Baltimore, MD 21279-0226  
Telephone (202) 824-7256  
Fax (202) 824-9156

IMPORTANT IRS REQUIRED NOTICE

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Included with membership is a one-year subscription to American Gas, the subscription rate for which is \$59.00 per year for U.S. and Canadian subscribers and \$110.00 per year for international subscribers and is not deductible from member dues.

Mar 27, 2019 AGA Invoice

2019 AGA DUES ALLOCATIONS - Quarterly Payment

Co Code	Peoples	EGC PA	EGC W/V	EGC KY	PTWP	Subtotal	Delta <sup>(*)</sup>	Total AGA Invoice
Cost Center	1000	1000	1200	1300	3100		1600	
G/L 5308090	\$ 63,436.11	\$ 40,561.04	\$ 580.98	\$ 4,182	\$ 11,630.61	\$ 116,240.52	\$ 7,870.91	\$ 123,211.43
G/L 6202020	\$ 2,300.79	\$ 1,471.16	\$ 21.07	\$ 1.52	\$ 425.44	\$ 4,215.98	\$ 274.59	\$ 4,490.57
G/L 1133156								
<b>Total</b>	\$ 65,736.90	\$ 42,032.15	\$ 602.05	\$ 43.35	\$ 12,041.05	\$ 130,456.50	\$ 7,845.50	\$ 138,302.00

3.50%

\* - assumes Delta in SAP for 2019 - since Delta is in SAP then will use Co Code 1600 and GLs 5308090 & 6202020; Cost center 169935

(\*) based on Operating Income (basis of AGA dues) - frozen at 2015 dues level due to merger clause

	3 yr ave (2012-2018)	
Peoples	\$ 61,451	55%
EGC PA	\$ 39,193	25%
Peoples W/V	\$ 563	0.50%
Peoples KY	\$ 41	0.04%
PTWP	\$ 11,256	10%
	\$ 112,603	100%
Peoples W/V	\$ 1,065	5% of EGC
Peoples KY	\$ 141	0.36% of EGC
EGC PA	\$ 47,790	94.7%
Delta	\$ 3,117	



File # 551137

## AMERICAN GAS ASSOCIATION

Invoice # 116541

Invoice  
for  
Peoples Natural Gas

Jul 2, 2019

Mr. Andrew Wachter  
Manager, Rates and Regulatory Affairs  
Peoples Natural Gas  
375 North Shore Drive  
Suite 600  
Pittsburgh, PA 15212

DESCRIPTION	AMOUNT
Dues for 2019 membership year: \$513,208.00	
Third Quarterly Payment	\$128,302.00

## REMIT PAYMENT WITH DUPLICATE COPY OF INVOICE TO:

AMERICAN GAS ASSOCIATION  
Post Office Box 79226  
Baltimore, MD 21279-0226  
Telephone (202) 824-7256  
Fax (202) 824-9156

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Included with membership is a one-year subscription to American Gas, the subscription rate for which is \$59.00 per year for U.S. and Canadian subscribers and \$110.00 per year for international subscribers and is not deductible from member dues.



July 2, 2019 Invoice (AGA)

3.776

2019 AGA Budget Allocations - Quarterly payment

Code	People	BGC PA	BGC WV	EGCRV	PTVW	Statotal	Delta**	Total	
Code	1000	1000	1200	1300	3100		1600	AGA Invoice	
Cost Center	P99935	109935	119935	129935	319935		369935		
G/L 5378000	\$ 83,436.11	\$ 40,861.92	\$ 580.98	\$ 47.83	\$ 1,610.52	\$ 116,246.53	\$ 7,570.91	\$ 123,817.43	DUES
G/L 53702020	\$ 3,306.75	\$ 1,271.16	\$ 218.87	\$ 7.52	\$ 121.14	\$ 4,215.68	\$ 274.59	\$ 4,490.27	Lobbying
G/L 5333106									
<b>Total</b>	<b>\$ 86,742.86</b>	<b>\$ 42,133.08</b>	<b>\$ 599.85</b>	<b>\$ 55.35</b>	<b>\$ 1,731.66</b>	<b>\$ 120,456.50</b>	<b>\$ 7,845.50</b>	<b>\$ 128,302.00</b>	<b>Total</b>

\* Allocation (%)

revenue Delta T SAP for 2019 - plus Delta in SAP from w/ our Co Code 0000 and G/L 5388880 & 5300720, and other (noted)

(\*) based on Operating Income (basis of AGA dues) frozen at 2018 dues level due to merger clause

by we (2011-2018)

People	\$ 61,491	55%
BGC PA	\$ 40,231	35%
People WV	\$ 503	0.50%
People VV	\$ 41	0.04%
PTVW	\$ 1,596	1%
	\$ 17,501	100%
People WV	\$ 1,505	5% of BGC
People VV	\$ 141	0.35% of BGC
BGC PA	\$ 11,700	94.7%
	\$ 19,806	
Delta	\$ 5,417	

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File # 551137

**AMERICAN GAS ASSOCIATION**

Invoice # 116541

Invoice  
for  
Peoples Natural Gas

Oct 3, 2019

Mr. Andrew Wachter  
Manager, Rates and Regulatory Affairs  
Peoples Natural Gas  
375 North Shore Drive  
Suite 600  
Pittsburgh, PA 15212

DESCRIPTION	AMOUNT
Dues for 2019 membership year: \$513,208.00	
Fourth Quarterly Payment	\$128,302.00

REMIT PAYMENT WITH DUPLICATE COPY OF INVOICE TO:

AMERICAN GAS ASSOCIATION  
Post Office Box 79226  
Baltimore, MD 21279-0226  
Telephone (202) 824-7256  
Fax (202) 824-9156

**IMPORTANT IRS REQUIRED NOTICE**

Dues payments, contributions or gifts to the American Gas Association are not tax deductible as charitable contributions for federal income tax purposes. However, they may be deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of AGA's lobbying activities as defined by the Budget Reconciliation Act of 1993. AGA estimates that the nondeductible portion of your 2019 dues — the portion that is allocable to lobbying is 3.5%.

Included with membership is a one-year subscription to American Gas, the subscription rate for which is \$59.00 per year for U.S. and Canadian subscribers and \$140.00 per year for international subscribers and is not deductible from member dues.

2019 NGA Dues Allocation - Quarterly payment

Oct 3 2019 Invoice

Div / Co Code	Peoples	EGG PA	EGG NY	EGG DC	RTWP	Subtotal	Debit	Total	
	1000	1000	1000	1000	1000		1000	NGA Invoice	
Cont Office	609935	100515	100515	100515	319935		100515		
Q/11103000	\$ 61,896.01	\$ 40,361.99	\$ 580.95	\$ 41.83	\$ 18,619.61	\$ 115,249.39	\$ 917,000	\$ 143,811.43	Dues
Q/11103020	\$ 2,300.79	\$ 1,171.16	\$ 21.07	\$ 1.02	\$ 101.89	\$ 4,215.98	\$ 174.29	\$ 6,430.57	Lobbying
Q/11103050									
<b>Total</b>	<b>\$ 65,735.80</b>	<b>\$ 42,033.15</b>	<b>\$ 602.05</b>	<b>\$ 43.85</b>	<b>\$ 18,041.05</b>	<b>\$ 129,456.50</b>	<b>\$ 7,645.50</b>	<b>\$ 149,302.05</b>	<b>Total</b>

8 Allocation (%)

\*\*\*Assumes Delta in SAP for 2019, same Delta in SAP for all use Co Code 1000 and Q/1110300, 1110302, 1110305, 109935

(\*) Share of Operating Income based on AGA Dues: Total of 2018 dues level divided by merger dues

	\$ w/ ops (3121-2113)	%
Peoples	\$ 61,451	93%
EGG PA	\$ 30,193	46%
Peoples NY	\$ 580	0.9%
Peoples DC	\$ 41	0.06%
RTWP	\$ 11,256	10%
	\$ 112,601	100%
Peoples NY	\$ 1,807	5% of DC
Peoples NY	\$ 101	0.46% of DC
EGG PA	\$ 21,762	94.7%
	\$ 24,046	
Notes	\$ 3,417	

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File # 551137

AMERICAN GAS ASSOCIATION

Invoice # 127672

Invoice  
for  
Peoples Natural Gas

Jan 31, 2020

Mr. Andrew Wachter  
Manager, Rates and Regulatory Affairs  
Peoples Natural Gas  
375 North Shore Drive  
Suite 600  
Pittsburgh, PA 15212

DESCRIPTION	AMOUNT
Dues for 2020 membership year: \$513,208.00	
First Quarterly Payment	\$128,302.00

REMIT PAYMENT WITH DUPLICATE COPY OF INVOICE TO:

AMERICAN GAS ASSOCIATION  
Post Office Box 79226  
Baltimore, MD 21279-0226  
Telephone (202) 824-7256  
Fax (202) 824-9156

IMPORTANT IRS REQUIRED NOTICE

Dues payments, contributions or gifts to the American Gas Association are not tax deductible as charitable contributions for federal income tax purposes. However, they may be deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of AGA's lobbying activities as defined by the Budget Reconciliation Act of 1993. AGA estimates that the nondeductible portion of your 2020 dues -- the portion that is allocable to lobbying is 6.2%.

2020 AGA Dues Allocations - Quarterly payment

Div./CG Code	Peoples	EGC PA	EGC WV	T.GC KY	PTWP	Subtotal	Delta **	Total
1000	1000	1000	1200	1300	3100		1600	AGA Invoice
109935	109935	109935	129935	139935	319935		169935	
63,436.11	\$ 40,561.99	\$ 58,098	\$ 41,833	\$ 11,619.61	\$ 110,240.52	\$ 7,570.91	\$ 7,570.91	Dues
2,300.79	\$ 1,471.16	\$ 21.87	\$ 1.52	\$ 421.44	\$ 4,245.98	\$ 274.59	\$ 274.59	Lobbying
65,736.90	\$ 42,033.15	\$ 60,205	\$ 43.35	\$ 12,041.05	\$ 120,456.50	\$ 7,845.50	\$ 7,845.50	Total

% Allocation (\*\*)

(\*) Based on Operating Income (base of AGA dues) - Project of 2015 (this level due to merger clause)

3 Yr Ave (2011-2013)

Peoples	\$ 61,451	55%
EGC PA	\$ 19,293	35%
Peoples WV	\$ 563	0.50%
Peoples KY	\$ 41	0.04%
PTWP	\$ 11,256	10%
	\$ 112,603	100%

Peoples WV	\$ 1,963	5% of EGC
Peoples KY	\$ 141	0.38% of EGC
T.GC PA	\$ 31,750	94.7%
	\$ 39,854	

Delta 8 8/117

	Plan	Actual	Date
2020 Q1	\$ 128,302.00	\$ 128,302.00	7.12.20
2020 Q2	\$ 128,302.00		
2020 Q3	\$ 128,302.00		
2020 Q4	\$ 128,302.00		
Total	\$ 513,208.00		



File # 551137

## AMERICAN GAS ASSOCIATION

Invoice # 127672

Invoice  
for  
Essential Utilities

Apr 1, 2020

Mr. Andrew Wachter  
Manager, Rates and Regulatory Affairs  
Essential Utilities  
375 North Shore Drive  
Suite 600  
Pittsburgh, PA 15212

DESCRIPTION	AMOUNT
Dues for 2020 membership year: \$513,208.00	
Second Quarterly Payment	\$128,302.00

REMIT PAYMENT WITH DUPLICATE COPY OF INVOICE TO:

AMERICAN GAS ASSOCIATION  
Post Office Box 79226  
Baltimore, MD 21279-0226  
Telephone (202) 824-7256  
Fax (202) 824-9156

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**Q1-2020 Expense**

2020 AGA Dues Allocations - Quarterly payment

Div./Co. Code	Peoples Nat	PWV	PKY	PGC	Subtotal	Delta**	Total
	1000	1200	1300	3100		1600	AGA Invoice
Cost Center	109935	129935	139935	319935		169935	
G/L 5308090	\$ 101,088.31	\$ 564.73	\$ 40.66	\$ 11,294.50	\$ 112,988.20	\$ 7,359.08	Dues
G/L 6202020	\$ 6,681.74	\$ 37.33	\$ 2.69	\$ 746.55	\$ 7,468.30	\$ 486.42	Lobbying
G/L 1133156							
<b>Total</b>	<b>\$ 107,770.05</b>	<b>\$ 602.05</b>	<b>\$ 43.35</b>	<b>\$ 12,041.05</b>	<b>\$ 120,456.50</b>	<b>\$ 7,845.50</b>	<b>\$ 128,302.00</b>

6.20%

(\*) based on Operating Income (basis of AGA dues) - frozen at 2015 dues level due to merger clause

	3 Yr Ave (2011-2013)	
Peoples	\$ 100,744	89.5%
EGC PA	\$ -	0.0%
Peoples WV	\$ 563	0.50%
Peoples KY	\$ 41	0.04%
PTWP	\$ 11,256	10%
	\$ 112,603	100%

Delta \*\* \$ 8,417

	Plan	Actual	Date
2020 Q1	\$ 128,302.00	\$ 128,302.00	2.12.20
2020 Q2	\$ 128,302.00	\$ 128,302.00	4.13.20
2020 Q3	\$ 128,302.00		
2020 Q4	\$ 128,302.00		
<b>Total</b>	<b>\$ 513,208.00</b>		

File # 551137

AMERICAN GAS ASSOCIATION

Invoice # 127672

Invoice  
for  
Essential Utilities

Sep 25, 2020

Mr. Andrew Wachter  
Manager, Rates and Regulatory Affairs  
Essential Utilities  
375 North Shore Drive  
Suite 600  
Pittsburgh, PA 15212

DESCRIPTION	AMOUNT
Dues for 2020 membership year: \$513,208.00	
Third Quarterly Payment	\$128,302.00

REMIT PAYMENT WITH DUPLICATE COPY OF INVOICE TO:

AMERICAN GAS ASSOCIATION  
Post Office Box 79226  
Baltimore, MD 21279-0226  
Telephone (202) 824-7256  
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IMPORTANT IRS REQUIRED NOTICE

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2020 AGA Dues Allocations - Quarterly Payment

Q3, 2020 Expense

Div./Co. Code	Peoples Mar	Pww	PKY	PGC	Subtotal	Delta**	Total	Prior	Future
1900	1200	1300	3100			2600	AGA Invoice	84.0%	81.5%
Cost Center	109935	129935	135935	319935		169935		0.5%	0.5%
G/L 53040900	\$ 101,088.31	\$ 564.75	\$ 40.66	\$ 11,204.50	\$ 112,988.20	\$ 7,359.08	\$ 120,347.28	0.0%	0.0%
G/L 62020200	\$ 6,581.74	\$ 37.33	\$ 2.69	\$ 746.55	\$ 7,468.30	\$ 486.47	\$ 7,954.72	6.1%	5.1%
G/L 1133136	\$ 107,770.05	\$ 602.05	\$ 43.35	\$ 12,081.03	\$ 120,456.50	\$ 7,845.50	\$ 128,302.00	9.4%	13.1%
Total								100.0%	100.0%

6.20%

% Allocation (\*\*)

Need to revisit allocation %

(\*) based on Operating Income (basis of AGA dues) - frozen at 2015 dues level due to merger clause  
\$ w ave (2017,2018)

Peoples	\$ 1,007,744	89.5%
EGC PA	\$ -	0.0%
Peoples WY	\$ 563	0.50%
Peoples KY	\$ 41	0.04%
PTWP	\$ 11,256	1.0%
	\$ 112,603	100%

Delta \*\* \$ 8,417

	Plan	Actual	Date
2020 Q1	\$ 128,302.00	\$ 128,302.00	4.13.20
2020 Q2	\$ 128,302.00	\$ 128,302.00	4.13.20
2020 Q3	\$ 128,302.00	\$ 128,302.00	9.28.20
2020 Q4	\$ 128,302.00		
Total	\$ 513,208.00		

File # 551137

# AMERICAN GAS ASSOCIATION

Invoice # 127672

## Invoice for Essential Utilities

Sep 25, 2020

Mr. Andrew Wachter  
Manager, Rates and Regulatory Affairs  
Essential Utilities  
375 North Shore Drive  
Suite 600  
Pittsburgh, PA 15212

DESCRIPTION	AMOUNT
Dues for 2020 membership year: \$513,208.00	
Fourth Quarterly Payment	\$128,302.00

REMIT PAYMENT WITH DUPLICATE COPY OF INVOICE TO:

AMERICAN GAS ASSOCIATION  
Post Office Box 79226  
Baltimore, MD 21279-0226  
Telephone (202) 824-7256  
Fax (202) 824-9156

### IMPORTANT IRS REQUIRED NOTICE

Dues payments, contributions or gifts to the American Gas Association are not tax deductible as charitable contributions for federal income tax purposes. However, they may be deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of AGA's lobbying activities as defined by the Budget Reconciliation Act of 1993. AGA estimates that the nondeductible portion of your 2020 dues -- the portion that is allocable to lobbying is 6.2%.

2020 AGA Dues Allocations - Quarterly payment

Q4 2020 Expense

New Allocation

Comp	Prior	NEW	Prior	NEW
1000	84.0%	81.3%	\$ 107,770	\$ 104,305
1700	0.5%	0.5%	\$ 602	\$ 677
1300	0.0%	0.0%	\$ 43	\$ -
1600	6.1%	5.1%	\$ 7,846	\$ 6,543
3100	9.4%	13.1%	\$ 12,041	\$ 16,776
	100.0%	100.0%	\$ 128,302	\$ 128,302

109935	129935	139935	159935	319935	TOTAL
Peoples Nat 1000	PMW 1200	PKV 1300	Delta 1600	PGC 3100	
81.3%	0.5%	0.0%	5.1%	13.1%	100.0%
\$ 97,838.52	\$ 635.05	\$ -	\$ 6,137.37	\$ 15,736.33	\$ 120,347.28
\$ 6,466.94	\$ 41.98	\$ -	\$ 405.67	\$ 1,040.14	\$ 7,954.72
\$ 104,305.46	\$ 677.02	\$ -	\$ 6,543.04	\$ 16,776.47	\$ 128,302.00

Cost Ctr	Split	Alloc%
Dues	93.80%	\$ 120,347
Lobbying	6.20%	\$ 7,955
Total	100.00%	\$ 128,302

Tracker	Plan	Actual	Date
2020 Q1	\$ 128,302.00	\$ 128,302.00	2.12.20
2020 Q2	\$ 128,302.00	\$ 128,302.00	4.13.20
2020 Q3	\$ 128,302.00	\$ 128,302.00	9.28.20
2020 Q4	\$ 128,302.00	\$ 128,302.00	12.2.20
Total	\$ 513,208.00	\$ 513,208.00	

File # 551137

AMERICAN GAS ASSOCIATION

Invoice # 138582

Invoice  
for  
Essential Utilities

Mar 12, 2021

Ms. Sue Griener  
Peoples Natural Gas  
375 North Shore Drive  
6th Floor  
Pittsburgh, PA 15212

DESCRIPTION	AMOUNT
Dues for 2021 membership year: \$522,746.00	
First Quarterly Payment	\$130,686.50

REMIT PAYMENT WITH DUPLICATE COPY OF INVOICE TO:

AMERICAN GAS ASSOCIATION  
Post Office Box 79226  
Baltimore, MD 21279-0226  
Telephone (202) 824-7256  
Fax (202) 824-9156

IMPORTANT IRS REQUIRED NOTICE

Dues payments, contributions or gifts to the American Gas Association are not tax deductible as charitable contributions for federal income tax purposes. However, they may be deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of AGA's lobbying activities as defined by the Budget Reconciliation Act of 1993. AGA estimates that the non-deductible portion of your 2020 dues – the portion that is allocable to lobbying is 3.8%.

2021 AGA Dues Allocations - Quarterly payment

Q1, 2021

		Cost CU						TOTAL	
		109935	129935	139935	169935	319935			
		Peoples Nat	PWV	PKV	Delta	PGC			
		1000	1200	1300	1600	3100			
		Split	Alloc%						
G/L 5308090	Dues	93.80%	\$ 122,585.94	645.85	\$ -	\$ 6,251.44	\$ 16,028.79	\$ 122,583.94	
G/L 6202020	Lobbying	6.20%	\$ 8,102.56	42.76	\$ -	\$ 413.21	\$ 4,059.47	\$ 8,102.56	
	Total	100.00%	\$ 130,688.50	689.60	\$ -	\$ 6,664.65	\$ 17,088.26	\$ 130,686.50	

Accrual Schedule		Actual	
Qtr	Period	Annual 2021	Actual
Q1	Feb	\$ 130,686.50	\$ 130,686.50
Q2	May	\$ 130,686.50	\$ 130,686.50
Q3	Aug	\$ 130,686.50	
Q4	Nov	\$ 130,686.50	
	YTD	\$ 522,746.00	\$ 261,373.00



File # 551137

# AMERICAN GAS ASSOCIATION

Invoice # 138582

## Invoice for Essential Utilities

Apr 2, 2021

Ms. Sue Griener  
Peoples Natural Gas  
375 North Shore Drive  
6th Floor  
Pittsburgh, PA 15212

DESCRIPTION	AMOUNT
Dues for 2021 membership year: \$522,746.00	
Second Quarterly Payment	\$130,686.50

REMIT PAYMENT WITH DUPLICATE COPY OF INVOICE TO:

AMERICAN GAS ASSOCIATION  
Post Office Box 79226  
Baltimore, MD 21279-0226  
Telephone (202) 824-7256  
Fax (202) 824-9156

### IMPORTANT IRS REQUIRED NOTICE

Dues payments, contributions or gifts to the American Gas Association are not tax deductible as charitable contributions for federal income tax purposes. However, they may be deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of AGA's lobbying activities as defined by the Budget Reconciliation Act of 1993. AGA estimates that the nondeductible portion of your 2020 dues -- the portion that is allocable to lobbying is 3.8%.

2021 AGA Dues Allocations - Quarterly payment

Q2, 2021

	Cost Ctr						TOTAL
	109935	129935	139935	169935	319935		
	Peoples Nat 1000	PWV 1200	PKY 1300	Delta 1600	PGC 3100		
	81.3%	0.5%	0.0%	5.1%	13.1%		100.0%
G/L 5308090	Dues	\$ 99,656.86	\$ 546.85	\$ -	\$ 6,251.44	\$ 16,028.79	\$ 122,583.94
G/L 6202020	Lobbying	\$ 6,587.13	\$ 42.76	\$ -	\$ 413.21	\$ 1,059.47	\$ 8,102.56
	Total	\$ 106,243.99	\$ 589.60	\$ -	\$ 6,664.65	\$ 17,088.26	\$ 130,686.50
	Split	Alloc-%					
	Dues	93.80%	\$ 122,583.94				
	Lobbying	6.20%	\$ 8,102.56				
	Total	100.00%	\$ 130,686.50				

Accrual Schedule

Qtr	Period	Annual 2021	Actual Period	Actual
Q1	Feb	\$ 130,686.50	3.16.2021	\$ 130,686.50
Q2	May	\$ 130,686.50	4.2.2021	\$ 130,686.50
Q3	Aug	\$ 130,686.50		
Q4	Nov	\$ 130,686.50		
		\$ 522,746.00	YTD	\$ 261,373.00

File # 551137

# AMERICAN GAS ASSOCIATION

Invoice # 138582B

## Invoice for Essential Utilities

Jul 6, 2021

Ms. Sue Griener  
Peoples Natural Gas  
375 North Shore Drive  
6th Floor  
Pittsburgh, PA 15212

DESCRIPTION	AMOUNT
Dues for 2021 membership year: \$522,746.00	
Third Quarterly Payment	\$130,686.50

REMIT PAYMENT WITH DUPLICATE COPY OF INVOICE TO:

AMERICAN GAS ASSOCIATION  
Post Office Box 79226  
Baltimore, MD 21279-0226  
Telephone (202) 824-7256  
Fax (202) 824-9156

### IMPORTANT IRS REQUIRED NOTICE

Dues payments, contributions or gifts to the American Gas Association are not tax deductible as charitable contributions for federal income tax purposes. However, they may be deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of AGA's lobbying activities as defined by the Budget Reconciliation Act of 1993. AGA estimates that the nondeductible portion of your 2021 dues -- the portion that is allocable to lobbying is 3.8%.



03.2021

2021 AGA Dues Allocations - Quarterly payment

	Cost Ctr						TOTAL
	109935	129935	139935	169935	319935		
	Peoples Nat 1000	PWV 1200	PKY 1300	Delta 1600	PGC 3100		
	81.3%	0.5%	0.0%	5.1%	13.1%		100.0%
G/L 5308090	Dues	\$ 99,656.86	\$ 546.85	\$ -	\$ 6,251.44	\$ 16,028.79	\$ 122,583.94
G/L 6202020	Lobbying	\$ 6,587.13	\$ 42.76	\$ -	\$ 413.21	\$ 1,059.47	\$ 8,102.56
	Total	\$ 106,243.99	\$ 689.60	\$ -	\$ 6,664.65	\$ 17,088.26	\$ 130,686.50

Accrual Schedule		Actual	Actual
Qtr	Period	Period	Actual
Q1	Feb	3.16.2021	\$ 130,686.50
Q2	May	4.2.2021	\$ 130,686.50
Q3	Aug	7.7.21	\$ 130,686.50
Q4	Nov		
		YTD	\$ 392,059.50

**Jeff Steele**

**From:** noreply@chamberdata.net  
**Sent:** Wednesday, December 09, 2020 2:33 PM  
**To:** Jeff Steele  
**Subject:** Payment Receipt

\*\*\* Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. \*\*\*

This e-mail confirms the receipt of an online payment which you recently submitted to Kentucky Association for Economic Development.

\*\* Please do not reply to this message. Reply e-mails will not be delivered. \*\*

Please keep a copy of this payment receipt for your records.

— PAYMENT RECEIPT —

Date: 12/09/2020  
Account #: XXXXXXXXXX  
Payment Method: Online Payment  
Reference #: 62724386798

Total: \$250.00

---

<u>Applied To Invoices</u>	<u>Invoice Amount</u>	<u>Applied Amount</u>
Invoice #29618, Membership Dues	\$250.00	\$250.00
	Total Applied:	\$250.00
	Total Unapplied:	\$0.00

AP

— ONLINE PAYMENT TRANSACTION —

Date: 12/09/2020 01:32:46 PM  
Name: Jeffrey Steele  
Company: Delta Natural Gas Company, Inc  
E-mail: jsteele@deltagas.com  
Address: 3617 Lexington Road  
City: Winchester  
State: Ky.  
Zip: 40391



Transaction ID: 62724386798

Authorization: 042757

Amount: \$250.00

**Jeff Steele**

**From:** Matt Tackett <mtackett@kaedonline.org>  
**Sent:** Wednesday, December 09, 2020 12:28 PM  
**To:** Jeff Steele  
**Subject:** KAED Membership Renewal - 2021

\*\*\* Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. \*\*\*

**Kentucky Association for Economic Development**

101 Burch Court  
 Frankfort, KY 40601  
 (502)227-9653 ° Fax: (502)227-2611

**— INVOICE —**

Mr. Jeffrey C. Steele  
 Delta Natural Gas Company, Inc.  
 3617 Lexington Road  
 Winchester, KY 40391

Date: 01/01/2021  
 Account #: [REDACTED]  
 Invoice #: 29618  
 Amount Due: \$250.00

Amount Remitted: \_\_\_\_\_

*Please return a printed copy of this invoice with your payment.*

We appreciate your continued support of KAED and look forward to serving you in 2021.

Payments may be made by logging into your account at [www.kaedonline.org](http://www.kaedonline.org) or by mailing a check to the KAED address above. If you have misplaced your login information or have questions, please contact Matt Tackett at [mtackett@kaedonline.org](mailto:mtackett@kaedonline.org) or 502-227-9653.

Under federal law, dues paid to an organization that engages in lobbying are deductible to the extent of the portion of dues used in non-lobbying efforts, if paid as an ordinary and necessary business expense. Per IRS 6033(e) we therefore disclose that 7.2% of your 2021 dues will be spent on lobbying activity and is therefore not deductible.

Thank you!

**Pay Online**

Member #: [REDACTED]  
 Invoice #: 29618

Membership Investment 01/01/2021 - 12/31/2021	\$250.00
<b>Total:</b>	<b>\$250.00</b>

*DP*

2A50 164510

# Kentucky Association for Economic Development

## Payment Confirmation

Your payment has been approved.

— Transaction Details —

Date: 12/09/2020 01:32:46 PM

Name: Jeffrey Steele

Company: Delta Natural Gas Company, Inc

E-mail: jsteele@deltagas.com

Address: 3617 Lexington Road

City: Winchester

State: Ky.

Zip: 40391

Transaction ID: 62724386798

Authorization: 042757

Amount: \$250.00 *DP*

For: Invoice # 29618

[Return to Pay Invoice](#)

**Kentucky Association for Economic Development**

101 Burch Court  
Frankfort, KY 40601  
(502)227-9653 ° Fax: (502)227-2611

— INVOICE —

Mr. Jeffrey C. Steele  
Delta Natural Gas Company, Inc.  
3617 Lexington Road  
Winchester, KY 40391

Date: 01/01/2021  
Account #: ████████  
Invoice #: 29618  
Amount Due: \$250.00

Amount Remitted: \_\_\_\_\_

-----  
**Kentucky Association for Economic Development**

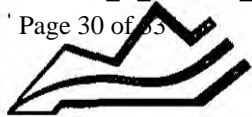
Pay online at: <http://cca.kaedonline.org/PayInvoice.aspx>

Member #: ████████  
Invoice #: 29618

Membership Investment 01/01/2021 - 12/31/2021

\$250.00  
-----  
Invoice Total: \$250.00





**Kentucky Chamber**

*Uniting Business. Advancing Kentucky.*

464 Chenault Road Frankfort, KY 40601 phone 502-695-4700 fax 502-695-5051

Mr. John Brown  
 Chief Executive Officer  
 Delta Natural Gas Company  
 3617 Lexington Rd  
 Winchester, KY 40391-9797

(859) 744-6171  
 jbrown@deltagas.com

**Membership Renewal -  
 Invoice No. 7982020**

**Date:** 10/26/2020  
**Original Join Date:** 09/01/1968  
**Membership Dates:** 11/01/2020 - 10/31/2021

KCC Federal Tax ID: 61-0405718

Please verify information at left and note any updates.

**Remit to:**  
 Kentucky Chamber of Commerce  
 464 Chenault Road  
 Frankfort, KY 40601

**We want to assure you that the Kentucky Chamber's work in support of Kentucky's business community continues as we face this uncertain and unprecedented time. If you have any questions about your membership or need assistance in any way, please contact us at (859) 221-8813.**

Company	Member Number	Due Date	Membership Dues
Delta Natural Gas Company	798	11/30/2020	\$2,500.00
<b>Chamber Action Fund</b>			
Your voluntary contribution to the Chamber Action Fund is used in the most critical situations to garner needed public support on important business issues. Action Fund dollars are used exclusively to advance member-supported issues and are not used for political activity.			<del>\$50.00</del>
			<del>2500.00</del>
			<del>\$2,550.00</del>

*Membership dues are not deductible as a charitable contribution. In compliance with the Omnibus Budget Reconciliation Act of 1993, 85 percent of your dues may be deductible as an ordinary business expense and are not allocable to lobbying activity.*

*Chamber Membership Renewal*

*EPB*

**Please return this portion with payment.**

Company	Member Number	Due Date	Membership Dues	
Delta Natural Gas Company	798	11/30/2020		\$2,500.00
<b>Please select your area(s) of interest:</b>			Action Fund	<del>\$50.00</del>
<input type="checkbox"/> Human Resources	<input type="checkbox"/> Political Education	<input type="checkbox"/> Fiscal Policy		
<input type="checkbox"/> Health & Wellness	<input type="checkbox"/> Energy & Environmental	<input type="checkbox"/> OSHA		
<input type="checkbox"/> Manufacturing	<input type="checkbox"/> Small Business	<input type="checkbox"/> Workers' Compensation		
		<input type="checkbox"/> Education & Workforce Dev.		
			<b>Total Due</b>	<del>\$2,550.00</del>

<b>Pay by Check</b>	<b>Pay by Credit Card (select one)</b> VISA <u>MasterCard</u> American Express
Amount: \$ _____	Card # _____ Exp. Date _____
Check # _____	Signature (required) <u>Emily Bennett</u>

*\* please email receipts to ebennett@deltagas.com \**

<b>Dues Receipt</b>	
705645-427710	01/27/2021



**John Brown**

Delta Natural Gas Co.  
 3617 Lexington Road  
 Winchester, KY 40391, United States  
 Phone: 859-744-6171  
 JBROWN@DeltaGas.com

**Membership Dues**

<b>Description</b>	<b>Cost</b>
Local Distribution Company 01/01/2021 - 12/31/2021	\$1,020.00
Total Dues Amount      \$1,020.00	
Total Paid                      \$1,020.00	
-----	
Balance                         \$0.00	

**Your Transaction Has Been Paid In Full!**

Kentucky Oil and Gas Association  
 306 W. Main Street Suite 406  
 Frankfort, KY 40601

Thank You



## Andrea Schroeder

---

**From:** Ryan Watts <ryan@kyoilgas.org>  
**Sent:** Tuesday, September 7, 2021 10:14 AM  
**To:** Andrea Schroeder  
**Subject:** RE: KOGA Dues - Lobbying Percentage

\*\*\* Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. \*\*\*

Andrea,

For Federal Income Tax purposes, 75% of your dues and contributions to KOGA are deductible as business expenses but not as charitable contributions. 25% is allowed for lobbying expenses.

Thank you,

Ryan

### **Ryan Watts – Executive Director**

Kentucky Oil & Gas Association

306 W. Main Street, Suite 406

Frankfort, KY 40601

Main: (502) 226-1955

Cell: (859) 619-0087

Fax (502) 226-3626

[www.kyoilgas.org](http://www.kyoilgas.org)

---

**From:** Andrea Schroeder <aschroeder@DeltaGas.com>

**Sent:** Tuesday, September 7, 2021 10:07 AM

**To:** Ryan Watts <ryan@kyoilgas.org>

**Subject:** KOGA Dues - Lobbying Percentage

Ryan,

Please confirm the percentage of KOGA membership dues that allocable to lobbying for 2021.

Thank you in advance,

Andrea

### **Andrea Schroeder**

Controller

Delta Natural Gas Co., Inc.

3617 Lexington Rd

Winchester, KY 40391

Office - 859.744.6171 ext 1162

Mobile - 859.749-5615

[aschroeder@deltagas.com](mailto:aschroeder@deltagas.com)



Our mission is to provide premier natural gas services while having a positive impact on customers, employees and shareholders. In achieving our mission, we act with integrity and ethics and we expect those with whom we do business to adhere to such standards. Visit <http://www.deltagas.com/governance> to view copies of both our Employee Business Code of Conduct and Ethics and our Vendor Code of Conduct and Ethics.

**NOTICE:**

This electronic mail transmission is for the use of the named individual or entity to which it is directed and may contain information that is privileged or confidential. It is not to be transmitted to or received by anyone other than the named addressee (or a person authorized to deliver it to the named addressee). It is not to be copied or forwarded to any unauthorized persons. If you have received this electronic mail transmission in error, delete it from your system without copying or forwarding it, and notify the sender of the error by replying via email, so that our address record can be corrected.

**DELTA NATURAL GAS COMPANY, INC.****CASE NO. 2021-00185****SECOND ATTORNEY GENERAL DATA REQUEST****DATED AUGUST 25, 2021**

16. **Dues.** Delta's response to OAG 1-6(c) briefly describes services provided by the AGA, Kentucky Chamber of Commerce, Kentucky Chamber of Commerce, KGA, KOGA, Southern Gas Association, and the Kentucky Clean Fuels Coalition, but does not describe services provided by the KAED (although Delta's response to OAG 1-6(e) states the Company will remove 7.2% of the KAED expenses in the Forecasted period. Address the following:

- a. OAG could not locate the amount of expense included in the Forecasted period for KAED, provide this amount.
- b. Provide a description of services provided by KAED to Delta.
- c. For each of the entities listed above in the body of this data request, provide an explanation (and supporting calculations) showing the amount of "customer-focused" benefit costs and "company-focused" benefit costs including in the related dues expense, and provide supporting documentation that identifies how each of these benefits was determined.
- d. For each of the entities listed above in the body of this data request, explain and provide supporting calculations to show how the entities determined the amount of dues/expenses that should be treated as "lobbying" and as "ordinary business expenses."
- e. Explain how Delta evaluates and determines if the percent of dues allocated to "lobbying" or "ordinary business expenses" is reasonable and reliable for purposes of recording costs on its books and for rate case treatment.
- f. For each of the entities listed above in the body of this data request, explain the total amount of the dues that is related to "lobbying", and explain and show how the entity allocates these lobbying costs between those that are beneficial to customer interests and those that are strictly direct lobbying-related and cannot be determined to be beneficial to customers (or beneficial to gas/utility companies such as Delta).
- g. Regarding AGA dues, provide the most recent audit of AGA dues used to determine the percent that should be treated as "lobbying-related activity", and provide a copy of the complete audit/study that shows a listing of all programs or services offered to utilities (by type of program), and explain those specific programs and services that Delta participated in or received a benefit from (and provide all supporting documentation and calculations).

**DELTA NATURAL GAS COMPANY, INC.****CASE NO. 2021-00185****SECOND ATTORNEY GENERAL DATA REQUEST****DATED AUGUST 25, 2021**

Response:

- a. The amount for dues for the Kentucky Association for Economic Development (KAED) in the Forecast Period is \$250. As stated in the footnote provided in response to OAG 1-6(e), the KAED dues were included in the “Other < \$1,000” category on Tab 59 of the Filing Requirements.
- b. KAED’s purpose is to educate, advocate and connect with their members on issues that are important to the economic development in the Commonwealth of Kentucky. KAED’s membership represents diverse professionals across the state who share a common interest in building and growing Kentucky. Delta’s membership in the organization affords it the opportunity to meet and interact with other professionals dedicated to making Kentucky a better place to live and work.
- c. Delta is not sure what is meant by “customer-focused” or “company-focused” benefit costs to provide the requested information. Delta’s employees participate in various industry associations and organizations to gain knowledge, training, timely information and experience through the industry to allow for Delta to provide service to its customers in the most economical, cost-effective, safe and reliable manner. The industry knowledge Delta employees gain from participation in these organizations benefits customers.
- d. Delta relies on the information provided by the organization as to the amount of dues that should be allocated to lobbying activities.
- e. See part d.
- f. Delta provided the percentage of dues associated with lobbying for each organization engaged in lobbying in response to OAG 1-6(c). Delta cannot further quantify the portions of lobbying associated with “those that are beneficial to customer interests and those that are strictly direct lobbying-related” as Delta does not have access to these entities’ internal data. Regardless, while Delta believes customers receive benefits from all lobbying activities, a breakdown of benefits of lobbying activities is unnecessary as lobbying costs for these entities have been identified and appropriately excluded from Delta’s cost of service.
- g. Delta is not aware of an audit of AGA dues. Delta is aware that AGA provides a breakdown of dues by operating expense category. This breakdown is attached. As shown on the attachment, the AGA estimates that lobbying related expenses as defined under Internal Revenue Code Section 162 will account for 3.8% of member

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

**SECOND ATTORNEY GENERAL DATA REQUEST  
DATED AUGUST 25, 2021**

dues in 2021. Delta provided details of AGA programs and benefits in response to OAG 1-6(c). Delta continues to believe that it gains knowledge, training, and timely information from its participation in AGA.

Sponsoring Witness: Andrea Schroeder

AMERICAN GAS ASSOCIATION  
2020 - 2021 BUDGETS

All Programs	\$ 2020 Allocation	% 2020 Allocation	\$ 2021 Allocation	% 2021 Allocation
Communications	\$ 3,112,000	8.25%	\$ 3,409,000	8.63%
Corporate Affairs	\$ 4,803,000	12.73%	\$ 4,222,000	10.69%
Energy Markets, Analysis, and Standards	\$ 4,846,000	12.84%	\$ 4,841,000	12.26%
General and Administrative	\$ 8,448,000	22.39%	\$ 8,466,000	21.44%
General Counsel and Regulatory Affairs	\$ 2,718,000	7.20%	\$ 3,180,000	8.05%
Government Affairs and Public Policy	\$ 4,772,000	12.65%	\$ 5,428,000	13.75%
Industry Finance & Administrative Programs	\$ 1,347,000	3.57%	\$ 1,294,000	3.28%
Operations and Engineering	\$ 7,690,000	20.38%	\$ 8,651,000	21.91%
Expense Budget	\$ 37,736,000	100.00%	\$ 39,491,000	100.00%

Note

AGA estimates that lobbying related expenses, as defined under IRC Section 162, will account for 6.2% of member dues in 2020 and 3.8% of member dues in 2021.

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

**SECOND ATTORNEY GENERAL DATA REQUEST**  
**DATED AUGUST 25, 2021**

17. **Lobbying.** Delta's Tab 27 (Schedule 3) shows \$7,350 of lobbying expenses removed from this rate case, and Excel document "Schedule 3.3 Lobbying" from the Rate\_Model) shows lobbying expenses of \$7,350 removed from the rate case related to a portion of one outside consultant working for the firm of Capital Link Consultants. Also, the bottom of Tab 27 (Schedule 3.3) shows a total amount of lobbying payroll expense of \$4,740 which is multiplied by a "benefits and taxes loading rate" of 47.3%, to arrive at an amount of lobbying benefits and taxes of \$2,242 (although it is not clear if, or how, these costs were removed from this rate case). Address the following:

- a. Explain where the above amount of \$4,470 or \$2,242 (per Tab 27, Schedule 3.3) has been removed in this rate case, and identify the account number, a description of the type of services provided (and provide copies of invoices or supporting documents) and additional supporting calculations for the total amount of \$4,74 and the benefits and taxes loading rate of 47.3%. If this amount is not removed from the rate case, explain why.
- b. Delta information at Tab 27 (Schedule 3.3) states it removed 20% of its outside consultant's costs (with Capital Link Consultants) because the consultant estimated that 20% of his time was spent on "direct" lobbying. Explain the difference between "direct" lobbying (that is removed from the rate case) and "indirect" lobbying and other types of professional services performed by this consultant that are not considered to be "direct" lobbying (that were not removed from the rate case), and explain how the consultant estimated his time between "direct" lobbying and indirect lobbying or other types of professional services not deemed to be lobbying (and provide supporting documentation and calculations for these amounts of his total consulting costs of \$42,000 for the period).
- c. Explain why only 17.5% (\$7,350 of consultant costs removed divided by total consultant costs of \$42,000) of the outside consultant's costs were removed from this case, when the consultant estimated that 20% of his time is spent on direct lobbying.
- d. Provide copies of invoices for this consultant for the Base Period that describe services provided to Delta, and use this document to show which billable time is considered to be 20% related to direct lobbying and which billable time is considered to be the remaining 80% of indirect lobbying or other services not considered to be direct lobbying.
- e. Explain how Delta determined to pay the outside consultant a fixed fee per month of \$3,500, and explain if this is a retainer fee for which the consultant is paid regardless of the number of hours worked each month on behalf of Delta (or

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otherwise explain how the \$3,500 was determined). Provide a copy of all contracts for this outside consultant and Capital Link Consultants for the Base and Forecasted periods.

- f. Explain if this outside consultant is a registered lobbyist in Kentucky.

Response:

- a. The reference to Tab 27, Schedule 3 or Schedule 3.3 appears to be referring to Delta's last rate case in 2010 where the amounts and calculation described appeared at the bottom of the page for Filing Requirement 10(6)(h) Tab 27, Schedule 3. The same amounts and calculation were included on Rows 30-34 on Sch 3 – O&M tab in the Excel version of the Rate Model filed under confidential seal in PSC 1-54. The information was originally included in the Excel file as a placeholder in case it was needed. Since Delta does have any registered lobbyists as employees, the information was not used in the current case.
- b. As previously noted, the reference to Tab 27 appears to be a reference to a previous case. Delta assumes the reference should be to the email exchange provided on Schedule 3.3 - Lobbying in the Excel version of the Rate Model in the current case.

Lobbying, that is removed from the rate case, would be time spent making contacts to legislators attempting to promote, advocate or oppose the passage, modification, defeat, of any bill, resolution, amendment, nomination, and any other matter pending before or acted upon by the Kentucky General Assembly. Delta is not familiar with a definition or distinction between "direct" or "indirect" lobbying.

Other types of professional services performed by this consultant that are not considered to be lobbying include serving as Delta's media spokesperson during emergencies or news events, representation at industry meetings, policy monitoring and development, industry updates, and strategy development. The consultant is also experienced and available to Delta for organizational development, and economic and business development opportunities and engagement.

- c. The amount removed from the case was a sum of the actual amounts for the 12-months ended March 31, 2021 as shown in detail on Schedule 3.3 – Lobbying Expense in the Rate Model. Since the lobbying percentage changed from 15% to 20% in October per the previously referenced email exchange, there were six months of lobbying-related expense excluded at 15% instead of 20%. For the Base Period months of April – August 2021, the difference will be reconciled when the Base Period update is filed in October. For the Base Period month of September 2020, Delta removed the actual amount estimated to be lobbying based on 15%.



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For the Forecasted Period, the months of April – September 2022 should be adjusted to reflect the assumption that 20% of the consultant’s time is spent on lobbying activities. This results in a monthly adjustment of \$175 for six months, totaling an additional reduction of \$1,050 of excluded lobbying expenses.

<b>Actual</b>	<b>Actual 04/20–03/21</b>	<b>Base Period As Filed 09/20–08/21</b>	<b>Base Period Updated 09/20–08/21</b>	<b>Forecast Period As Filed 2022</b>	<b>Forecast Period Updated 2022</b>
1/1/2021	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700
2/1/2021	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700
3/1/2021	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700
4/1/2020	\$ 525	\$ 525	\$ 700	\$ 525	\$ 700
5/1/2020	\$ 525	\$ 525	\$ 700	\$ 525	\$ 700
6/1/2020	\$ 525	\$ 525	\$ 700	\$ 525	\$ 700
7/1/2020	\$ 525	\$ 525	\$ 700	\$ 525	\$ 700
8/1/2020	\$ 525	\$ 525	\$ 700	\$ 525	\$ 700
9/1/2020	\$ 525	\$ 525	\$ 525	\$ 525	\$ 700
10/1/2020	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700
11/1/2020	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700
12/1/2020	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700
<b>TOTAL</b>	\$ 7,350	\$ 7,350	\$ 8,225	\$ 7,350	\$ 8,400
<b>Variance</b>		\$ -	\$ 875	\$ -	\$ 1,050

- d. See part b. Delta’s consultant provides a myriad of services for Delta, which primarily are not lobbying-related. These services include, but are not be limited to, the following:
- i. 24/7 on call media representative in case of emergency
  - ii. Daily media scan of newspapers/TV/radio regarding natural gas news and issues that could potentially impact the company, customers, or operations

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- iii. Travel Delta service territory attending civic, local government meetings, and touch base with local chambers of commerce, economic development organizations, etc.
- iv. Serve as customer service liaison for local/state government, chambers of commerce, and key stakeholders
- v. Counsel to Delta senior management and board of directors on external issues facing the company and industry
- vi. Attend internal Delta meetings as needed
- vii. Work with Delta personnel on franchise related issues
- viii. Weekly meeting with all Utility Public Relations/External Affairs executives regarding natural gas news and issues that could potentially impact the company or industry (January – April)
- ix. Attend Energy Interim Committee meetings (May – December)

Additionally, Delta's consultant manages some specific projects on an as-needed basis. For instance, over the past five years, Delta's consultant developed and managed communications for Delta's merger with Peoples, Delta's merger with Essential, and the integration of the People's Kentucky farm tap system with Delta. He has also developed and presented media and customer service training. Delta's consultant does not invoice his time on a per matter basis to Delta. Instead, Delta pays its consultant a retainer of \$3,500 a month.

- e. See response to part d. The current arrangement between Delta, the outside consultant and his firm was established in late 2013. The parties agreed that Delta would pay the consultant a monthly retainer of \$3,500 in exchange for the services described in part d of this response. Through this arrangement, Delta receives a great number of services from its consultant in an economical manner. This expense has remained flat for nearly a decade.
- f. Yes, the outside consultant is a registered lobbyist in Kentucky.

Sponsoring Witness: Andrea Schroeder

**DELTA NATURAL GAS COMPANY, INC.****CASE NO. 2021-00185****SECOND ATTORNEY GENERAL DATA REQUEST****DATED AUGUST 25, 2021****18. Lobbying Costs Allocated or Incurred by Delta.** Address the following:

- a. Provide the names and positions of all Delta and affiliate employees that are registered lobbyists, and provide the amount of related payroll and overhead costs that are allocated/assigned to Delta by account number (and description) from other affiliates (via affiliate transactions) for the Base Period and Forecasted Period. Show the amount of these costs allocated from each affiliate to Delta for the Base Period and Forecasted Period.
- b. Provide the names and positions of Delta and affiliate employees that are registered lobbyists, and provide the amount of related payroll and overhead costs directly incurred on Delta's books by account number (and description), and which are directly incurred and are not allocated from another affiliate.
- c. Regarding amounts in (a) and (b) above, explain if any of these costs have been removed from this rate case as "lobbying" costs or "direct-lobbying" costs, and explain why or why not. Identify all amounts in (a) and (b) above that are removed from this rate case by account and description, and provide supporting documentation.
- d. At Tab 27 (Schedule 3.3), Delta removed 20% of the costs of an outside consultant working for Capital Link Consultants because the consultant estimated 20% of his time was spent on "direct lobbying." Regarding amounts in (a) and (b) above for the Base and Forecasted period, provide the amount (and related percent) of lobbying-related costs that are related to "direct lobbying", and the remaining amounts that are "indirect lobbying" or other services not related to lobbying, and provide these costs by employee and account number (and account description).
- e. Provide supporting documentation and calculations for the amounts (and percent) in (d) above, that are related to "direct lobbying", "indirect lobbying", and other remaining services not considered to be lobbying. Provide copies of signed statements or other documentation where these employees have indicated the percent of their time spent on direct lobbying, indirect lobbying, and other services not related to lobbying.
- f. Regarding (e) above, if Delta has not asked its employees (or affiliate employees whose costs are allocated to Delta) how much of their time was spent on "direct" lobbying, then explain why Delta used this rationale/method for removing the costs of an outside consultant/lobbyist at Tab 27 (Schedule 3.3), but did not use that same rationale applied to its employees or affiliate employees for lobbying and related costs charged to Delta for the Base and Forecasted Period.

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Response:

- a. Registered lobbyists for Delta's parent companies are Kimberly Joyce, Vice President, Regulatory & Legislative Affairs, Essential Utilities Inc. and William Roland, Director, Government Affairs, PNG Companies LLC. Both are registered lobbyists in Pennsylvania. There are no costs related to Mr. Roland allocated to Delta.

See the attached file for allocations for Ms. Joyce. The attachment shows the time and amount allocated monthly from Essential to PNG that is allocated across the PNG companies, including Delta. Ms. Joyce has indicated that five percent of her time is related to lobbying activities, therefore \$493.27 of the allocation for Ms. Joyce would need to be removed from the Base Period and the Forecasted Period. The calculation of the amount related to lobbying is also shown in the attached file.

Allocations from Essential to PNG, then allocated to Delta are posted to Account 9923000 – Admin & Gen-Outside Svcs. There are no lobbying expenses included in allocations to Delta that originate at PNG Companies.

- b. There are no Delta or affiliate employees that are registered lobbyists with costs directly incurred on Delta's books.
- c. See the attachment provided in part a. There are no employees identified in part b that are registered lobbyists, therefore there are no direct costs included.
- d. See the response to part a and b.
- e. See the response to part a for the calculations. Also see the attached email from Ms. Joyce to confirm the estimate of her time spent on lobbying activities, the basis for the estimate and the frequency for reviewing that amount. Essential has indicated it will make the adjustment prior to calculating the allocations to PNG going forward so it will not be necessary for the PNG Companies, including Delta, to make such an adjustment in the future.
- f. Not applicable.

Sponsoring Witness: Andrea Schroeder

ALLOCATIONS FROM ESSENTIAL TO PNG COMPANIES

REGLEGAL.ALLOC2.E

Cost Center 221322

Month	Activity:	Activity	Employee Name	Hours	Amount	% Allocation						\$ Allocation					
						1000	3100	1300	1200	1600	Total	1000	3100	1300	1200	1600	Total
4/30/2020	OFFICER SERVICES	OF	KIMBERLY JOYCE	60.8	\$ 14,282.85	86.83%	11.44%	0.21%	1.52%	0%	100.00%	\$ 12,401.80	\$ 1,633.96	\$ 29.99	\$ 217.10	\$ -	\$ 14,282.85
5/31/2020	OFFICER SERVICES	OF	KIMBERLY JOYCE	60.8	\$ 14,282.84	86.83%	11.44%	0.21%	1.52%	0%	100.00%	\$ 12,401.79	\$ 1,633.96	\$ 29.99	\$ 217.10	\$ -	\$ 14,282.84
6/30/2020	OFFICER SERVICES	OF	KIMBERLY JOYCE	54.72	\$ 12,854.63	86.83%	11.44%	0.21%	1.52%	0%	100.00%	\$ 11,161.68	\$ 1,470.57	\$ 26.99	\$ 195.39	\$ -	\$ 12,854.63
7/31/2020	OFFICER SERVICES	OF	KIMBERLY JOYCE	49.78	\$ 11,694.11	86.83%	11.44%	0.21%	1.52%	0%	100.00%	\$ 10,154.00	\$ 1,337.81	\$ 24.56	\$ 177.75	\$ -	\$ 11,694.11
8/31/2020	OFFICER SERVICES	OF	KIMBERLY JOYCE	87.4	\$ 20,531.63	86.83%	11.44%	0.21%	1.52%	0%	100.00%	\$ 17,827.61	\$ 2,348.82	\$ 43.12	\$ 312.08	\$ -	\$ 20,531.63
9/30/2020	OFFICER SERVICES	OF	KIMBERLY JOYCE	42.56	\$ 9,997.98	87.35%	10.97%	0.22%	1.46%	0%	100.00%	\$ 8,733.24	\$ 1,096.78	\$ 22.00	\$ 145.97	\$ -	\$ 9,997.98
10/31/2020	OFFICER SERVICES	OF	KIMBERLY JOYCE	59.28	\$ 13,785.50	82.63%	10.38%	0.20%	1.38%	5.41%	100.00%	\$ 11,390.96	\$ 1,430.93	\$ 27.57	\$ 190.24	\$ 745.80	\$ 13,785.50
11/30/2020	OFFICER SERVICES	OF	KIMBERLY JOYCE	59.28	\$ 13,652.19	82.63%	10.38%	0.20%	1.38%	5.41%	100.00%	\$ 11,280.80	\$ 1,417.10	\$ 27.30	\$ 188.40	\$ 738.58	\$ 13,652.19
12/31/2020	OFFICER SERVICES	OF	KIMBERLY JOYCE	54.72	\$ 21,945.88	82.63%	10.38%	0.20%	1.38%	5.41%	100.00%	\$ 18,133.88	\$ 2,277.98	\$ 43.89	\$ 302.85	\$ 1,187.27	\$ 21,945.88
1/31/2021	OFFICER SERVICES	OF	KIMBERLY JOYCE	82.68	\$ 21,452.24	82.63%	10.38%	0.20%	1.38%	5.41%	100.00%	\$ 17,725.99	\$ 2,226.74	\$ 42.90	\$ 296.04	\$ 1,160.57	\$ 21,452.24
2/28/2021	OFFICER SERVICES	OF	KIMBERLY JOYCE	60.84	\$ 15,692.42	82.63%	10.38%	0.20%	1.38%	5.41%	100.00%	\$ 12,966.65	\$ 1,628.87	\$ 31.38	\$ 216.56	\$ 848.96	\$ 15,692.42
3/31/2021	OFFICER SERVICES	OF	KIMBERLY JOYCE	62.4	\$ 15,661.87	82.63%	10.38%	0.20%	1.38%	5.41%	100.00%	\$ 12,941.40	\$ 1,625.70	\$ 31.32	\$ 216.13	\$ 847.31	\$ 15,661.87
<b>Total</b>					<b>\$ 185,834.14</b>							<b>\$ 157,119.79</b>	<b>\$ 20,129.22</b>	<b>\$ 381.03</b>	<b>\$ 2,675.61</b>	<b>\$ 5,528.48</b>	<b>\$ 185,834.14</b>

Lobbying	
5%	
1300	1600
\$ 1.50	\$ -
\$ 1.50	\$ -
\$ 1.35	\$ -
\$ 1.23	\$ -
\$ 2.16	\$ -
\$ 1.10	\$ -
\$ 1.38	\$ 37.29
\$ 1.37	\$ 36.93
\$ 2.19	\$ 59.36
\$ 2.15	\$ 58.03
\$ 1.57	\$ 42.45
\$ 1.57	\$ 42.37
<b>\$ 19.05</b>	<b>\$ 276.42</b>

2020 - Apr-Dec	\$ 133,027.61	\$ 113,485.75	\$ 14,647.90	\$ 275.42	\$ 1,946.88	\$ 2,671.65	\$ 133,027.61
2021 - Jan-Mar	\$ 52,806.53	\$ 43,634.04	\$ 5,481.32	\$ 105.61	\$ 728.73	\$ 2,856.83	\$ 52,806.53
Base Period - Sep20 - Aug21	\$ 192,322.42	\$ 159,725.00	\$ 20,064.19	\$ 388.07	\$ 2,667.76	\$ 9,477.40	\$ 192,322.42
Forecast Period - Jan-Dec2022	\$ 192,322.42	\$ 159,725.00	\$ 20,064.19	\$ 388.07	\$ 2,667.76	\$ 9,477.40	\$ 192,322.42

TOTAL		
\$ 13.77	\$ 133.58	
\$ 5.28	\$ 142.84	
\$ 19.40	\$ 473.87	\$ 493.27
\$ 19.40	\$ 473.87	\$ 493.27

Note: Essential (Aqua America) acquired PNG in March 2020, therefore April 2020 was the first month of allocations. Allocation to Delta did not begin until October 2020.

Cat	Receiver	Short Text	%	Type	#	From Month	From Year	To Month	To Year	First Used	Last used
CTR	BILL1000	PCOM -1000 PNG BILL	86.83%	PER	1	1	2020	8	2020	004/2020	008/2020
CTR	BILL3100	PCOM - 3100 PGC PTWP	11.44%	PER	2	1	2020	8	2020	004/2020	008/2020
CTR	BILL1300	PCOM - 1300 PGKY	0.21%	PER	3	1	2020	8	2020	004/2020	008/2020
CTR	BILL1200	PCOM - 1200 PGWV	1.52%	PER	4	1	2020	8	2020	004/2020	008/2020
CTR	BILL1000	PCOM -1000 PNG BILL	87.35%	PER	5	9	2020	9	2020	009/2020	009/2020
CTR	BILL3100	PCOM - 3100 PGC PTWP	10.97%	PER	6	9	2020	9	2020	009/2020	009/2020
CTR	BILL1300	PCOM - 1300 PGKY	0.22%	PER	7	9	2020	9	2020	009/2020	009/2020
CTR	BILL1200	PCOM - 1200 PGWV	1.46%	PER	8	9	2020	9	2020	009/2020	009/2020
CTR	BILL1000	PCOM -1000 PNG BILL	82.63%	PER	9	10	2020	4	2021	010/2020	004/2021
CTR	BILL3100	PCOM - 3100 PGC PTWP	10.38%	PER	10	10	2020	4	2021	010/2020	004/2021
CTR	BILL1300	PCOM - 1300 PGKY	0.20%	PER	11	10	2020	4	2021	010/2020	004/2021
CTR	BILL1200	PCOM - 1200 PGWV	1.38%	PER	12	10	2020	4	2021	010/2020	004/2021
CTR	BILL1600	PCOM - 1600 DELT	5.41%	PER	13	10	2020	4	2021	010/2020	004/2021

Note: Essential (Aqua America) acquired PNG in March 2020, therefore April 2020 was the first month of allocations. Allocation to Delta did not begin until October 2020.

## Andrea Schroeder

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**From:** Joyce, Kimberly A <KAJoyce@essential.co>  
**Sent:** Sunday, September 5, 2021 11:50 AM  
**To:** Andrea Schroeder  
**Subject:** RE: Lobbying-Related Information Requested

Andrea -- please see below. Please let me know if you have any questions. Thank you.

-----Original Message-----

**From:** Andrea Schroeder <aschroeder@DeltaGas.com>  
**Sent:** Saturday, September 4, 2021 1:23 PM  
**To:** Joyce, Kimberly A <KAJoyce@essential.co>  
**Subject:** Lobbying-Related Information Requested  
**Importance:** High

Hi Kim,

Please respond to the following regarding your lobbying-related activities:

\* Provide the percent of time you estimate you spend on lobbying.

Five percent of my time is spent on lobbying issues in Pennsylvania.

\* Provide the basis for the estimation.

This estimation is based on a review and estimate of my job duties and time spent specifically lobbying in Pennsylvania.

\* Confirm or explain if the percent of time estimated for lobbying is reviewed periodically and updated as needed.

It is reviewed and then updated on a yearly basis during the budget process in Pennsylvania.

Thank you in advance for your assistance.  
Andrea

Andrea Schroeder  
Controller  
Delta Natural Gas Co., Inc.  
3617 Lexington Rd  
Winchester, KY 40391  
Office - 859.744.6171 ext 1162  
Mobile - 859.749-5615  
aschroeder@deltagas.com<mailto:aschroeder@deltagas.com>  
[cid:image001.png@01D74B06.3D7984E0]

Our mission is to provide premier natural gas services while having a positive impact on customers, employees and shareholders. In achieving our mission, we act with integrity and ethics and we expect those with whom we do business to adhere to such standards. Visit [https://urldefense.com/v3/\\_\\_http://www.deltagas.com/governance\\_\\_!!Hp-lr4ZUKYxD!wqw1pFvfNbf6U5ISQdZ6iUWa3HtYduJQ3cYEUZ00skQNSJ0DFNUBW5VTeZFOb9N9h60\\$](https://urldefense.com/v3/__http://www.deltagas.com/governance__!!Hp-lr4ZUKYxD!wqw1pFvfNbf6U5ISQdZ6iUWa3HtYduJQ3cYEUZ00skQNSJ0DFNUBW5VTeZFOb9N9h60$) to view copies of both our Employee Business Code of Conduct and Ethics and our Vendor Code of Conduct and Ethics.

NOTICE:

This electronic mail transmission is for the use of the named individual or entity to which it is directed and may contain information that is privileged or confidential. It is not to be transmitted to or received by anyone other than the named addressee (or a person authorized to deliver it to the named addressee). It is not to be copied or forwarded to any unauthorized persons. If you have received this electronic mail transmission in error, delete it from your system without copying or forwarding it, and notify the sender of the error by replying via email, so that our address record can be corrected.



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19. **Board of Director Costs.** Address the following regarding Board of Director (BOD) fees/costs for Delta.

- a. Provide the amount of BOD expenses by account number (and account description) for the twelve months ending December 31, 2019, 2020, the Base Period, and the Forecasted Period, and show the amount directly incurred by Delta and show the amounts allocated/assigned to Delta by affiliates (and show amounts allocated/assigned by each affiliate).
- b. Explain the reason for changes in BOD expenses for the periods in (a) above.
- c. Provide the total amount of BOD fees/costs subject to allocation by affiliates (Essential, PNG, etc.), and provide the amount and percent of BOD fees/costs allocated/assigned to Delta and each affiliate for each of the periods in (a). Explain the method used to allocate these fees/costs (and provide the inputs to the formula that allocate these costs).
- d. Explain why the allocation method and percent allocated to Delta in (c) above is reasonable.

Response:

- a. All BOD expenses from Essential are allocated to PNG and posted to Account 9923000 – Adm & Gen-Outsd Svcs. PNG then allocates those expenses to affiliates, including Delta and Peoples-Kentucky. See attachment provided in Excel format. For reference, the BOD expenses from Essential are found in Column C with the periods requested totaled in the same column.

BOD expenses incurred directly by Delta are posted to FERC Account 9930200 – Adm & Gen-Misc Exp. See the table below for the BOD expenses for the periods requested. While preparing this response, Delta discovered it had inadvertently omitted \$3,250 of the Directors Fees and Expenses that should have been in the Base and Forecasted Periods. The table reflects the BOD expenses as filed for the Base and Forecasted Periods. The annual amount should be \$39,000 as it was for 2019 and 2020.

2019	\$39,000
2020	\$39,000
Base Period	\$35,750
Forecasted Period	\$35,750

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- b. Reasons for changes in BOD expenses allocated from Essential by period:
- 2019 – Essential acquired PNG/Delta in March 2020, so there would be no allocations prior to that date.
  - 2020 – Allocations from Essential to PNG began in April 2020. BOD fees from Essential were allocated to PNG in July and October 2020.
  - Base and Forecasted Periods – The Base Period includes 7 months of actual allocations for September 2020 – March 2021 plus 5 months of projected allocations for April – August 2021. The Base Period was the basis for the Forecasted Period. The increase from 2020 to the Base and Forecasted Periods is due to calendar year 2020 having one less quarterly BOD fee allocation since allocations did not start until April 2020.
- c. See the attachment provided in part a. The amount and percentage allocated to Delta (1600) and PKY (1300) are highlighted for ease of reference. BOD fees are allocated as part of the service: Budgets and Financial Strategy. The allocation basis for this service is O&M less purchase gas expense plus capex.
- d. The allocation method is reasonable as Delta's allocation was 5.36% of the total of all PNG companies, therefore it receives this share of allocated expenses for the Budgets and Financial Strategy service.

Sponsoring Witness: Andrea Schroeder

**DELTA NATURAL GAS COMPANY, INC.****CASE NO. 2021-00185****SECOND ATTORNEY GENERAL DATA REQUEST****DATED AUGUST 25, 2021**

20. **Revenues – Tax Impact and Other Credits/Refunds to Customers.** Address the following regarding rate credits/refunds given to customers related to income tax and other measures in 2020 and 2021, and which are reflected in the Base and Forecasted Periods.

- a. Provide the total amount of rate credits/refunds provided to Delta customers for the period ending December 31, 2020 and for the period January 2021 through the most recent 2021 year-to-date by account number (account description), and the reason for the rate credit and/or refund (show credits/refunds by month for each type of credit/refund). This should include, but not be limited to, credits related to the 50% sharing of repair catch-up deduction refunded to customers (and all others)
- b. Explain if the Base or Forecasted Period has been adjusted to increase revenues to remove the impacts of nonrecurring revenue reductions related to rate credits and refunds, and provide supporting documentation and calculations for this related Delta adjustment. If no revenue adjustments have been made to the Base or Forecasted Periods, then explain why no adjustments are necessary.

Response:

- a. The Tax Cut and Job Act Surcredit amounts for the 12 months ended August 31, 2021, corresponding to the Base Period are shown in Schedule M 1.3 of the Application in this proceeding. See also attachment to PSC 2-6. The Tax Cut and Job Act Surcredit for the 12 months ended December 31, 2022, corresponding to the Forecast Period are shown in Schedule M 2.3 of the Application. The Tax Cut and Job Act Surcredit is the only billing credits provided to customers during either the Base or Forecasted periods.

The only refunds provided to customers are the amounts refunded to customers returning customer deposits plus interest to customers. Delta made \$124,895 in refunds of deposits in 2020 and \$58,462 in refunds of deposits thus far in 2021. Such refunds of customer deposits plus interest do not affect the determination of base rates in this proceeding.

- b. The proposed revenue increase is determined using the Forecasted test period. As shown in Schedule M 2.3 of the Application, Delta is proposing to eliminate the Tax Cut and Job Act Surcredit and to recover all going-forward (forecasted test year) revenue requirements related to income taxes through base rates. As shown in the Proposed Rate columns of Schedule M 2.3, the Tax Cut and Job Act Surcredit is zero thus recovering all Forecasted period income taxes through base rates. The customer deposits plus refunded to customers are not recorded in revenue and therefore do not affect the determination of the proposed rates.

Sponsoring Witness: William C. Packer / William Steven Seelye

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21. **Strategic Business Plans Requested in OAG 1-22.** OAG 1-22 requested a copy of Delta Strategic Business Plans for 2011 to 2021 year-to-date, and Delta's response states that the Plans are included in attached materials. However, OAG was unable to identify any formal Strategic Business Plans for any of the years requested in this response. Instead, the only information that was provided was various Board of Director Minutes for prior and current periods (along with Budgets and other information approved in these Minutes). There is no "formal" report cover page or other documents that specifically includes the words "Strategic Business Plan" in the information provided. Delta did provide an Excel schedule cited as AG DR 22, but when opened it was actually a response to Staff DR 1-22, so it is not clear if the Staff information was incorrectly sent to the OAG. Address the following:

- a. Provide a copy of the Strategic Business Plans requested in OAG 1-22, or explain how the information provided in Delta's response represents the Strategic Business Plans.
- b. Please describe the appearance of the Strategic Business Plans and explain if these are formal reports with cover pages or other documents labeled with the words "Strategic Business Plans."

Response:

- a. The strategic business plans were provided in response to OAG 1-22, and the electronic filing was bookmarked to identify the specific year to which each document corresponds. There are no additional "formal report cover page[s]." If the OAG is unclear as to a specific document, please contact Delta so that Delta can clarify on a document-by-document basis.
- b. See subpart a.

Sponsoring Witness: John B. Brown

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

**SECOND ATTORNEY GENERAL DATA REQUEST  
DATED AUGUST 25, 2021**

22. **Follow-Up to OAG 1-32 (Headcount).** Delta's response to OAG 1-32(e) states that hiring and filling positions was delayed at the beginning of the year, but the Company is now underway with filling vacancies. Address the following:

- a. Provide updated headcount reports and other information to show the number of employees hired in 2021 year-to-date by month, and by job description/function, and in all cases explain if the position being hired was a previously vacated position or is a new position.
- b. Provide the amount of annual payroll expense (provide the total payroll cost and the percent of costs that will be expensed) for each position that is hired in (a) above.

Response:

a. - b. Please see the attachment. A portion of the attachment is confidential and is provided pursuant to a petition for confidential information.

Sponsoring Witness: William C. Packer



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

**SECOND ATTORNEY GENERAL DATA REQUEST**  
**DATED AUGUST 25, 2021**

23. **Follow-Up to OAG 1-32 (Nonrecurring Billing System Conversion Costs).** Delta's response to OAG 1-32(n) states that this large expense in March 2021 is related to non-recurring Customer Relationship and Billing System Conversion costs that are included in the Forecasted Period, but should be removed from expenses and included in capitalized costs (and Delta states it will make this adjustment in its updated filing). Address the following:

- a. Provide the amortization period applicable to this software cost.
- b. Provide the two largest invoices supporting this cost (or provide the contract supporting this cost).

Response:

- a. 10 years
- b. See attached master services agreement. This vendor provided Delta's credit card payment services prior to Delta's conversion to SAP, charging the customer \$3.50 per payment. PNG's vendor provides the same service to its customers for \$1.95 per payment. Delta desired to expeditiously move to PNG's vendor in order for its customers to benefit from the lower monthly payment fee, plus avoid the SAP programming cost to interface with Delta's former provider.

[REDACTED] As of August 31, 2021, this amount is recorded as an accrued liability and capitalized as software cost on the Company's books.

Sponsoring Witness: John B. Brown



### MASTER SERVICES AGREEMENT

Customer:	Delta Natural Gas Company Inc.
Customer Address:	3617 Lexington Rd. Winchester, KY, 40391
Contact for Notices to Customer:	John Brown, Chief Financial Officer, Treasurer, Secretary

This Master Services Agreement ("Master Agreement") is entered into as of the Effective Date above, by and between the Customer ("Customer") identified above and **Paymentus Corporation**, a Delaware Corporation ("Paymentus").

**WHEREAS** Paymentus desires to provide and the Client desires to receive certain services under the terms and conditions set forth in this Agreement. Paymentus provides electronic bill payment services to utilities, municipalities, insurance and other businesses.

**NOW, THEREFORE**, in consideration of the mutual covenants hereinafter set forth, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby covenant and agree as follows. This Agreement consists of this signature page, General Terms and Conditions, and the attachments ("**Attachments**") with schedules ("**Schedules**") listed below:

#### Schedule A: Paymentus Service Fee Schedule

This Agreement represents the entire understanding between the parties hereto with respect to its subject matter and supersedes all other written or oral agreements heretofore made by or on behalf of Paymentus or Customer with respect to the subject matter hereof and may be changed only by agreements in writing signed by the authorized representatives of the parties.

**IN WITNESS WHEREOF**, the parties have caused this Agreement to be executed by their duly authorized representatives

Customer:  
 By: *John Brown*  
 Name: John B Brown  
 Title: CFO  
 Date: 9-18-08

Paymentus:  
 By: *Dushyant Sharma*  
 Name: DUSHYANT SHARMA  
 Title: PRESIDENT & CEO  
 Date: Sept. 19, 2008





## GENERAL TERMS AND CONDITIONS

### 1 Definitions:

For the purposes of this Agreement, the following terms and words shall have the meaning ascribed to them, unless the context clearly indicates otherwise.

- 1.1 **"Agreement "** or **"Contract"** shall refer to this Agreement, as amended from time to time, which shall constitute an authorization for the term of this contract for Paymentus to be the exclusive provider of services, stated herein, to the Customer
- 1.2 **"User"** shall mean the users of the Customer's services
- 1.3 **"Effective Date"** shall be the last date upon which the parties signed this Agreement. The Agreement will not be effective against any party until the said date
- 1.4 **"Launch Date"** shall be the date on which Customer launches this service to the Users
- 1.5 **"Payment"** shall mean Users to make payments for Customer's services or Customer's bills
- 1.6 **"Payment Amount"** shall mean the bill amount User wants to pay to the Customer.
- 1.7 **"Services"** shall include the performance of the Services outlined in section 2 of this Agreement
- 1.8 **"Paymentus Authorized Processor"** shall mean a Paymentus authorized merchant account provider and payment processing gateway
- 1.9 **"Reversed or Charged-back Transactions"** shall mean cancelled transactions due to User error, or a User's challenge to Payment authenticity.
- 1.10 **"Average Bill Amount"** shall mean a the total amount of Payments collected through Paymentus system in a given month divided by the number of the Payments for the same month.

### 2 Description of Services to be performed

#### 2.1 **Scope of Services**

Paymentus shall provide Users the opportunity to make Payments by Credit Cards and other payment methods as deemed necessary by Paymentus. Payments may be made by Interactive Telephone Voice Response System ("IVR") or secure Internet interface provided at the Paymentus Corporation's web site or other websites part of Paymentus' Instant Payment Network ("WebSites"), collectively referred to as the ("System").

Paymentus shall, on behalf of the Customer, collect and process Payments from Users using Visa, MasterCard or other credit cards ("hereinafter referred to as a "Card"). Paymentus may also offer other payment options such as eChecks or Debit Cards.

#### 2.2 **Professionalism**

Paymentus shall perform in a professional manner all Services required to be performed under this Agreement.



### **3 Compensation**

#### **3.1 No Cost Installation**

Paymentus will charge no fees related to the initial setup and personalization of its standard service for both Web and IVR interfaces.

#### **3.2 Paymentus Service Fee**

System will charge each User a Service fee for each transaction processed (hereinafter called as "Paymentus Service Fee"). Such Paymentus Service Fee is to be collected in addition to the corresponding Payment as part of the transaction.

For each payment, the Paymentus Service Fee collected will be used to pay the corresponding credit card transaction fees or transaction fees associated with debit cards or eChecks (hereinafter called as "Transaction Fees") and processing charges related to Paymentus (hereinafter called as "Paymentus Fees").

A schedule of Paymentus Service Fee is attached hereto as Schedule A. Paymentus and Customer may mutually review Paymentus Service Fee schedule at regular intervals. However, Paymentus can amend this schedule upon 60 days written notice to the Customer, if such change is needed due to Visa and MasterCard regulations or change in credit card fees or change in the Average Bill Amount.

### **4 Payment Processing**

#### **4.1 Explicit User Confirmation**

Paymentus shall confirm the dollar amount of all Payments and the corresponding Paymentus Service Fee to be charged to a Card and electronically obtain the User approval of such charges prior to initiating Card authorizations transaction. Paymentus will provide User with electronic confirmation of all transactions.

#### **4.2 Merchant Account**

Paymentus will arrange for the Customer to have a merchant account with the Paymentus Authorized Processor for processing and settlement of the credit card transactions.

#### **4.3 Card Authorization**

For authorization purposes, Paymentus will electronically transmit all Card transactions to the appropriate Card-processing center, in real time as the transactions occur.

#### **4.4 Settlement**

Paymentus together with its authorized Card processor shall forward the payment transactions and corresponding Paymentus Service Fee to the appropriate card organizations for settlement directly to the Customer's depository bank account previously designated by the Customer (hereinafter the "Customer Bank Account").

Paymentus together with Paymentus Authorized Processor, will continuously review its settlement and invoicing processes for its simplicity and efficiencies. Customer and Paymentus agree to fully co-operate with each other if Paymentus were to change its settlement and invoicing processes.

#### **4.5 Reversed or Chargeback Transactions**

Reversed or Chargeback Transactions can be reversed by the Customer using Agent Dashboards. The bill payment amount will be refunded to the User, however, Paymentus Service Fee is non-refundable,



and therefore corresponding Paymentus Service fees will not be refunded to the User. The remittance file will contain a record of such transaction whenever such transactions occur.

With respect to all Reversed or Chargeback Card Transactions that are substantiated by a User and approved by an authorized representative of Paymentus and the Customer: (i) the Customer authorizes Paymentus and Paymentus Authorized Processor (or the respective card organization) to debit the Customer Bank Account for the amount of the corresponding Payment and (ii) Paymentus shall refund to the Card organization (for credit back to the User) the corresponding Paymentus Service Fees. The Customer agrees that it shall not refund in cash to a User any Payment made using Paymentus' Services.

Paymentus together with Paymentus Authorized Processor, will continuously review its processes for Reversed or Charged-back transactions, for simplicity and efficiencies. Customer and Paymentus agree to fully co-operate with each other if Paymentus were to change its settlement and invoicing processes for such transactions.

## **5 General Conditions of Services**

### **5.1 Service Reports**

Paymentus shall provide Customer with reports summarizing use of the Services by Users for a given reporting period.

### **5.2 User Adoption Communication by Customer**

Customer will make Paymentus' Services available to its residential and commercial customers by different means of customer communication including a) through bills, invoices and other notices; b) by providing IVR and Web payment details on the Customer's website including a "Pay Now" or similar link on a mutually agreed prominent place on the web site; c) through customer's general IVR/Phone system; and d) other channels deemed appropriate by the Customer.

Paymentus shall provide Customer with logos, graphics and other marketing materials for Customer's use in its communications with its users regarding the Services and/or Paymentus.

Both parties agree that Paymentus will be presented as a payment method option. Customer will communicate Paymentus option to its end residential and commercial customers wherever Customer usually communicates its other payment methods.

### **5.3 Independent Contractor**

Customer and Paymentus agree and understand that the relationship between both parties is that of an independent contractor.

### **5.4 Customer's Responsibilities**

In order for Paymentus to provide Services outlined in this Agreement, the Customer shall co-operate with Paymentus by:

- (i) Customer will enter into all applicable merchant Card or cash management agreements.
- (ii) For the duration of this Agreement, Customer will keep a bill payment link connecting to Paymentus System at a prominent and mutually agreed location on the Customer website. The phone number for the IVR payment will also be added to the web site.
- (iii) User Adoption marketing as described in 5.2.
- (iv) Within 30 days of the merchant account setup, Customer will launch the service to the Users.



**6 Governing Laws**

This Agreement shall be governed by the laws of the state of Kentucky.

**7 Communications**

**7.1 Authorized Representative**

Each party shall designate an individual to act as a representative for the respective party, with the authority to transmit instructions and receive information. The parties may from time to time designate other individuals or change the individuals.

**7.2 Notices**

All notices of any type hereunder shall be in writing and shall be given by Post or by hand delivery to an individual authorized to receive mail for the below listed individuals, all to the following individuals at the following locations:

To Customer

c/o CFO  
3617 Lexington Rd  
Winchester, KY 40391  
(859) 744-6171 (Phone)  
(859) 745-7755 (Fax)

To Paymentus

c/o President and CEO  
3455 Peachtree Road N.E. 5<sup>th</sup> Floor  
Atlanta, GA 30326

(888) 476-8910 (Phone)  
(877) 882-1676 (Fax)

Notices shall be declared to have been given or received on the date the notice is physically received if given by hand delivery, or if notices given by US Post, then notice shall be deemed to have been given upon on date said notice was deposited in the mail addressed in the manner set forth above. Any party hereto by giving notice in the manner set forth herein may unilaterally change the name of the person to whom notice is to be given or the address at which the notice is to be received.

**7.3 Interpretation**

It is the intent of the parties that no portion of this Agreement shall be interpreted more harshly against either of the parties as the drafter.

**7.4 Amendment of Agreement**



Modifications or changes in this Agreement must be in writing and executed by the parties bound to this Agreement.

#### **7.5 Severability**

If a word, sentence or paragraph herein shall be declared illegal, unenforceable, or unconstitutional, the said word, sentence or paragraph shall be severed from this Agreement, and this Agreement shall be read as if said word, sentence or paragraph did not exist.

#### **7.6 Attorney's Fees**

Should any litigation arise concerning this Agreement between the parties hereto, the parties agree to bear their own costs and attorney's fees.

#### **7.7 Confidentiality**

Customer will not disclose to any third party or use for any purpose inconsistent with this Agreement any confidential or proprietary non-public information it obtains during the term of this Agreement about Paymentus' business, operations, financial condition, technology, systems, no-how, products, services, suppliers, customers, marketing data, plans, and models, and personnel. Paymentus will not disclose to any third party or use for any purpose inconsistent with this Agreement any confidential User information it receives in connection with its performance of the services.

#### **7.8 Intellectual Property**

In order that the Customer may promote the Services and Paymentus' role in providing the Services, Paymentus grants to Customer a revocable, non-exclusive, royalty-free, license to use Paymentus' logo and other service marks (the "Paymentus Marks") for such purpose only. Customer does not have any right, title, license or interest, express or implied in and to any object code, software, hardware, trademarks, service mark, trade name, formula, system, know-how, telephone number, telephone line, domain name, URL, copyright image, text, script (including, without limitation, any script used by Paymentus on the IVR or the WebSite) or other intellectual property right of Paymentus ("Paymentus Intellectual Property"). All Paymentus Marks, Paymentus Intellectual Property, and the System and all rights therein (other than rights expressly granted herein) and goodwill pertain thereto belong exclusively to Paymentus.

#### **7.9 Force Majeure**

Paymentus will be excused from performing the Services as contemplated by this Agreement to the extent its performance is delayed, impaired or rendered impossible by acts of God or other events that are beyond Paymentus' reasonable control and without its fault or judgment, including without limitation, natural disasters, war, terrorist acts, riots, acts of a governmental entity (in a sovereign or contractual capacity), fire, storms, quarantine restrictions, floods, explosions, labor strikes, labor walk-outs, extra-ordinary losses utilities (including telecommunications services), external computer "hacker" attacks, and/or delays of common carrier.

#### **7.10 Time of the Essence**

Paymentus and Customer acknowledge and agree that time is of the essence for the completion of the Services to be performed and each parties respective obligations under this Agreement.



## **8 Indemnification**

### **8.1 Paymentus Indemnification and Hold Harmless**

Paymentus agrees to the fullest extent permitted by law, to indemnify and hold harmless the Customer and its governing officials, agents, employees, and attorneys (collectively, the "Customer Indemnitees") from and against all liabilities, demands, losses, damages, costs or expenses (including reasonable attorney's fees and costs), incurred by any Customer Indemnitee as a result or arising out of (i) the willful misconduct or negligence of Paymentus in performing the Services or (ii) a material breach by Paymentus of its covenants.

### **8.2 Customer Indemnification and Hold Harmless**

Customer agrees to the fullest extent permitted by law, to indemnify and hold harmless Paymentus, its affiliates, officers, directors, stockholders, agents, employees, and representatives, (collectively, the "Paymentus Indemnitees") from and against all liabilities, demands, losses, damages, costs or expenses (including without limitation reasonable attorney's fees and expenses) incurred by any Paymentus Indemnitee as a result or arising out of (i) the willful misconduct or negligence of Customer related to the Services or (ii) a material breach of Customer's covenants.

### **8.3 Warranty Disclaimer**

Except as expressly set forth in this Agreement, Paymentus disclaims all other representations or warranties, express or implied, made to the Customer or any other person, including without limitation, any warranties regarding quality, suitability, merchantability, fitness, for a particular purpose or otherwise of any services or any good provided incidental to the Services provided under this Agreement.

### **8.4 Limitation of Liability**

Notwithstanding the foregoing, the parties agree that neither party shall be liable to the other for any lost profits, lost savings or other special, indirect or consequential damages, even if the party has been advised of or could have foreseen the possibility of such damages. Paymentus' total liability for damages for any and all actions associated with this Agreement or the Services shall in no event exceed the specific dollar amount of the Paymentus Service Fee paid to Paymentus for the particular payment transaction which is the subject matter of the claim of damage.

## **9 Term and Termination**

### **9.1 Term**

The term of this Agreement shall commence on the effective date of this Agreement and continue for a period of 3 (three) years ("Initial Term") from the Launch Date and can be renewed for another period of 2 (two) years. Services under this Agreement shall begin within 30 days of the merchant account setup.

At the end of the initial 3-year Term, this Agreement will automatically renew for successive two (2) year periods unless either Customer or Paymentus provide the other party with not less than 6 (six) months prior written notice before such automatic renewal date that such party elects not to automatically renew the term of this Agreement for such further 2 year period on such automatic renewal date.

### **9.2 Upon Termination**

Upon termination of this Agreement, the parties agree to cooperate with one another to ensure that all Payments are accounted for and all refundable transactions have been completed. Upon termination, Paymentus shall cease all Services being provided hereunder unless otherwise directed by the Customer in writing.



### Schedule A – Paymentus Service Fee Schedule

Paymentus Service Fee charged to the User will be based on one of the following table:

Payment Amount	Paymentus Service Fee
Average Bill Amount of \$150.00	Flat fee of \$3.95

Note:

Users can make multiple payments in \$400.00 increments with a separate fee for each payment as the maximum amount allowed per payment is \$400.00

The Paymentus Service Fee will be collected in addition to the end-user bill payment total. Paymentus may apply different limits per transactions for user adoption or to mitigate risks.

If the Paymentus Service Fee were to exceed \$8.00 due to credit card rate increases, Paymentus will require a prior written approval from the Customer which will not be unreasonably withheld. In the event that both parties cannot reach an agreement, either party can terminate this agreement with a 30-day written notice.

# Paymentus

## AMENDING AGREEMENT

Customer:	Delta Natural Gas Company, Inc.
Customer Address:	3617 Lexington Road Winchester, KY. 40391
Contact for Notices to Customer:	Denisa King

This Amending Agreement is entered into as of effective date below, by and between the Delta Natural Gas ("Customer") identified above and Paymentus Corporation, a Delaware Corporation ("Paymentus").

**WHEREAS:**

A - The parties entered into a Master Services Agreement dated September 19, 2008

B - The parties now wish to Amend Schedule A of the Master Service Agreement to change corresponding Paymentus Service Fees.


C - The parties now wish to amend the Term (Section 9.1) of the Master Service Agreement to extend the initial contract term to April 13, 2020. At the end of the Term, this agreement will automatically renew for a period of two (2) successive years unless either Customer or Paymentus provides the other party with not less than six (6) months prior written notice of intent not to renew.


D - The parties are now adding Schedule B to clearly outline additional optional Paymentus services that have been extended to the Customer to include E-Bill Presentment and Enterprise Communication Manager (ECM).

**NOW, THEREFORE,** in consideration of the mutual covenants hereinafter set forth, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby covenant and agree as follows:

Except for Schedule A, addition of Schedule B, and Section 9.1 "Term", as provided in this Amending Agreement, all provisions of the Master Service Agreement remain in full force and effect, un-amended.

**IN WITNESS WHEREOF,** the parties have caused this Agreement to be executed by their duly authorized representatives

Customer:  
 By:   
 Name: John B. Brown  
 Title: COO - Treasurer and Secretary  
 Date: August 29, 2016

Paymentus:  
 By:   
 Name: MARK SOLAR  
 Title: V.P.  
 Date: 8-31-2016



# Paymentus

## Schedule A – Paymentus Service Fee Schedule

Paymentus Service Fee charged to the User will be based on one of the following table:

Payment Type (Convenience Fee Model)	Paymentus Service Fee
<p><b>Utility Services</b></p> <ul style="list-style-type: none"> <li>• Credit/Debit Card/ACH/eCheck (Visa, MasterCard, Discover)</li> <li>• ACH/eCheck (Recurring Scheduled transactions only – Customer Enrolled Portal)</li> </ul> <p>Note: Maximum amount per payment is \$400.00 (multiple payments can be made)</p> <p>Average Bill Amount is \$95.00</p>	<p>\$3.50 per transaction</p> <p>\$1.50 per transaction</p>

Paymentus may apply different limits per transactions for user adoption or to mitigate risks.

# Paymentus

## Schedule B – Additional Services

Paymentus Service Fee charged to Delta Natural Gas ("Customer") will be based on the following table:

Paymentus Solution/Service	Paymentus Service Fee
<p>Paymentus Electronic Bill Presentment</p> <ul style="list-style-type: none"> <li>• System Development</li> <li>• System Set Up / Implementation</li> <li>• File Interface with CIS</li> <li>• System loading fees</li> <li>• Presentment fees</li> <li>• Customer email notifications</li> <li>• 3 month rolling historical e-bill hosting</li> </ul>	<p>\$4,500.00 One-time Fee (Waived)</p> <p>\$450.00 Monthly Hosting Fee (Waived)</p>
<p>Paymentus Enterprise Communication Manager (<i>Optional</i>)</p> <p>Paymentus Enterprise Communications consists of outbound IVR (Integrated Voice Response – automated phone messaging), email, and SMS (Short Message Service – Text Messaging). There is no charge to the Customer for the infrastructure enabling these services.</p> <p>The fee to the Customer is charged on a per use basis, as follows:</p> <ul style="list-style-type: none"> <li>• IVR Outbound Message                    \$0.15 per call</li> <li>• Email Outbound Message                \$0.05 per email message</li> <li>• SMS Outbound Message                 \$0.25 per message</li> </ul> <p>Fee Structure:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Up to 2,000 combined messages (IVR and Email) per month: No Charge/waived</li> <li><input type="checkbox"/> In excess of Allotted Messages per month:             <ul style="list-style-type: none"> <li>o \$0.15 per IVR message</li> <li>o \$0.05 per Email message</li> </ul> </li> <li><input type="checkbox"/> The cost for customization of your outbound messages by Paymentus: No Charge/waived</li> </ul>	

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

**SECOND ATTORNEY GENERAL DATA REQUEST  
DATED AUGUST 25, 2021**

24. **Follow-Up to OAG 1-33 (Overtime).** The response to OAG 1-33 shows actual Overtime expense of \$355,887 in 2018, \$370,020 in 2019, \$299,992 in 2020, and \$210,585 through seven months of actual expenses for Base Period (September 2020 to March 2021), and forecasted overtime of \$324,731 for the Forecasted Period December 31, 2022. Address the following:

- a. Explain if there is any other recent information that shows overtime expense will be greater or less than the Forecasted Period shown above, and provide this related information and supporting documentation and calculations.
- b. Please clarify that the revised Staff DR 1-36 is the attached information provided in response to OAG 1-33, and confirm that there is no other additional information provided in response to Staff DR 1-36 that has not been provided at OAG 1-33.

Response:

- a. There has been no other recent information that shows overtime expense will be greater or less than the Forecasted Period shown above. Delta will be updating the Base Period to include actual overtime for the twelve months ended August 31, 2021.
- b. Confirmed. The information attached with the response to OAG 1-33 replaced the information originally attached with Staff DR 1-36 in its entirety.

Sponsoring Witness: John B. Brown

**DELTA NATURAL GAS COMPANY, INC.****CASE NO. 2021-00185****SECOND ATTORNEY GENERAL DATA REQUEST****DATED AUGUST 25, 2021**

25. **Follow-Up to OAG 1-34 (Payroll).** Delta's OAG 1-34 Excel Attachment (also the same as Tab 57, Sch. D-2.6 at Staff 1-54), provides an updated workpaper for the payroll adjustment, but does not appear to have impacted Delta's original payroll adjustment. Address the following:

- a. Delta's response to OAG 1-34(e) indicates the Company inadvertently filed a preliminary version in its original filing at Tab 31 instead of the final version now provided at Staff 1-54 (Tab 57, Sch. D-2.6). Confirm that Delta's payroll/labor adjustment at Adj.-7 reduces payroll expense by \$333,465 and does not change from the original proposed adjustment (otherwise, identify the revised adjustment and reason for changes).
- b. OAG 1-34(a) Excel Attachment shows a reconciliation of payroll costs (also noted as Accumulation of Costs Supporting FR Tab 57 Schedule D-2.6), and this shows two line items for capitalized labor at Column C, lines 28 and 30, of \$1,160,695 and \$1,052,041 (that total to \$2,212,736 from original workpaper). Explain why Delta shows the capitalized labor as two separate line items, and explain the difference between these two amounts and cite to any other supporting workpaper. For example, explain if one of the capitalized cost amounts related to amounts capitalized to plant/capital expenditure projects and the other capitalized cost amount has been included in other capital accounts, such as deferred regulatory costs (or other types of balance sheet accounts). Or explain if one of these capitalized costs related to nonregulated/below-the-line costs.
- c. Overtime expenses of \$308,434 are shown at OAG 1-34 Excel Attachment, but an Overtime expense of \$310,223 is shown at Staff 1-54, Tab 57, Sch. 2.6, reconcile and identify the difference in these Overtime costs and identify where the difference is recorded. Explain which Overtime expense amount is correct and explain how these different amounts impact Delta's payroll adjustment.
- d. Incentive expenses of \$959,036 are shown at OAG 1-34 Excel Attachment, but an Incentive expense of \$1,041,781 is shown at Staff 1-54, Tab 57, Sch. 2.6, reconcile and identify the difference in these Incentive costs and identify where the difference is recorded. Explain which Incentive expense amount is correct and explain how these different amounts impact Delta's payroll adjustment.
- e. Delta's adjustment includes the expensed portion of \$1,041,781 of incentive expense in the Base Period Aug. 31, 2021 payroll expense of \$8,006,427, and then removes these Base Period total incentive costs of \$1,041,781 and substitutes \$545,959 of total incentive costs for the Forecasted Period December 31, 2022, and includes the expensed portion of these incentives in the Forecasted Period total

**DELTA NATURAL GAS COMPANY, INC.****CASE NO. 2021-00185****SECOND ATTORNEY GENERAL DATA REQUEST****DATED AUGUST 25, 2021**

payroll expense of \$8,339,892. Please confirm this understanding is correct, or explain any revisions.

- f. Regarding (d) above, explain why Delta revised incentive costs from \$1,041,781 for the Base Period to \$545,949 for the Forecasted Period.
- g. Please explain if there are any non-regulated amounts in the expensed amounts at this workpaper, and identify these amounts and explain why they are included in the adjustment. Otherwise, explain where and how non-regulated labor costs for Delta are recorded (provide amounts by account number).
- h. Staff 1-54, Tab 57, Sch. 2-6 shows total Straight payroll costs of \$9,372,351 included in payroll adjustment (before pay raises are applied), and OAG 1-34 Excel Attachment shows total Straight payroll costs of \$8,900,480 plus Corporate Overhead payroll of \$556,405 for a total Straight payroll costs of \$9,456,885. Explain the reason for this difference of \$471,871 between the two amounts of Straight time costs (at the two different workpapers) of \$9,372,351 versus \$8,900,480, and reconcile and explain this difference. Also, comparing the Straight time costs of \$9,372,351 to Straight time plus Corporate Allocated costs ( $\$8,900,480 + \$556,405 = \$9,456,885$ ), results in a difference of \$84,534 ( $\$9,372,351 - \$9,456,885$ ), reconcile and explain this difference.
- i. Confirm that OAG 1-34 Excel Attachment includes \$556,405 of Corporate Allocated costs, explain if this entire amount represent Corporate Allocated payroll costs or if this also includes overheads or non-payroll costs (and identify all non-payroll related costs).
- j. OAG 1-34 Excel Attachment, shows Corporate Allocation payroll costs (including straight time, incentives, and bonuses for the Base Period August 31, 2021 of \$556,405 included in total payroll costs of \$10,219,163 subject to Delta's payroll adjustment. Explain if this same level of Corporate Allocation payroll costs are included in the Base Period and the Forecasted Period, and identify the amounts included in both of these periods (and provide supporting documentation for the amounts included in the Forecasted Period. If the amount of Corporate Allocation payroll included in the Base Period is different than the amount included in the Forecasted Period, explain why Delta did not remove the Base Period amount and substitute in the Forecasted Period amount (for arriving at Forecasted payroll costs to adjust to), similar to Delta's treatment of incentive costs in this payroll adjustment.

**DELTA NATURAL GAS COMPANY, INC.****CASE NO. 2021-00185****SECOND ATTORNEY GENERAL DATA REQUEST****DATED AUGUST 25, 2021**

- k. Provide copies of all documentation, correspondence, budget information, and other similar information that Delta received from Corporate (and other affiliates) in order to determine the amount of Corporate Allocated payroll costs to include in the Base Period and the Forecasted Period for this payroll adjustment, otherwise explain how Delta was able to determine these Corporate Allocation payroll levels without specific supporting documentation from Corporate (and other affiliates).
- l. Explain why Corporate Allocated payroll costs of \$556,405 should be allowed a “pay raise” by Delta in this payroll adjustment (the Corporate Allocated payroll costs are part of the amounts to which Delta applies cost of living/merit pay raises, per the following:
  - i) First, explain if it is Delta that gives these Corporate employees raises, or explain if it is Essential/PNG or other affiliates that actually determine and give pay raises, and if Delta does award employees of other companies certain pay raises, explain why this is appropriate.
  - ii) Second, explain why and how Delta can determine how much “merit or cost of living” pay raise that Corporate employees should receive in this rate case, because Delta is not the Company tasked with evaluating or performing employee performance reviews for these Corporate employees (and Delta doesn’t know how well they perform their job for Corporate/other affiliates).
  - iii) Third, if Delta is going to in propose and support pay raises for Corporate employees in this rate case, explain why this doesn’t pierce the corporate veil of “independence” and make it appear that these Corporate employees are really employees of Delta and not employees of Corporate or other affiliates.
  - iv) Fourth, provide copies of all documentation that Delta receives from Corporate (and other affiliates) for these Corporate employees in order to evaluate and determine the percent of pay raises that these Corporate employees should receive, and provide this documentation.
  - v) Fifth, explain why the Incentive and Bonus payroll costs included in the Corporate Allocation payroll costs should be subject to pay raises in Delta’s payroll adjustment.

Response:

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- a. Delta confirms that the payroll/labor adjustment of \$333,465 has not changed from the originally proposed adjustment, but that this is an increase from base year expense rather than a reduction.
- b. The \$1,160,695 represents actual capitalized labor for the first 7 months in the base period (Sept 2020 – March 2021) while the \$1,052,041 represents the estimated capitalized labor for the remaining 5 months in the base period (April 2021 – August 2021).
- c. The grand total of \$310,223 includes the \$308,434 referred to by the AOG plus \$1,211 of Salaried Overtime Wages – 2200 and \$578 of Hourly Overtime Wages – 2200. All amounts are correct and properly included in the payroll adjustment.
- d. The grand total of \$1,041,781 includes the Salaried Incentives / Bonuses 2200 \$10,309 plus Salaried – Annual Incentive – 2200 \$68,156 plus Hourly – Incentives / Bonuses 2200 \$242 plus Hourly – Annual Incentive – 2200 \$3,378 plus the \$959,036 noted by the AOG, plus Salaried Severance 2200 \$660. All amounts are correct and properly included.
- e. Correct.
- f. The Company has reduced its incentive program for 2022 and the Forecasted Period reflects that reduction. Incentive costs were revised as a result of the realignment of the compensation packages. In the Base Period, all Delta employees were eligible to participate in the Short-Term Incentive program. In 2021, as part of the realignment, over 110 employees were removed from that program. Those employees became eligible to participate in the Achievement Award program which is a discretionary incentive budgeted at 2.5%. Only 28 employees remain in the Short-Term Incentive program as of August 2021.
- g. Delta agrees that the OAG1-34 Excel Attachment provided an updated workpaper for the payroll adjustment that did not impact Delta's original payroll adjustment. Delta has not identified any non-regulated amounts in the expensed amounts at this workpaper. Non-regulated labor is shown below the line in account 9416000. Delta will ensure once actual allocations for the twelve months ended August 2021 are final that the updated Base Period includes no uncleared non-regulated labor costs.
- h. See attached for the reconciliation.
- i. The entire amount of \$556,405 included in OAG 1-34 Excel Attachment represents Corporate Allocated payroll costs.
- j. Delta calculated the Base and Forecasted Corporate Allocation payroll costs on the same schedule as direct payroll costs. Per Tab 57 Schedule D-2.6, \$556,405 of corporate

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allocated costs were included in the Base Period and \$495,939 of corporate allocated costs were included in the Forecasted Test Period.

- k. The complete calculation of the estimate of corporate allocated for the costs of \$495,939 was included within the Tab 57 Excel file at the tab titled Payroll Base and Adjustment. Delta simply began with the base period amount of \$556,405, removed the incentives of \$82,745, and added a reasonable estimate of increase of \$22,280, to yield \$495,939.

l.

i). Delta is not awarding “pay raises” to employees outside of Delta. Delta is reflecting known and anticipated changes in allocated costs, like it does with every other expense line item. Any merit increase that is awarded by Essential or PNG to their employees is performance based and reviewed and approved by the department executive. All merit increases are budgeted by Essential and based on market information that is inclusive of national, regional, and industry trends.

ii). It is reasonable to assume that labor costs will rise year over year for employees within the organization. While Delta does not determine what the budgeted merit increase will be for employees outside of Delta, the corporate employees represented in these costs do perform services for Delta. The performance of these corporate employees is evaluated by their direct management team. Moreover, Essential prepares a merit budget that encompasses the entire organization and the current budget reflects a 3% increase for 2021.

iii). Delta is unclear as to why the legal term “pierce the corporate veil” has any relevance to this question. That aside, corporate employees whose costs are allocated to Delta are not employees of Delta, as those employees perform services to support other affiliates of the organization and obtain direction from their functional business leaders at the parent company. Delta is able to obtain these services at a small percentage on an allocated basis, as opposed to being allocated 100% of these costs.

iv). See the preceding subparts. Delta does not evaluate and determine the percent of pay raises that corporate employees receive. All employee merit increases are approved by the direct officer of those employees.

v). Incentive compensation costs are based on a percentage of base salary, which is why corporate allocations are impacted by merit increases.

Sponsoring Witness: William C. Packer



## Reconciliation for 25h

		8,900,480
Salaried - Straight Time Wages 2200	433,060	
Hourly - Straight Time Wages 2200	<u>38,811</u>	
		<u>471,871</u>
		<u>9,372,351</u>
Salaried Overtime Wages - 2200	1,211	
Salaried Severance - 2200	660	
Salaried Incentives/Bonuses - 2200	10,309	
Salaried Annual Incentive - 2200	68,156	
Hourly Overtime Wages - 2200	578	
Hourly Incentives/Bonus 2200	242	
Hourly Annual Incentive 2200	<u>3,378</u>	
		<u>84,534</u>

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26. **Missing Forecasted Period Payroll Information for OAG 1-35.** Delta's response to OAG 1-35 did not include an Excel Attachment showing the requested expensed and capitalized payroll costs for the Forecasted Period, please provide this information.

Response:

Please refer to the attachment to response 27a. for the requested schedule covering the Forecasted Period.

Sponsoring Witness: John B. Brown

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27. **Inconsistent Payroll Information at OAG 1-35.** Delta's response to OAG 1-35 provides Excel Attachments showing payroll expensed and capitalized by payroll components for various periods, including the Base Period. However, some payroll information for the Base Period at OAG 1-35 is inconsistent with payroll information provided at OAG 1-34 Attachment and Staff 1-54 (Tab 57, Sch. 2.6), address the following for amounts related to the Base Period:

- a. The primary problem with OAG 1-35 Attachment for the Base Period is that it appears to show all types of payroll costs as "expensed" instead of showing the allocation of these payroll costs between "expensed" and "capitalized" categories (and in fact the "capitalized" and "total payroll" fields are left blank by Delta in this response for payroll categories such as Straight time, Overtime, Incentives, etc), when compared to payroll costs at Staff 1-54 (Tab 57, Sch. 2.6) and OAG 1-34 Attachment, which show payroll costs allocated between expensed and capitalized. Please correct this information at OAG 1-35 Attachment.
- b. Per (a) above, because Delta did not properly allocate all types of payroll costs between expensed and capitalized amounts, although they did appear to remove capital payroll costs in total from the "expensed" column, so perhaps the percent expensed and capitalized for each of the periods is correct. Please check the calculations, and allocate all types of payroll costs between expensed and capitalized, and determine if this impacts the percent of payroll costs expensed and capitalized and provide revised schedules as necessary.
- c. OAG 1-35 shows Straight time expensed payroll of \$9,372,351, but this varies from Staff 1-54 (Tab 57, Sch. 2.6) which shows "total expensed and capitalized payroll" of \$9,372,351, and the expensed portion would presumably be \$7,343,237 ( $\$9,372,351 \times 78.35\%$ ), explain the difference between \$9,372,351 at OAG 1-35 and \$7,343,237 at Staff 1-54 (Tab 57) and explain which is correct. Also, OAG 1-34 Attachment shows yet a different "total expensed and capitalized payroll" of \$8,900,480 (and multiplied by an expense factor of 78.35%) results in payroll expense of \$6,973,526, explain the difference between this amount and \$9,372,351 payroll expense at OAG 1-35.
- d. Similar to above, OAG 1-35 shows Overtime expense of \$308,973, but Staff 1-54 Attachment shows total Overtime of \$310,223 (expensed and capitalized), and OAG 1-34 shows total Overtime of \$308,434 (expensed and capitalized), and when these amounts at Staff 1-54 and OAG 1-34 are multiplied by an expense factor of 78.35%, the amount would vary significantly from the Overtime expense of \$308,973 shown at OAG 1-35. Explain and reconcile these differences.

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- e. Similar to (b) and (c) above, Incentives expense of \$1,041,121 at OAG 1-35 does not agree with total Incentives expense (expensed and capitalized) of \$1,041,781 at Staff 1-54 (Tab 57, Sch. 2.6) and total Incentives expense of \$959,036 at OAG 1-34 Attachment. Please reconcile these amounts.
- f. Please review the payroll costs at OAG 1-35 for 2017, 2018, 2019, and 2020, and correct these schedules because it appears that Delta included all of the payroll costs (Straight time, overtime, incentives, etc.) in the “expensed” payroll category and did not allocate any of these costs to the “capitalized” payroll category.
- g. Per OAG 1-35 Attachment, explain why Straight time payroll costs decreased from \$8.7 million in 2018 to \$8.5 million in 2019, and then increased somewhat to \$9.2 million in 2020, and then increased slightly to \$9.4 million for the Base Period, but then increased significantly to \$10.7 million for the Projected Period (per Delta’s payroll adjustment). Provide supporting documentation and explanations.

Response:

- a. Please see the attached schedule. The previously filed schedules were accurate, with capitalized labor appearing all on one line. The attachment to this response breaks down the capitalized labor per the OAG’s request.
- b. Please see the schedule attached to response 27(a). The previously filed schedules were accurate, with capitalized labor appearing all on one line. The attachment to this response breaks down the capitalized labor per the OAG’s request.
- c. \$9,372,351 is the total expensed and capitalized straight payroll. Please see the schedule attached to response 27(a) that clarifies that point. \$8,900,480 is only one straight payroll account on OAG 1-34. That same schedule includes Straight Time Wages -2200 for \$433,060 and Hourly – Straight Time Wages – 2200 of \$38,811. The three accounts total \$9,372,351, showing that all three schedules referenced by OAG in this question agree.
- d. Similar to 27(c), all three numbers represent total expensed and capitalized overtime payroll, recorded in different accounts. \$308,434 plus Hourly Overtime Wages – 2200 \$578 equals \$308,973 plus Salaried Overtime Wages – 2200 of \$1,211 equals \$310,223.
- e. Similar to the above, there are accounts on OAG 1-34 that need to be combined to equal the totals on the other schedules. Salaried Incentives / Bonuses 2200 \$10,309 + Salaried – Annual Incentive – 2200 \$68,156 + Hourly – Incentives / Bonuses 2200 \$242 + Hourly – Annual Incentive – 2200 \$3,378 plus the \$959,036 noted by the AOG totals \$1,041,121, plus Salaried Severance 2200 \$660 totals \$1,041,781.

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- f. See the schedules attached to 27(a) for the amounts broken out as requested. The previously filed schedules were accurate, with capitalized labor appearing all on one line. The attachment to this response breaks down the capitalized labor per the OAG's request.
  
- g. Three executives left Delta in 2018 causing the decline in payroll from 2018 to 2019. Payroll returned to a more normal level in 2020 with promotions and replacements. The Base Period included 4 months of 2020 so should be relatively close. The Projected Period is \$9.8 million, as shown on the schedule at 27(a) above, not \$10.7 million as stated in the question. \$10.7 million is total including overtime and incentives for the Projected Period. \$9.8 million is a 4.3% increase from the Base Period, which is reasonable due to the fact that the Projected Period is greater than 12 months past the Base Period and the Base Period is somewhat lower due to vacancies that Delta is attempting to backfill.

Sponsoring Witness: John B. Brown

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28. **Follow-Up to OAG Supplemental DR B7 and B9.** OAG Supplemental DR B7 (follow-up to OAG 1-75(e)(v) and B9 (follow-up to OAG 1-78(c)) are similar and the original data request and the follow-up (B7 and B9) asked Delta if amortization expense is still being recorded on the books for all software that is fully amortized but is still in service. It appears that Delta's response to B9 states that for those software amounts included at OAG 1-78(c) that are fully amortized but still in service, Delta continues to record amortization expense on the books. However, Delta's response to B7 appears more vague, but if it is intended to be consistent with Delta's response to B9, it would appear that Delta continues to record amortization expense on the original software that was replaced by SAP and GIS, even if it is fully amortized because it is still in service. Address the following:

- a. Explain if OAG's conclusions above regarding Delta's responses to B7 and B9 are correct in that Delta continues to amortization expense on software that is fully depreciated if it is still in service, otherwise please clarify and correct the OAG conclusions.

Response:

- a. OAG's explanation above is correct and accurately describes the normal operation of group depreciation within the utility industry.

Sponsoring Witness: John B. Brown

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29. **Follow-Up to OAG 1-37 Regarding Open/New Positions.** Address the following regarding open and new positions:

- a. Provide the number of full-time open unfilled “existing” positions (by department and job description) for each month from January 2019 to June 2021.
- b. Regarding (a) above, for each of the dates December 31, 2019, December 31, 2020 and June 30, 2021, provide the number of open unfilled “existing” positions (by department and job description), and indicate how long each position has been open and not filled.
- c. Provide the number of full-time open unfilled “new” positions (by department and job description) for each month from January 2019 to June 2021. Explain when each of these new positions were first created.
- d. Provide the number of full-time open unfilled “existing” positions (by department and job description) for each month from January 2019 to June 2021, for which Delta was actively recruiting to fill those positions for each specific month from January 2019 to June 2021.
- e. Provide the number of full-time open unfilled “new” positions (by department and job description) for each month from January 2019 to June 2021, for which Delta was actively recruiting to fill those positions for each specific month from January 2019 to April 2021.
- f. Explain if Delta’s payroll adjustment assumes that 100% of all job positions are filled and there are no vacancies and no normal recurring turnover rate reflected in the payroll adjustment. If some level of payroll vacancies and normal recurring turnover rates are reflected in Delta’s payroll adjustment, explain how these amounts are reflected in the adjustment.
- g. Provide dates from January 2019 to June 2021 when Delta had 100% of all job positions filled and had no vacancies or turnover, and explain how long of a time period this situation existed in each instance.

Response:

- a. Please see the response to AG 1-33 for budgeted to actual headcount information by month. Because Delta has historically filled open positions quickly, Delta did not have a

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business reason to maintain records that analyzed open unfilled positions in 2019 or 2020. In 2021, Delta has hired the following positions, each of which were previously vacated:

Hire Month	Job Title	Department
March	Specialist, Intermediate, Safety/Tech Tr	Safety & Training
May	Controller III	Accounting
June	Construction Technician	Construction
June	Construction Technician	Construction
June	Construction Technician	Construction
June	Supervisor, Gas Operations	Construction
June	Administrative Assistant II	Administrative Services
August	Construction Technician	Construction
August	Construction Technician	Construction
August	Field Service Rep	Field Customer Service
August	Field Service Rep	Field Customer Service

b. Please see the response to subpart a. Delta did not maintain records regarding how long each position was open and not filled.

c. In October 2019, the position of Regulatory and Compliance was created. Several other positions, such as Leak and Corrosion Coordinator, were retitled during this period to better reflect the services the employee was performing.

d. Please see the response to subpart a.

e. Please see the response to subpart c.

f. Please see the response to 1-96(b). This response explains that Delta's payroll adjustment is based on the actual average data from the first seven months of the Base Period, which was 153, and the remaining five budgeted months were assumed at 161, which is full employment. This results in the payroll adjustment being based on 156 employees, and builds in an allowance for 6 vacancies (3.7%) at any given time throughout the test year. These assumptions have resulted in the Forecasted Test Period being conservatively stated, especially given that, as shown below and in the attachment to AG 1-33, Delta often has and is endeavoring to have 100% of its positions filled.

g. See the response to AG 1-33. In 2019, Delta had no full-time vacancies in March, June, July, September, October, November, and December, and thus averaged 100% full-time employment for the entire year. In 2020, Delta averaged 4 vacancies. In 2021, due in part to the pandemic and the associated challenges in hiring employees, Delta has averaged a greater number



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of vacancies, but expects to return to its prior history of full or nearly-full employment, as 9 positions have been filled since June 2021. Delta did not maintain records of the exact number of days in which there has been full employment. The last pay period of each month was used for the actual headcount numbers in AG 1-33.

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

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30. **Follow-Up to OAG 1-39 Leak Reports.** OAG 1-39(g) requested leak testing, repair and maintenance reports/data for the Base Period months and Forecasted Period months. Delta's response to OAG 1-39(g) includes attached monthly leak report summaries showing Leaks Reported, Leaks Repaired, and Unrepaired Leaks at December 31, 2020 and for 2021 year-to-date (through March 31, 2021 has been provided). Please provide a description of information included in each of these reports for the sample period March 31, 2021. Address the following:

- a. Regarding March 31, 2021 Leak Reports, identify which specific Report pages show total Leaks Reported, Leaks Repaired, and Leaks Unrepaired (by Leak Class).
- b. Explain the distinction and meaning if the various Reports titled, "All Branches, Transmission and Gathering", "All Branches", "Transmission and Gathering."
- c. For March 31, 2021, there is a Report titled, "Leak Reported All Branches, Transmission and Gathering" showing a total of 64 leaks by class. And then several pages later there is a March 31, 2021 dated Report with the same title "Leak Reported All Branches, Transmission and Gathering" but showing a different total number of leaks of 35. Explain why a Report with the same title shows a different number of leaks. Explain if these Reports address different areas/locations (such as Delta versus PKY), although the Reports do not appear to have any information that distinguishes between different areas.

Response:

- a. The total leaks reported by class are shown on report page titled "**Leaks Reported All Branches, Transmission and Gathering For the Year through 03/31/21**".

The total leaks repaired by class are shown on report page titled "**Repaired Leaks All Branches, Transmission and Gathering For the Year through 03/31/21**".

The total leaks unrepaired by class are shown on report page titled "**Unrepaired Leaks All Branches, Transmission and Gathering As Of 03/31/21.**"

- b. "All Branches, Transmission, and Gathering" reflects total leaks within the entire company regardless of the type of piping system.

"All Branches" only reflects total leaks within the Delta's distribution piping system.

"Transmission and Gathering" only reflects total leaks within the Delta's transmission and gathering piping systems.

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- c. The first report as referenced in the Request is actually titled “Leaks Reported All Branches, Transmission and Gathering for **the Year** through 03/31/21” and reflects a year to date total of 64 reported leaks. The second report as referenced in the Request is actually titled “Leaks Reported All Branches, Transmission and Gathering for the **Month Ending** 03/31/21” and reflects a monthly total of 35 reported leaks during the month of March.

Sponsoring Witness: Jonathan Morpew

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31. **Missing Leak Reports per OAG 1-39.** OAG 1-39(g) requested a copy of monthly leak reports (for testing, repair, maintenance) for each month of the Base Period and Forecasted Period, and Delta's response states that it is providing certain leak reports for each month of 2021 and for the calendar year (although which "calendar year" was not identified). Delta provided leak reports for the month ending December 31, 2020 through June 30, 2021. Address the following:

- a. Provide copies of all missing leak reports, including for Base Period months September to November 2021.
- b. Explain if Delta prepares any annual summary leak reports (based on the information provided in response to OAG 1-39(g), and provide these annual reports for each year 2015 through 2020.

Response:

- a. There were no missing leak reports in response to OAG 1-39. Delta's leak reports are generated at the beginning of each month to summarize all reported, repaired, and unrepaired leaks from the previous month as well as for the ("YTD") calendar year through that particular month. The July 2021 report was generated at the beginning of August and is attached. The August 2021, September 2021, October 2021, and November 2021 leak reports have not been generated at this time.
- b. Each December leak report generates monthly data for the month of December and also summarizes the YTD data for the entire calendar year. The end of year December leak reports for each year 2015 through 2020 are attached.

Sponsoring Witness: Jonathan Morpew

# Leak Report for Month Ending

7/31/21

To:

Jonathan Morpew, Rob Miller, Arvil Swafford,  
Darrell Baker, Ricky Terrill, Lawrence Riley,  
Kevin Partin, Bobby Bargo, and Danny Shelley

**Delta Natural Gas Company, Inc.**

**Leaks Reported All Branches, Transmission and Gathering  
for the Month Ending 7/31/21**

**Total = 37**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>14</b>
	Distribution Main	5
	Meter Installation	1
	Service Line	8
2	<b>Class Total</b>	<b>17</b>
	Distribution Main	7
	Meter Installation	5
	Service Line	5
3	<b>Class Total</b>	<b>6</b>
	Meter Installation	6

# Delta Natural Gas Company, Inc.

Leaks Reported All Branches for the Month Ending **7/31/21**

**Total = 37**

Leak Class	Facility Classification		Total
<b>1</b>		<b>Class Total</b>	<b>14</b>
	Distribution Main		5
	Meter Installation		1
	Service Line		8
<b>2</b>		<b>Class Total</b>	<b>17</b>
	Distribution Main		7
	Meter Installation		5
	Service Line		5
<b>3</b>		<b>Class Total</b>	<b>6</b>
	Meter Installation		6

# Delta Natural Gas Company, Inc.

## Leaks Reported Transmission and Gathering for the Month Ending 7/31/21

**Total = 0**

Leak Class	Facility Classification	Total
Class Total		0



**Delta Natural Gas Company, Inc.**

**Repaired Leaks All Branches, Transmission and Gathering for  
the Month Ending 7/31/21**

**Total = 23**

Leak Class	Facility Classification	Total
<b>1</b>	<b>Class Total</b>	<b>14</b>
	Distribution Main	5
	Meter Installation	1
	Service Line	8
<b>2</b>	<b>Class Total</b>	<b>5</b>
	Distribution Main	2
	Meter Installation	1
	Service Line	2
<b>3</b>	<b>Class Total</b>	<b>4</b>
	Meter Installation	4

**Delta Natural Gas Company, Inc.**

**Repaired Leaks All Branches for the Month Ending 7/31/21**

**Total = 23**

Leak Class	Facility Classification		Total
1		<b>Class Total</b>	<b>14</b>
	Distribution Main		5
	Meter Installation		1
	Service Line		8
2		<b>Class Total</b>	<b>5</b>
	Distribution Main		2
	Meter Installation		1
	Service Line		2
3		<b>Class Total</b>	<b>4</b>
	Meter Installation		4

# Delta Natural Gas Company, Inc.

## Repaired Leaks in Transmission and Gathering for the Month Ending 7/31/21

**Total = 0**

Leak Class	Facility Classification	Total
Class Total		0

**Delta Natural Gas Company, Inc.**

**Unrepaired Leaks All Branches, Transmission and Gathering as of 7/31/21**

**Total = 39**

Leak Class	Facility Classification	Total
<b>2</b>	<b>Class Total</b>	<b>21</b>
	Distribution Main	6
	Meter Installation	10
	Service Line	5
<b>3</b>	<b>Class Total</b>	<b>18</b>
	Distribution Main	2
	Meter Installation	10
	Transmission Line	6

# Delta Natural Gas Company, Inc.

## Unrepaired Leaks All Branches as of 7/31/21

**Total = 34**

Leak Class	Facility Classification	Total
<b>2</b>	<b>Class Total</b>	<b>21</b>
	Distribution Main	6
	Meter Installation	10
	Service Line	5
<b>3</b>	<b>Class Total</b>	<b>13</b>
	Distribution Main	2
	Meter Installation	10
	Transmission Line	1

# Delta Natural Gas Company, Inc.

## Unrepaired Leaks Transmission and Gathering as of 7/31/21

**Total = 5**

Leak Class	Facility Classification	Class Total	Total
3		Class Total	5
	Transmission Line		5

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**Delta Natural Gas Company, Inc.**

**Leaks Reported All Branches, Transmission and Gathering for  
 the Year through 7/31/21**

**Total = 166**

Leak Class	Facility Classification	Total
<b>1</b>	<b>Class Total</b>	<b>73</b>
	Distribution Main	24
	Gathering Line	1
	Meter Installation	4
	Service Line	44
<b>2</b>	<b>Class Total</b>	<b>67</b>
	Distribution Main	19
	Gathering Line	1
	Meter Installation	18
	Service Line	28
	Transmission Line	1
<b>3</b>	<b>Class Total</b>	<b>26</b>
	Distribution Main	2
	Gathering Line	2
	Meter Installation	15
	Regulator Station	1
	Service Line	1
	Transmission Line	5

**Delta Natural Gas Company, Inc.**

**Leaks Reported All Branches for the Year through 7/31/21**

**Total = 156**

Leak Class	Facility Classification	Total
<b>1</b>	<b>Class Total</b>	<b>72</b>
	Distribution Main	24
	Meter Installation	4
	Service Line	44
<b>2</b>	<b>Class Total</b>	<b>65</b>
	Distribution Main	19
	Meter Installation	18
	Service Line	28
<b>3</b>	<b>Class Total</b>	<b>19</b>
	Distribution Main	2
	Meter Installation	15
	Regulator Station	1
	Service Line	1



**Delta Natural Gas Company, Inc.**

**Leaks Reported Transmission and Gathering for  
the Year through 7/31/21**

**Total = 10**

Leak Class	Facility Classification	Total
1	Class Total	1
	Gathering Line	1
2	Class Total	2
	Gathering Line	1
	Transmission Line	1
3	Class Total	7
	Gathering Line	2
	Transmission Line	5

**Delta Natural Gas Company, Inc.****Repaired Leaks All Branches, Transmission and Gathering  
for the Year through 7/31/21****Total = 136**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>73</b>
	Distribution Main	24
	Gathering Line	1
	Meter Installation	4
	Service Line	44
2	<b>Class Total</b>	<b>47</b>
	Distribution Main	14
	Gathering Line	1
	Meter Installation	8
	Service Line	23
	Transmission Line	1
3	<b>Class Total</b>	<b>16</b>
	Distribution Main	5
	Gathering Line	2
	Meter Installation	5
	Regulator Station	1
	Service Line	1
	Transmission Line	2

**Delta Natural Gas Company, Inc.**

**Repaired Leaks All Branches for the Year through 7/31/21**

**Total = 129**

Leak Class	Facility Classification	Total
<b>1</b>	<b>Class Total</b>	<b>72</b>
	Distribution Main	24
	Meter Installation	4
	Service Line	44
<b>2</b>	<b>Class Total</b>	<b>45</b>
	Distribution Main	14
	Meter Installation	8
	Service Line	23
<b>3</b>	<b>Class Total</b>	<b>12</b>
	Distribution Main	5
	Meter Installation	5
	Regulator Station	1
	Service Line	1

**Delta Natural Gas Company, Inc.**

**Repaired Leaks Transmission and Gathering for  
the Year through 7/31/21**

**Total = 7**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>1</b>
	Gathering Line	1
2	<b>Class Total</b>	<b>2</b>
	Gathering Line	1
	Transmission Line	1
3	<b>Class Total</b>	<b>4</b>
	Gathering Line	2
	Transmission Line	2

**Leaks Reported All Branches, Transmission and Gathering for  
 the Year through 12/31/15**

**Total = 409**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>243</b>
	Distribution Main	77
	Gathering Line	2
	Meter Installation	22
	Service Line	137
	Transmission Line	5
2	<b>Class Total</b>	<b>95</b>
	Distribution Main	55
	Gathering Line	5
	Meter Installation	7
	Service Line	27
	Transmission Line	1
3	<b>Class Total</b>	<b>71</b>
	Distribution Main	14
	Meter Installation	40
	Regulator Station	3
	Service Line	12
	Transmission Line	2

Leaks Reported All Branches for the Year through 12/31/15

Total = 399

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>239</b>
	Distribution Main	77
	Meter Installation	22
	Service Line	137
	Transmission Line	3
2	<b>Class Total</b>	<b>90</b>
	Distribution Main	55
	Meter Installation	7
	Service Line	27
	Transmission Line	1
3	<b>Class Total</b>	<b>70</b>
	Distribution Main	14
	Meter Installation	40
	Regulator Station	3
	Service Line	12
	Transmission Line	1

**Leaks Reported Transmission and Gathering for  
 the Year through 12/31/15**

**Total = 10**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>4</b>
	Gathering Line	2
	Transmission Line	2
2	<b>Class Total</b>	<b>5</b>
	Gathering Line	5
3	<b>Class Total</b>	<b>1</b>
	Transmission Line	1

425 L.P. Tran/DIST  
4

Repaired Leaks All Branches, Transmission and Gathering  
 for the Year through 12/31/15

Total = 430

5 HP. Tran/GATHERING

Leak Class	Facility Classification	Total	Dist Report
1	<b>Class Total</b>	243	239
	Distribution Main	77	
	Gathering Line	2	
	Meter Installation	22	
	Service Line	137	
	Transmission Line	5	2 HP 3 LP
2	<b>Class Total</b>	94	93
	Distribution Main	60	
	Gathering Line	1	
	Meter Installation	7	
	Service Line	25	
	Transmission Line	1	L.P.
3	<b>Class Total</b>	93	93
	Distribution Main	22	
	Meter Installation	44	
	Regulator Station	4	
	Service Line	19	
	Transmission Line	4	L.P.



Repaired Leaks All Branches for the Year through 12/31/15

Total = 423

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>239</b>
	Distribution Main	77
	Meter Installation	22
	Service Line	137
	Transmission Line	3
2	<b>Class Total</b>	<b>93</b>
	Distribution Main	60
	Meter Installation	7
	Service Line	25
	Transmission Line	1
3	<b>Class Total</b>	<b>91</b>
	Distribution Main	22
	Meter Installation	44
	Regulator Station	4
	Service Line	19
	Transmission Line	2

**Repaired Leaks Transmission and Gathering for  
the Year through 12/31/15**

**Total = 7**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>4</b>
	Gathering Line	2
	Transmission Line	2
2	<b>Class Total</b>	<b>1</b>
	Gathering Line	1
3	<b>Class Total</b>	<b>2</b>
	Transmission Line	2

Unrepaired Leaks All Branches, Transmission and Gathering as of 12/31/15

Total = 65

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>24</b>
	Distribution Main	15
	Gathering Line	4
	Service Line	4
	Transmission Line	1 L.P.
3	<b>Class Total</b>	<b>41</b>
	Distribution Main	37
	Regulator Station	1
	Service Line	1
	Transmission Line	2 L.P.

20 Class II  
 Leaks For  
 Dist/L.P. Tran DOT Report

**Unrepaired Leaks All Branches as of 12/31/15**

**Total = 58**

Leak Class	Facility Classification		Total
2		<b>Class Total</b>	<b>19</b>
	Distribution Main		15
	Service Line		4
3		<b>Class Total</b>	<b>39</b>
	Distribution Main		37
	Regulator Station		1
	Service Line		1

Unrepaired Leaks Transmission and Gathering as of 12/31/15

Total = 7

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>5</b>
	Gathering Line	4
	Transmission Line	1
3	<b>Class Total</b>	<b>2</b>
	Transmission Line	2

4

# Delta Natural Gas Company, Inc.

## Leaks Reported All Branches, Transmission and Gathering for the Year through 12/31/16

**Total = 377**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>229</b>
	Distribution Main	79
	Meter Installation	16
	Regulator Station	1
	Service Line	132
	Transmission Line	1
2	<b>Class Total</b>	<b>103</b>
	Distribution Main	46
	Gathering Line	6
	Meter Installation	12
	Service Line	35
	Transmission Line	4
3	<b>Class Total</b>	<b>45</b>
	Distribution Main	12
	Meter Installation	19
	Service Line	14

Leaks Reported All Branches for the Year through 12/31/16

Total = 368

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>229</b>
	Distribution Main	79
	Meter Installation	16
	Regulator Station	1
	Service Line	132
	Transmission Line	1
2	<b>Class Total</b>	<b>94</b>
	Distribution Main	46
	Meter Installation	12
	Service Line	35
	Transmission Line	1
3	<b>Class Total</b>	<b>45</b>
	Distribution Main	12
	Meter Installation	19
	Service Line	14

**Leaks Reported Transmission and Gathering for  
the Year through 12/31/16**

**Total = 9**

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>9</b>
	Gathering Line	6
	Transmission Line	3



**Repaired Leaks All Branches, Transmission and Gathering  
 for the Year through 12/31/16**

**Total = 381**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>229</b>
	Distribution Main	79
	Meter Installation	16
	Regulator Station	1
	Service Line	132
	Transmission Line	1
2	<b>Class Total</b>	<b>106</b>
	Distribution Main	48
	Gathering Line	10
	Meter Installation	12
	Service Line	32
	Transmission Line	4
3	<b>Class Total</b>	<b>46</b>
	Distribution Main	16
	Meter Installation	16
	Service Line	12
	Transmission Line	2

Repaired Leaks All Branches for the Year through 12/31/16

Total = 366

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>229</b>
	Distribution Main	79
	Meter Installation	16
	Regulator Station	1
	Service Line	132
	Transmission Line	1
2	<b>Class Total</b>	<b>93</b>
	Distribution Main	48
	Meter Installation	12
	Service Line	32
	Transmission Line	1
3	<b>Class Total</b>	<b>44</b>
	Distribution Main	16
	Meter Installation	16
	Service Line	12

**Repaired Leaks Transmission and Gathering for  
 the Year through 12/31/16**

**Total = 15**

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>13</b>
	Gathering Line	10
	Transmission Line	3
3	<b>Class Total</b>	<b>2</b>
	Transmission Line	2

**Unrepaired Leaks All Branches, Transmission and Gathering as of 12/31/16**

**Total = 62**

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>23</b>
	Distribution Main	15
	Service Line	7
	Transmission Line	1
3	<b>Class Total</b>	<b>39</b>
	Distribution Main	32
	Meter Installation	3
	Regulator Station	1
	Service Line	3

\* H. P. Tran - Reported On 2016  
 Tran, Cath. Repair

**Unrepaired Leaks All Branches as of 12/31/16**

**Total = 61**

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>22</b>
	Distribution Main	15
	Service Line	7
3	<b>Class Total</b>	<b>39</b>
	Distribution Main	32
	Meter Installation	3
	Regulator Station	1
	Service Line	3

**Unrepaired Leaks Transmission and Gathering as of 12/31/16**

**Total = 1**

Leak Class	Facility Classification	Total
2	Class Total	1
	Transmission Line	1

Leak Class 1  
 Leaks Reported All Branches, Transmission and Gathering for  
 the Year through 12/31/17

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>216</b>
	Distribution Main	78
	Gathering Line	1
	Meter Installation	8
	Service Line	129
2	<b>Class Total</b>	<b>119</b>
	Distribution Main	54
	Gathering Line	1
	Meter Installation	22
	Service Line	39
	Transmission Line	3
3	<b>Class Total</b>	<b>48</b>
	Distribution Main	10
	Gathering Line	1
	Meter Installation	28
	Regulator Station	1
	Service Line	5
	Transmission Line	3

Leaks Reported All Branches for the Year through 12/31/17

Total = 374

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>215</b>
	Distribution Main	78
	Meter Installation	8
	Service Line	129
2	<b>Class Total</b>	<b>115</b>
	Distribution Main	54
	Meter Installation	22
	Service Line	39
3	<b>Class Total</b>	<b>44</b>
	Distribution Main	10
	Meter Installation	28
	Regulator Station	1
	Service Line	5



**Leaks Reported Transmission and Gathering for  
the Year through 12/31/17**

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Leak Class	Facility Classification	Total
1		<b>Class Total</b> 1
	Gathering Line	1
2		<b>Class Total</b> 4
	Gathering Line	1
	Transmission Line	3
3		<b>Class Total</b> 4
	Gathering Line	1
	Transmission Line	3

**Repaired Leaks All Branches, Transmission and Gathering  
for the Year through 12/31/17**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>216</b>
	Distribution Main	78
	Gathering Line	1
	Meter Installation	8
	Service Line	129
2	<b>Class Total</b>	<b>105</b>
	Distribution Main	45
	Gathering Line	1
	Meter Installation	20
	Service Line	36
	Transmission Line	3
3	<b>Class Total</b>	<b>53</b>
	Distribution Main	15
	Gathering Line	1
	Meter Installation	28
	Regulator Station	1
	Service Line	4
	Transmission Line	4

Repaired Leaks All Branches for the Year through 12/31/17

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Leak Class	Facility Classification	Total
	<b>Class Total</b>	<b>215</b>
1		
	Distribution Main	78
	Meter Installation	8
	Service Line	129
	<b>Class Total</b>	<b>101</b>
2		
	Distribution Main	45
	Meter Installation	20
	Service Line	36
	<b>Class Total</b>	<b>48</b>
3		
	Distribution Main	15
	Meter Installation	28
	Regulator Station	1
	Service Line	4

Repaired Leaks Transmission and Gathering for  
the Year through 12/31/17

Total = 10

Leak Class	Facility Classification	Total
	<b>Class Total</b>	<b>1</b>
1	Gathering Line	1
	<b>Class Total</b>	<b>4</b>
2	Gathering Line	1
	Transmission Line	3
	<b>Class Total</b>	<b>5</b>
3	Gathering Line	1
	Transmission Line	4

Unrepaired Leaks All Branches, Transmission and Gathering as of 12/31/17

Total = 71

Leak Class	Facility Classification	Total
2	Class Total	36
	Distribution Main	24
	Meter Installation	2
	Service Line	10
3	Class Total	35
	Distribution Main	27
	Meter Installation	3
	Regulator Station	1
	Service Line	4

**Unrepaired Leaks All Branches as of 12/31/17**

**Total = 71**

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>36</b>
	Distribution Main	24
	Meter Installation	2
	Service Line	10
3	<b>Class Total</b>	<b>35</b>
	Distribution Main	27
	Meter Installation	3
	Regulator Station	1
	Service Line	4

**Unrepaired Leaks Transmission and Gathering as of 12/31/17**

**Total = 0**

Leak Class	Facility Classification	Total
Class Total		0

# Delta Natural Gas Company, Inc.

Leaks Reported All Branches, Transmission and Gathering for  
the Year through 12/31/18

**Total = 330**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>181</b>
	Distribution Main	67
	Meter Installation	12
	Regulator Station	2
	Service Line	99
	Transmission Line	1
2	<b>Class Total</b>	<b>94</b>
	Distribution Main	43
	Gathering Line	3
	Meter Installation	18
	Service Line	24
	Transmission Line	6
3	<b>Class Total</b>	<b>55</b>
	Distribution Main	10
	Gathering Line	11
	Meter Installation	20
	Regulator Station	1
	Service Line	6
	Transmission Line	7



**Delta Natural Gas Company, Inc.**

**Leaks Reported All Branches for the Year through 12/31/18**

**Total = 305**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>180</b>
	Distribution Main	67
	Meter Installation	12
	Regulator Station	1
	Service Line	99
	Transmission Line	1
2	<b>Class Total</b>	<b>88</b>
	Distribution Main	43
	Meter Installation	18
	Service Line	24
	Transmission Line	3
3	<b>Class Total</b>	<b>37</b>
	Distribution Main	10
	Meter Installation	20
	Regulator Station	1
	Service Line	6

# Delta Natural Gas Company, Inc.

Leaks Reported Transmission and Gathering for  
the Year through 12/31/18

**Total = 25**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>1</b>
	Regulator Station	1
2	<b>Class Total</b>	<b>6</b>
	Gathering Line	3
	Transmission Line	3
3	<b>Class Total</b>	<b>18</b>
	Gathering Line	11
	Transmission Line	7

# Delta Natural Gas Company, Inc.

## Repaired Leaks All Branches, Transmission and Gathering for the Year through 12/31/18

**Total = 343**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>181</b>
	Distribution Main	67
	Meter Installation	12
	Regulator Station	2
	Service Line	99
	Transmission Line	1
2	<b>Class Total</b>	<b>110</b>
	Distribution Main	52
	Gathering Line	3
	Meter Installation	18
	Service Line	31
	Transmission Line	6
3	<b>Class Total</b>	<b>52</b>
	Distribution Main	9
	Gathering Line	11
	Meter Installation	18
	Regulator Station	1
	Service Line	6
	Transmission Line	7

# Delta Natural Gas Company, Inc.

Repaired Leaks All Branches for the Year through 12/31/18

**Total = 318**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>180</b>
	Distribution Main	67
	Meter Installation	12
	Regulator Station	1
	Service Line	99
	Transmission Line	1
2	<b>Class Total</b>	<b>104</b>
	Distribution Main	52
	Meter Installation	18
	Service Line	31
	Transmission Line	3
3	<b>Class Total</b>	<b>34</b>
	Distribution Main	9
	Meter Installation	18
	Regulator Station	1
	Service Line	6

**Delta Natural Gas Company, Inc.**

**Repaired Leaks Transmission and Gathering for  
the Year through 12/31/18**

**Total = 25**

Leak Class	Facility Classification	Total
1	Class Total	1
	Regulator Station	1
2	Class Total	6
	Gathering Line	3
	Transmission Line	3
3	Class Total	18
	Gathering Line	11
	Transmission Line	7

**Delta Natural Gas Company, Inc.**

**Unrepaired Leaks All Branches, Transmission and Gathering as of 12/31/18**

**Total = 58**

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>20</b>
	Distribution Main	14
	Meter Installation	2
	Service Line	4
3	<b>Class Total</b>	<b>38</b>
	Distribution Main	28
	Meter Installation	5
	Regulator Station	1
	Service Line	4

**Delta Natural Gas Company, Inc.**

**Unrepaired Leaks All Branches as of 12/31/18**

**Total = 58**

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>20</b>
	Distribution Main	14
	Meter Installation	2
	Service Line	4
3	<b>Class Total</b>	<b>38</b>
	Distribution Main	28
	Meter Installation	5
	Regulator Station	1
	Service Line	4

**Delta Natural Gas Company, Inc.**

**Unrepaired Leaks Transmission and Gathering as of 12/31/18**

**Total = 0**

Leak Class	Facility Classification	Total
<b>Class Total</b>		<b>0</b>



# Delta Natural Gas Company, Inc.

Leaks Reported All Branches, Transmission and Gathering for  
the Year through 12/31/19

Total = 228

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>120</b>
	Distribution Main	46
	Gathering Line	1
	Meter Installation	7
	Service Line	66
2	<b>Class Total</b>	<b>77</b>
	Distribution Main	29
	Meter Installation	18
	Service Line	24
	Transmission Line	6
3	<b>Class Total</b>	<b>31</b>
	Distribution Main	5
	Gathering Line	3
	Meter Installation	15
	Service Line	5
	Transmission Line	3

**Delta Natural Gas Company, Inc.**

**Leaks Reported All Branches for the Year through 12/31/19**

**Total = 218**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>119</b>
	Distribution Main	46
	Meter Installation	7
	Service Line	66
2	<b>Class Total</b>	<b>74</b>
	Distribution Main	29
	Meter Installation	18
	Service Line	24
	Transmission Line	3
3	<b>Class Total</b>	<b>25</b>
	Distribution Main	5
	Meter Installation	15
	Service Line	5

**Delta Natural Gas Company, Inc.**

**Leaks Reported Transmission and Gathering for  
the Year through 12/31/19**

**Total = 10**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>1</b>
	Gathering Line	1
2	<b>Class Total</b>	<b>3</b>
	Transmission Line	3
3	<b>Class Total</b>	<b>6</b>
	Gathering Line	3
	Transmission Line	3

# Delta Natural Gas Company, Inc.

## Repaired Leaks All Branches, Transmission and Gathering for the Year through 12/31/19

**Total = 217**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>120</b>
	Distribution Main	46
	Gathering Line	1
	Meter Installation	7
	Service Line	66
2	<b>Class Total</b>	<b>78</b>
	Distribution Main	28
	Meter Installation	19
	Service Line	26
	Transmission Line	5
3	<b>Class Total</b>	<b>19</b>
	Distribution Main	4
	Gathering Line	3
	Meter Installation	6
	Service Line	3
	Transmission Line	3

Delta Natural Gas Company, Inc.

Repaired Leaks All Branches for the Year through 12/31/19

Total = 207

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>119</b>
	Distribution Main	46
	Meter Installation	7
	Service Line	66
2	<b>Class Total</b>	<b>75</b>
	Distribution Main	28
	Meter Installation	19
	Service Line	26
	Transmission Line	2
3	<b>Class Total</b>	<b>13</b>
	Distribution Main	4
	Meter Installation	6
	Service Line	3

# Delta Natural Gas Company, Inc.

Repaired Leaks Transmission and Gathering for  
the Year through 12/31/19

**Total = 10**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>1</b>
	Gathering Line	1
2	<b>Class Total</b>	<b>3</b>
	Transmission Line	3
3	<b>Class Total</b>	<b>6</b>
	Gathering Line	3
	Transmission Line	3

**Delta Natural Gas Company, Inc.**

**Unrepaired Leaks All Branches, Transmission and Gathering as of 12/31/19**

**Total = 68**

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>19</b>
	Distribution Main	15
	Meter Installation	1
	Service Line	2
	Transmission Line	1
3	<b>Class Total</b>	<b>49</b>
	Distribution Main	28
	Meter Installation	14
	Regulator Station	1
	Service Line	6

**Delta Natural Gas Company, Inc.**

**Unrepaired Leaks All Branches as of 12/31/19**

**Total = 68**

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>19</b>
	Distribution Main	15
	Meter Installation	1
	Service Line	2
	Transmission Line	1
3	<b>Class Total</b>	<b>49</b>
	Distribution Main	28
	Meter Installation	14
	Regulator Station	1
	Service Line	6



# Delta Natural Gas Company, Inc.

## Unrepaired Leaks Transmission and Gathering as of 12/31/19

**Total = 0**

Leak Class	Facility Classification	Total
<b>Class Total</b>		<b>0</b>

**Delta Natural Gas Company, Inc.****Leaks Reported All Branches, Transmission and Gathering for  
the Year through 12/31/20****Total = 257**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>131</b>
	Distribution Main	43
	Meter Installation	11
	Regulator Station	1
	Service Line	75
	Transmission Line	1
2	<b>Class Total</b>	<b>85</b>
	Distribution Main	36
	Gathering Line	1
	Meter Installation	17
	Service Line	29
	Transmission Line	2
3	<b>Class Total</b>	<b>41</b>
	Distribution Main	6
	Gathering Line	3
	Meter Installation	14
	Service Line	6
	Transmission Line	12

**Delta Natural Gas Company, Inc.****Leaks Reported All Branches for the Year through 12/31/20****Total = 240**

Leak Class	Facility Classification	Total
<b>1</b>	<b>Class Total</b>	<b>131</b>
	Distribution Main	43
	Meter Installation	11
	Regulator Station	1
	Service Line	75
	Transmission Line	1
<b>2</b>	<b>Class Total</b>	<b>82</b>
	Distribution Main	36
	Meter Installation	17
	Service Line	29
<b>3</b>	<b>Class Total</b>	<b>27</b>
	Distribution Main	6
	Meter Installation	14
	Service Line	6
	Transmission Line	1

# Delta Natural Gas Company, Inc.

## Leaks Reported Transmission and Gathering for the Year through 12/31/20

**Total = 17**

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>3</b>
	Gathering Line	1
	Transmission Line	2
3	<b>Class Total</b>	<b>14</b>
	Gathering Line	3
	Transmission Line	11

# Delta Natural Gas Company, Inc.

## Repaired Leaks All Branches, Transmission and Gathering for the Year through 12/31/20

**Total = 316**

Leak Class	Facility Classification	Total
1	<b>Class Total</b>	<b>131</b>
	Distribution Main	43
	Meter Installation	11
	Regulator Station	1
	Service Line	75
	Transmission Line	1
2	<b>Class Total</b>	<b>103</b>
	Distribution Main	50
	Gathering Line	1
	Meter Installation	18
	Service Line	31
	Transmission Line	3
3	<b>Class Total</b>	<b>82</b>
	Distribution Main	29
	Gathering Line	3
	Meter Installation	28
	Regulator Station	1
	Service Line	12
Transmission Line	9	

# Delta Natural Gas Company, Inc.

## Repaired Leaks All Branches for the Year through 12/31/20

**Total = 301**

Leak Class	Facility Classification	Total
<b>1</b>	<b>Class Total</b>	<b>131</b>
	Distribution Main	43
	Meter Installation	11
	Regulator Station	1
	Service Line	75
	Transmission Line	1
<b>2</b>	<b>Class Total</b>	<b>100</b>
	Distribution Main	50
	Meter Installation	18
	Service Line	31
	Transmission Line	1
<b>3</b>	<b>Class Total</b>	<b>70</b>
	Distribution Main	29
	Meter Installation	28
	Regulator Station	1
	Service Line	12

# Delta Natural Gas Company, Inc.

## Repaired Leaks Transmission and Gathering for the Year through 12/31/20

**Total = 15**

Leak Class	Facility Classification	Total
2	<b>Class Total</b>	<b>3</b>
	Gathering Line	1
	Transmission Line	2
3	<b>Class Total</b>	<b>12</b>
	Gathering Line	3
	Transmission Line	9

# Delta Natural Gas Company, Inc.

## Unrepaired Leaks All Branches, Transmission and Gathering as of 12/31/20

**Total = 9**

Leak Class	Facility Classification	Total
2		<b>Class Total 1</b>
	Distribution Main	<b>1</b>
3		<b>Class Total 8</b>
	Distribution Main	<b>5</b>
	Transmission Line	<b>3</b>



# Delta Natural Gas Company, Inc.

## Unrepaired Leaks All Branches as of 12/31/20

**Total = 7**

Leak Class	Facility Classification		Total
2		<b>Class Total</b>	<b>1</b>
	Distribution Main		1
3		<b>Class Total</b>	<b>6</b>
	Distribution Main		5
	Transmission Line		1

# Delta Natural Gas Company, Inc.

## Unrepaired Leaks Transmission and Gathering as of 12/31/20

**Total = 2**

Leak Class	Facility Classification	Class Total	Total
3		Class Total	2
	Transmission Line		2

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32. **Conclusions from Leak and Damage Reports per OAG 1-39.** Delta provided certain monthly leak reports for the months December 31, 2020 through June 30, 2021 in response to OAG 1-39(g) and provided damage reports from 2017 to 2021 (filed with the Commission) in response to OAG 1-39(h). Address the following:

- a. Based on the monthly leak reports and damage reports provided (plus leak and damage reports for months of prior years as applicable), use this data to explain and conclude how service quality and safety has improved or changed due to accelerated pipeline replacement programs (and all other programs implemented and intended to improve service quality, safety, and lead to reductions in leaks). Explain to what degree Delta believes service quality and safety has improved over the years due to accelerated pipeline replacement programs, and explain if this improvement has been significant, moderate, flat, decreased significantly, or decreased moderately. Provide copies of all documentation to support Delta's conclusion (including other leak report and damage reports from prior years, or summaries of this data), and explain how this information supports Delta's conclusion.
- b. Based on the monthly leak reports and damage reports provided (plus leak and damage reports for months of prior years as applicable), use this data to explain and conclude how the number of reported leaks has improved or changed, how the number of leaks repaired has increased or changed, how the number of Grade 1 leak reports have decreased or changed, how the number of Grade 1 leak repairs have decreased or changed (provide this information for all Grades of leaks). Explain to what degree Delta believes the number of reported leaks and repaired leaks have improved or changed over the years due to accelerated pipeline replacement programs, and explain if Delta believes this improvement has been significant, moderate, flat, decreased significantly, or decreased moderately. Provide copies of all documentation to support Delta's conclusion (including other leak report and damage reports from prior years, or summaries of this data), and explain how this information supports Delta's conclusion.
- c. Explain all other mitigating factors and conditions that have limited or impacted the degree improvement in safety, service quality, changes in number of leaks reported, and changes in leaks repaired.

Response:

- a. Please see the attachment. In addition to the pipe replacement program, Delta has implemented several other programs to reduce the number of system leaks and simultaneously improve the service quality and safety of the operation of its pipeline systems. Such programs include Delta's Public Awareness Program, Damage Prevention Program and both Distribution

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and Transmission Integrity Programs. The successful implementation of these programs to replace piping and spread awareness about safe excavation activities, has resulted in a decrease of 42% in the total number of annual reported leaks and a 51% decrease in the number of excavation damages, over the previous five years. This is a significant improvement in the service quality and safety of the operation of pipelines.

b. See the attachment provided in response to subpart a. With the implementation of the programs as referenced in subpart a above, there has been a significant overall improvement in the annual number of system leaks for the five previous years as detailed below.

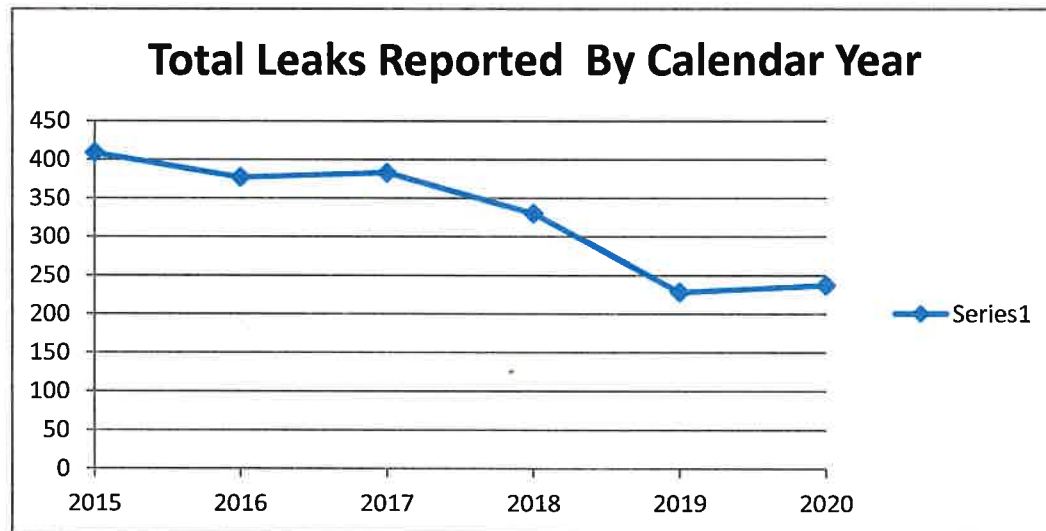
- **Total Leaks Reported Per Calendar Year** – 42% reduction between 2015 and 2020.
- **Total Class I (Hazardous Leaks) reported and immediately repaired per calendar year** – 46% reduction between 2015 and 2020.
- **Total Leaks Repaired Per Calendar Year** – As a direct result of the 42% decrease in the total reported leaks, there has been a 26% reduction in the number of required repairs between 2015 and 2020.
- **Total Unrepaired Leaks At The End Of The Calendar Year** – There has been an 86% reduction in the number of unrepaired leaks at the end of the calendar year.

c. Other mitigating factors and conditions that have impacted the observed significant improvement in reducing the number of system leaks and thus positively impacting the service quality and safety of the operating pipeline systems may include:

1. The implementation of Delta's Distribution and Transmission Integrity Management Programs, in conjunction with the implementation of Delta's enhanced leak reporting program that subdivides the major leak categories into specific causes, results in providing Delta the ability to monitor and track the specific causes for any increasing trends. This also allows for mitigation of the causes accordingly.
2. In conjunction with the accelerated pipe replacement program, all replaced service lines are equipped with an excess flow valve in accordance with Part 192.383 and enhances the safety of the service line in the event of a service line break or equipment malfunction.
3. Delta has a 24-hour SCADA system in place in order to continuously monitor system pressures. This helps provide assurance of the ability to respond to any abnormal condition as quickly as possible, thus reducing the possibility of a reportable incident or customer outage.

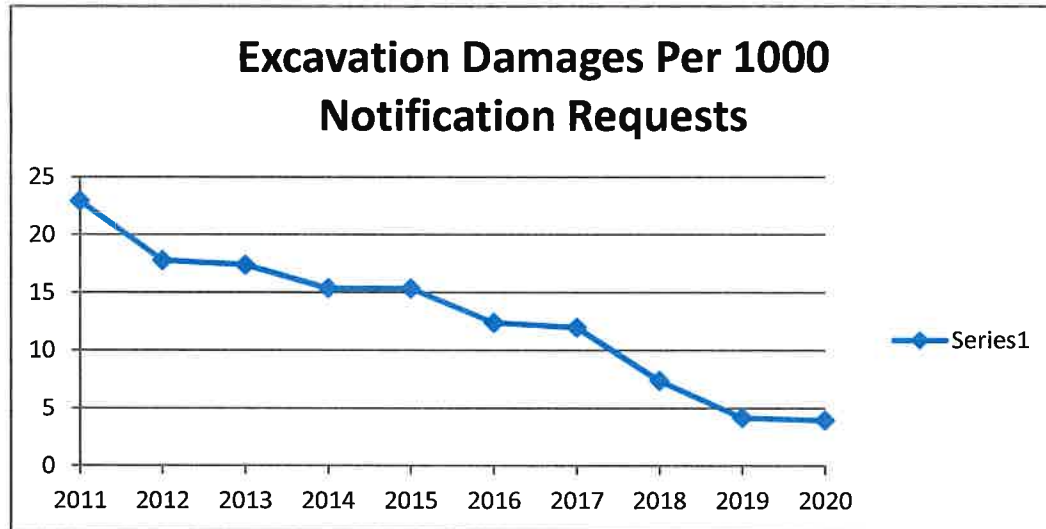
Sponsoring Witness: Jonathan Morpew

<b>Year</b>	<b>Total Leaks Reported</b>
2015	409
2016	377
2017	383
2018	330
2019	228
2020	237



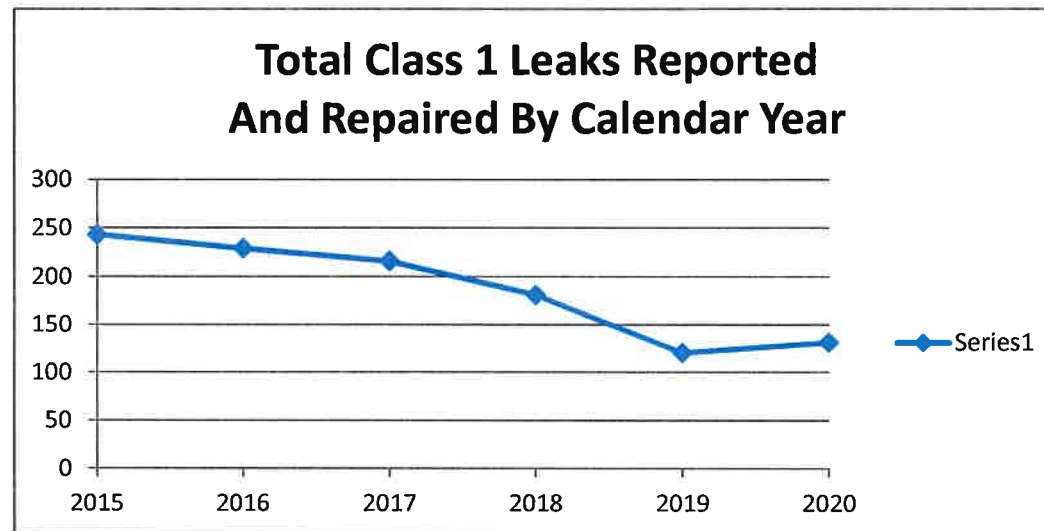
Reflects a 42.1% reduction in the number of total leaks between 2015 and 2020.

Year	Performance Measure	Request Rec'd (000)	Excavation Damages
2011	22.9378033	9.068	208
2012	17.7945302	11.408	203
2013	17.3995845	11.552	201
2014	15.3771447	12.356	190
2015	15.3604076	13.346	205
2016	12.3910939	15.495	192
2017	11.9667014	15.376	184
2018	7.37607116	18.438	136
2019	4.16739017	23.036	96
2020	3.94670001	25.591	101



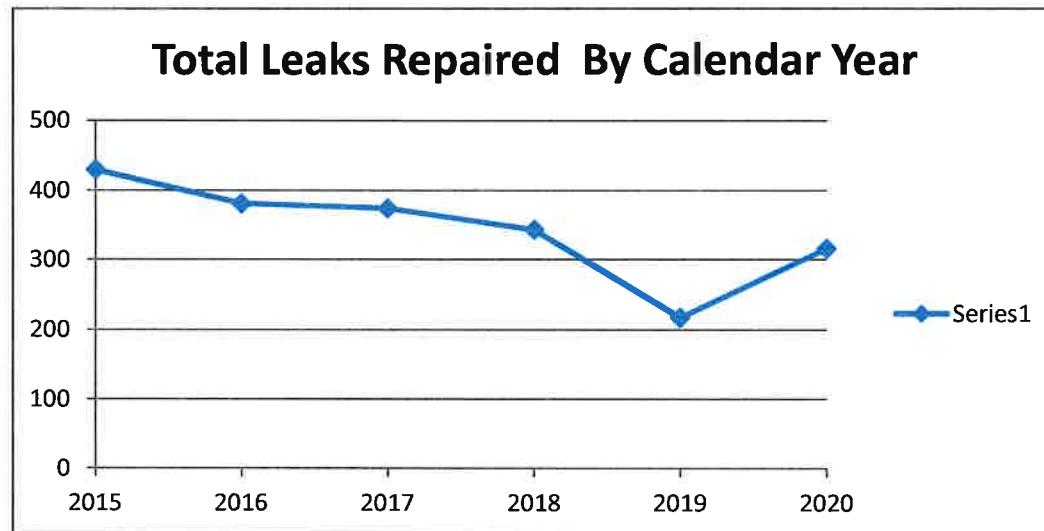
Reflects a 51.4% reduction in the total annual number of excavation damage between 2011 and 2020.

Year	Total Class 1 Leaks Reported/Repaired
2015	243
2016	229
2017	216
2018	181
2019	120
2020	131



Reflects a 46.1% reduction in Class 1 (Hazardous) leaks reported and repaired between 2015 and 2020.

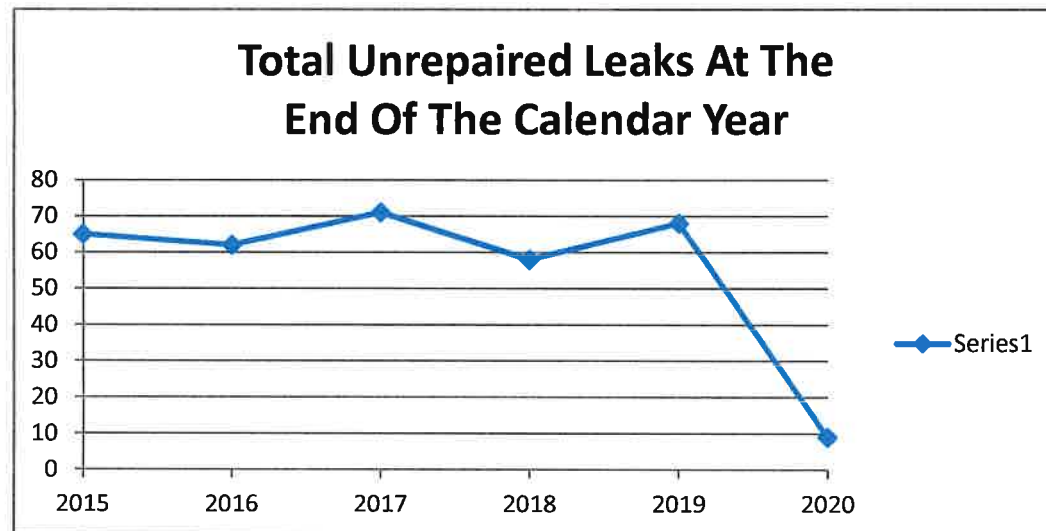
Year	Total Leaks Repaired
2015	430
2016	381
2017	374
2018	343
2019	217
2020	316



As a direct result of the 42.1% decrease in the number of reported leaks, there has been a 26.5% reduction in required repairs between 2015 and 2020.



<b>Year</b>	<b>Total Leaks Unrepaired</b>
2015	65
2016	62
2017	71
2018	58
2019	68
2020	9



Reflect an 86.2% reduction in the number of unrepaired leaks at the end of the calendar year.

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33. **Compensation Study Information.** OAG 1-41(a) asked Delta to provide a copy of all current compensation studies that Witness Packer relied upon to determine the Company compensates employees at or above the 50<sup>th</sup> percentile market level and that the Company's total compensation policy is competitive with the market, and Delta's response refers to its answer to OAG 1-95(c) which includes Confidential information that Delta refers to as a "competitive market report" (as of November 2020). Address the following:

- a. Explain if the compensation shown at the market report includes all employee base level compensation, plus all short-term incentives and long-term incentives, plus other bonuses or awards, and explain which compensation components are included and excluded in this compensation and explain why.
- b. Explain the time period measured for the compensation in the market report, explain if this was compensation levels at November 2020 or some prior period, and identify that period.
- c. Delta's response to OAG 1-41(a) states that the November 2020 market report analyzed the 50<sup>th</sup> percentile market for each employee and job title, but the number of lines number (employees) at this market report is 138, and at December 2020 there were 156.5 full-time employees (Staff 1-36 headcount reports). Explain or reconcile the differences in headcount or explain if all positions were not reviewed and explain why.
- d. OAG 1-41(a) and (b) requests all compensation studies (and citations to pages in those studies) that Witness Parker relied upon to determine the Company compensates at or above the 50<sup>th</sup> percentile, and the Company refers to the market report provided at Confidential OAG 1-95(a). Also, Delta's response to PSC 2-41 states that Delta utilizes data from various market sources (Willis Towers Watson, Salary.com, Economic Research Institute, AGA, and others). Please confirm that although OAG 1-41(a) requested copies of all compensation studies relied upon by Witness Parker, Delta has not provided the underlying compensation studies and data relied upon in the market report provided in OAG 1-95(a) per OAG's request.
- e. Regarding the market report provided at OAG 1-95(a), explain which specific sources and data were used for the 50<sup>th</sup> percentile market compensation levels and studies for each of the market benchmarked positions.
- f. Delta's response to OAG 1-41(c) refers to Delta's response to PSC 2-41, but please confirm that none of the Delta responses provided the OAG requested underlying information included in the compensation study that Delta relied upon, such as: i) the market and peer companies in the study; ii) geographic location of these peer

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companies and related benchmarked market positions; and iii) other financial and other operating information used to identify peer companies comparable to Delta.

Response:

a. Yes. Essential Utilities and Delta reviews every element of the compensation in the market including base pay, short-term incentives and long-term incentives when benchmarking the pay to the market data. This is the standard approach used by compensation departments and consultants when evaluating the compensation packages of employees.

b. Market data is released by the compensation vendors, such as Willis Towers Watson, annually in September and October. Companies use this data to set their salary ranges, determine their merit increase budgets, and determine the competitiveness of employees' compensation packages. The data used in this study was from the reports provided by the survey vendors as of September 1, 2020. The reason that data is provided once a year is because most companies only adjust compensation once a year. We used this data throughout the fall of 2020 to realign our competitive packages with PKY employees transitioning to the new programs as of 1/1/2021 and Delta employees transitioning as of 5/1/2021.

c. The report supplied in OAG 1-95(c) was meant to be illustrative of the methodology used in evaluating employee compensation. Please see the attachment, which includes, for the full employee population, each survey considered in establishing compensation. Essential Utilities and Delta does review all employees annually against the market. The attachment is confidential and is being provided pursuant to a petition for confidential protection. Also see the response to PSC 3-22.

d. Delta has repeatedly stated that it did not employ a third-party to perform a compensation study, nor is there is a requirement that it do so. Instead, Essential Utilities' Compensation Director accesses the survey databases to perform the work, the result of which has been provided on a position-by-position basis with the specific survey and vendor identified for each position. Essential Utilities pays to access these databases and is prohibited by contract from providing open access to the databases to a third party. The compensation survey data provided by vendors is for internal company use in determining wages, and Essential Utilities executes agreements not to release this data publicly. The surveys are purchased and the results are delivered as excel files which are uploaded into the Salary.com Compensation analyst tool to evaluate and assess our pay practices. Provided below is a screen shot to show the surveys available through the tool that were analyzed. From CompAnalyst, we are able to run reports which we have provided showing which surveys were used for which positions. We use the best practice of utilizing multiple sources to assess pay competitiveness.

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Survey Library	
Search Surveys	Browse Surveys by Vendor
<b>Surveys by Vendor</b>	<b>Surveys</b>
	Expand All   Collapse All
<input checked="" type="checkbox"/> American Water Works Association (AWWA)	1
> AWWA Compensation Survey (AWWACS)	
<input checked="" type="checkbox"/> Salary.com (Salary.com)	1
> CompAnalyst United States (salaryca/USA)	
<input checked="" type="checkbox"/> Wills Towers Watson (TW)	5
> American Gas Association Compensation Survey (TWAGA)	
> Energy Services Executive Compensation Survey - U.S (TWESXE)	
> Energy Services MMPS Compensation Survey - US (TWESMMPS)	
> General Industry Executive (TWGIEXE)	
> General Industry MMPS Compensation Survey - US (TWGIMMPS)	

e. See the attachment to subpart c, which provides the specific survey and position that was used to determine the 50th percentile market compensation levels for each of the market benchmarked positions.

f. Delta does not confirm that it has not provided underlying information. In addition, listed below is the promotional information on the surveys that we participate in. The Energy Services Survey uses information from over 150 different companies across the United States. They provide market compensation data back to us using several different “cuts”. The survey company is unable by law to provide specifically detailed compensation information by company name as this would be a violation of the Sherman Anti-trust Act. In 2016, the Antitrust Division of the Department of Justice released a guideline for human resources professionals:

*“Sharing information with competitors about terms and conditions of employment can also run afoul of the antitrust laws. Even if an individual does not agree explicitly to fix compensation or other terms of employment, exchanging competitively sensitive information could serve as evidence of an implicit illegal agreement. While agreements to share information are not per se illegal and therefore not prosecuted criminally, they may be subject to civil antitrust liability when they have, or are likely to have, an anticompetitive effect. Even without an express or implicit agreement on terms of compensation among firms, evidence of periodic exchange of current wage information in an industry with few employers could establish an antitrust violation because, for example, the data exchange has decreased or is likely to decrease compensation.”*

The methodology used is to select the appropriate data using our company’s revenue size (if available) or general overall average of all participant data if needed. As an example, we have provided a screen shot of the data and cuts provided by Wills Towers Watson for the Supervisor Gas Operations position. This allows us to see the number of companies and the number of

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incumbents matched to that position. We then apply a geographic differential of (-10%) to this data which we obtain from the Economic Research Institute. Essential Utilities has four different geographic differentials that are used depending on the location of the operations: 90%, 95%, 100% and 105%. Kentucky falls closest to the 9th percentile, so that is the differential applied to the KY employee market data.

The screenshot shows a web interface for adding survey cuts. At the top, there are search filters for 'E00050-M1', 'All scopes', 'All(1)', 'Most Recent', '1 Family', '1 Level', 'All', and 'All'. Below this is a table of job listings and available survey cuts.

JOB	AVAILABLE CUTS	EFFECTIVE DATE	BASE DED	BASE INC	10TH	50TH	75TH	90TH	95TH	100TH	AVG
Energy Delivery/Distribution - Gas Distribution Construction and/or Maintenance - Supervisor (Supervisory/Management) (E00050-M1)	Revenue: \$1Billion To \$3Billion	1 Apr 2019	5	182	84.1	92.2	106.8	94.8			
Wills Tower Watson : Energy Services MNPS Compensation Survey - US	Industry Group: Energy Services And Utilities	1 Apr 2019	29	1477	95.6	102.9	108.3	102.2			
	Organization Unit: Corporate	1 Apr 2019	12	311	98.0	107.8	109.6	105.3			
	Revenue: Less Than \$1Billion	1 Apr 2019	6	96	92.2	107.3	118.1	104.4			
	Total Sample	1 Apr 2019	31	1488	94.8	102.9	108.9	102.3			
	Nuclear/Nonnuclear/Nonnuclear	1 Apr 2019	31	1488	94.8	102.9	108.9	102.3			
	Sub Region: Middle Atlantic States	1 Apr 2019	7	348	106.8	108.7	110.3	104.7			
	Region: Southeast	1 Apr 2019	5	168	90.4	94.2	100.3	95.1			
	Organization Unit: Noncorporate	1 Apr 2019	21	1093	91.5	102.3	107.2	99.8			
	Region: North Central	1 Apr 2019	11	434	88.5	97.3	102.3	96.9			
	Region: Northeast	1 Apr 2019	10	493	101.3	106.2	108.3	103.3			
	Region: South Central	1 Apr 2019	6	132	86.3	96.8	103.3	95.0			
	Region: West Coast	1 Apr 2019	6	261	106.8	109.0	122.2	113.8			
	Sub Region: Great Lakes States	1 Apr 2019	8	336	92.4	98.5	108.1	100.6			
	Sub Region: Middle Southeast States	1 Apr 2019	5	120	88.1	94.2	100.3	94.2			
	Sub Region: New England States	1 Apr 2019	5	145	97.8	104.7	105.3	102.2			
	Sub Region: South Central States	1 Apr 2019	5	120	83.4	88.8	101.6	91.8			
	Revenue: Greater Than \$6Billion	1 Apr 2019	17	1178	97.8	102.9	108.7	104.1			
	State: Massachusetts	1 Apr 2019	5	50	93.9	105.1	105.6	100.8			

Sponsoring Witness: William C. Packer

**ATTACHMENT TO DELTA\_R\_AGDR2\_NUM33c 090821  
FILED UNDER SEAL PURSUANT TO THE PETITION FOR  
CONFIDENTIAL TREATMENT FILED ON  
SEPTEMBER 8, 2021**

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34. **Fully Distributed Cost.** Provide Delta's detailed explanation of "Fully Distributed Cost", and identify all types of costs included in "Fully Distributed Cost" as that term is used in Delta's response to OAG 1-44(b) Utility Services Agreement. Provide an illustrated calculation of this cost for a certain service, and explain if it includes a ROR, profit margin, or other market for either (or both) operating expenses and capital costs allocated to Delta from other affiliates (and explain how this component is calculated in the costs that are allocated).

Response:

As operationalized by the Utility Service Agreement, the term "Fully Distributed Cost" refers to actual labor expenses and other operation and maintenance expenses incurred, including normal burdens (benefits, etc.). Fully Distributed Cost does not include rate of return, profit margins, or market-determined costs. See also the Cost Allocation Manual in Notice of Filing submitted to the Commission in this proceeding on June 1, 2021.

Sponsoring Witness: William C. Packer

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35. **Affiliate Cost – OAG 1-46.** Please address the following regarding Delta’s response to OAG 1-46(a), Attachment “Attachment to AG 1-46 – OAG \_Attachment\_3\_-\_Expensed\_and\_Capitalized\_Amounts\_Allocated\_to\_Delta\_and\_PKY”, that shows allocated expenses and capital costs from PNG and Essential to Delta and PKY for periods 2017 through Base Period and Forecasted Period.

- a. OAG 1-46 requested all information at this data request for the calendar years 2017 to 2020, plus the Base Period and Forecasted Period. However, Delta’s workpapers “Attachment to AG 1-46 – 1300 Essential Allocations.xls” to PKY and “Attachment to AG 1-46 – 1600 Essential Allocations.xls” to Delta only provide monthly data for the period April 2020 to March 2021. Provide this same information for the calendar years 2017 to 2020, plus the Base Period and Forecasted Period.
- b. Explain why expenses allocated from PNG to Delta decreased from \$62,323 in 2019 to \$50,790 in 2020, but then increased to \$86,622 for the Base and Forecasted Periods, provide supporting documents and calculations (identify significant changes in costs by account number and a description of the service and why the cost changed). In all cases, identify other offsetting savings or reductions in other expenses that offset the increases in allocated expenses (if applicable). Explain why these changes in expenses are reasonable and recurring, and identify all nonrecurring or one-time costs in the 2020 and Base Period expense amounts by account and description of cost.
- c. Explain why expenses allocated from PNG to PKY decreased from \$272,238 in 2017 to \$227,739 in 2018, but then increased to \$240,423 in 2019, and then decreased to \$207,854 in 2020, and then decreased to \$186,038 for the Base and Forecasted periods, provide supporting documents and calculations (identify significant changes in costs by account number and a description of the service and why the cost changed). In all cases, identify other offsetting savings or reductions in other expenses that offset the increases in allocated expenses (if applicable). Explain why these changes in expenses are reasonable and recurring, and identify all nonrecurring or one-time costs in the 2020 and Base Period expense amounts by account and description of cost.
- d. Explain why expenses allocated from Essential to Delta increased from \$489,244 in 2020 to \$1,107,763 in the Base and Forecasted Periods, provide supporting documents and calculations (identify significant changes in costs by account number and a description of the service and why the cost changed). In all cases, identify other offsetting savings or reductions in other expenses that offset the increases in allocated expenses (if applicable). Explain why these changes in



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expenses are reasonable and recurring, and identify all nonrecurring or one-time costs in the 2020 and Base Period expense amounts by account and description of cost.

- e. Expenses allocated from Essential to PKY occurred for the first time in 2020 with amounts of \$34,295, which is also used as the expenses level in the Base and Forecasted Periods, Identify all nonrecurring or one-time costs in the 2020 and Base Period expense amounts by account and description of cost.
- f. Regarding (b) and (c) above, explain all changes in expenses allocated from PNG and Essential to Delta and PKY from 2018 to 2019, 2019 to 2020, and 2020 to the Base Period that are related to changes in the types of services (changes in existing services and providing new services) provided by PNG and Essential to Delta and PKY. Identify these specific services and their costs, and explain why it is important to provide these services to Delta and PKY (especially if they were not provided in the past). Provide all supporting documentation and calculations.
- g. Regarding (b) and (c) above, explain all changes in expenses allocated from PNG and Essential to Delta and PKY from 2018 to 2019, 2019 to 2020, and 2020 to the Base Period that are related to changes in the allocation formulas or type of costs that are pooled and provided by PNG and Essential to Delta and PKY. Provide a calculation of the allocation of costs under the prior allocation formula compared to the current allocation formula, and explain why this change in allocation formula is reasonable. Provide all supporting documentation and calculations.
- h. Regarding (g) above, provide the same information if the change in expenses is due to increases or significant changes to the inputs to formulas, and explain the reasons for the significant changes in the inputs to the formulas.
- i. Per OAG 1-46(a) discussion of the G&A Surcharge, provide the amount of the Essential G&A surcharge allocations to Delta and PNG for all capital costs included in the Base Period and Forecasted Period of this rate case (the amount of the G&A surcharge identified can be limited to each of the major projects at Tab 19).
- j. Please clarify if the Essential G&A surcharge amount is included in expenses allocated by Essential to Delta and PKY, or if it just applies to capitalized amounts of Delta and PKY. For example, clarify if the Essential G&A surcharge amounts at “Attachment to AG 1-46 – 1300 Essential Allocations.xls” to PKY and “Attachment to AG 1-46 – 1600 Essential Allocations.xls” to Delta for April 2020 to March 2021, are included in the expense amounts allocated from Essential to Delta and PKY, or explain if these G&A surcharge amounts are included in only

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capitalized amounts allocated from Essential to Delta and PKY (for amounts only reflected in capital balances on the books of Delta and PKY for projects).

- k. Regarding (j) above, if the Essential G&A surcharge is included in expenses allocated by Essential to Delta and PKY, provide the amount of G&A charges included in expenses allocated to each of Delta and PKY for the period ending December 31, 2019, December 31, 2020, and Base Period, and reconcile to the allocated expenses at OAG 1-46(a), Attachment “Attachment to AG 1-46 – OAG Attachment\_3\_Expensed\_and\_Capitalized\_Amounts\_Allocated\_to\_Delta\_and\_PKY”.
- l. Regarding (k) above, if the Essential G&A surcharge is included in only capitalized amounts allocated by Essential to Delta and PKY, reconcile and provide the amount of G&A surcharge included in Capital Costs allocated to Delta and PKY by Essential (and PNG if applicable) for 2019, 2020, and the Base Period at OAG 1-46(a), Attachment “Attachment to AG 1-46 – OAG Attachment\_3\_Expensed\_and\_Capitalized\_Amounts\_Allocated\_to\_Delta\_and\_PKY”. Given that the above Excel Spreadsheet does not show any Capital Costs allocated from Essential to Delta and PNG, then explain how the Essential G&A surcharge is applied to capital projects for Delta and PNG.
- m. Regarding (j) above, provide detailed calculations for the Essential G&A surcharge amount allocated to Delta and PKY for the April 2020 to March 2021 amount of \$8.9 m for General Accounting, \$10.9 m for Executive, \$5.6 m for Human Resources, and \$8.1 m for Budgets and Financial Strategy (for 1300 PKY) and the same services for 1600 Delta (and including the additional services of Community Relations, and Legal). Explain and show the G&A surcharge formula components, all inputs, and the related calculation of these G&A surcharge amounts.
- n. Regarding (j) and (l) above, show how this amount of \$46 m for April 2020 to March 2021 (for the Essential G&A surcharge) are included in each of the Base Period and Forecasted capital projects for Delta and PKY. In addition, provide all other projected and actual Essential G&A amounts that have been included in Base Period and Forecasted capital projects (capex) in this rate case. Explain and show the G&A surcharge formula components, all inputs, and the related calculation of these G&A surcharge amounts.
- o. Regarding “Attachment to AG-1-46 - 1600 Essential Allocations, explain why there are no allocated costs for many of the months April 2020 to September 2020, and then a significant increase in December 2020 amount, and then a significant reduction in monthly amounts from January to March 2021, provide supporting documentation and calculations.

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- p. Explain and provide all precedent for the G&A surcharge being applied to capital projects of Delta and PKY, and identify other utility companies that have a similar surcharge (and provide documentation comparing the Essential surcharge to that used by other utility companies).
- q. Explain and show how the G&A surcharge is a reasonable proxy for actual services provided by Essential that are directly related to costs that are necessary and reasonable to include in specific capital projects of Delta and PKY.

Response:

A:

There is no data to provide for Essential Allocations for the years 2017, 2018, 2019, and the months of January – March 2020 as Essential Utilities did not acquire PNG and Delta until March 2020. As such, allocations from Essential did not begin until April 2020. See files “Attachment to AG 2-35 - 1300 Essential Allocations Updated.xlsx” and “Attachment to AG 2-35 - 1600 Essential Allocations Updated.xlsx” which now include the totals for 2020, Base Period, and Forecasted Period for all Essential Allocations.

B:

The expenses allocated from PNG to Delta decreased from \$62,323 in 2019 to \$50,790 in 2020, but the total costs allocated (expense and capitalized) increased from 2019 to 2020 from \$113,472 to \$435,725. This overall increase was mainly driven by increased IT project costs, including the Delta Customer Billing & Receivables SAP module implementation and other software implementations that were directly charged to Delta and capitalized. See further detail in part F regarding the capital charges. For the expense that decreased from \$62,323 in 2019 to \$50,790 in 2020, this is in line with overall allocations from PNG to affiliates decreasing from \$55.7 Million in 2019 to \$51.6 Million in 2020 (7% decrease). See file “Attachment to AG 2-35 - PNG Allocations by Service by Company by Month and Year.xlsx” showing the overall decrease.

The expenses allocated from PNG to Delta increased \$86,622 for the Base and Forecasted periods due to receiving allocated amounts for the following new services: Billing Services, Customer Relations Services, and Executive Services in 2021. These allocated amounts in January – March 2021 of the Base Period are then projected into the months April – August 2021 (September 2020 – March 2021 / 7 \*5). These services were not provided to Delta in 2019 or 2020. See file “Attachment to AG 2-35 - 1600 PNG Allocations.xlsx” for calculations. The changes in expenses are reasonable and recurring.

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The amounts allocated in 2021 are more generally reflective of the allocations to be received in 2022 than the historical 2020 data. To achieve operational efficiencies, PNG is providing increased services related to Delta's SAP Customer Relationship and Billing System, implemented in January 2021. With the continued harmonization of human resources policy, benefits, and compensation of Delta with the Essential organization, increased services in those areas will be provided by Essential in 2021 compared to 2020. In addition, due to Delta's Director-Treasury (Denisa King) retirement in October 2020, PNG/Essential completed the transition of handling Delta's customer assistance programs, insurance, and most treasury functions by January 2021.

The average monthly allocation from PNG/Essential year-to-date July 2021 has been \$117,674, or \$1,412,090 annualized. This recent experience indicates that the Test Period estimate of \$1,107,763 for 2022 corporate allocations is understated by \$304,326.

C:

Expenses allocated from PNG to PKY decreased from \$272,238 in 2017 to \$227,739 in 2018 due to service company structural changes from 2017 to 2018. In 2017, Peoples Service Company allocations to PKY were 1.3% of the total allocations to all PNG affiliates. In 2018, PNG Cos LLC (restructured service company with greater number of employees and costs being allocated) allocations to PKY were 0.42% of the total allocations to all PNG affiliates. This change in the percentage of allocated costs is not materially different considering the total costs allocated among all PNG subsidiaries.

In 2019, total costs allocated from PNG to all subsidiaries was \$55.7 Million, with PKY receiving \$242,878 expense and capital (0.44% of the total). This change in the percentage of allocated costs from 2018 is not materially different considering the total costs allocated among all PNG subsidiaries.

In 2020, total costs allocated from PNG to all subsidiaries were \$51.6 Million, with PKY receiving \$210,062 expense and capital (0.41% of the total). This change in the percentage of allocated costs from 2019 is not materially different considering the total costs allocated among all PNG subsidiaries.

For the Base Period and Forecasted Period, total amounts expected to be allocated from PNG to all subsidiaries were \$51.4 Million, with PKY receiving \$188,099 (0.36% of the total). This change in the percentage of allocated costs from 2020 is not materially different considering the total costs allocated among all PNG subsidiaries.

D:

Please see the response to subpart b. The increase is primarily due to Essential allocations not starting until April 2020 as Essential did not acquire PNG and Delta until March 2020.

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Expenses allocated from Essential to Delta increased from \$489,244 in 2020 to \$1,107,763 in the Base and Forecasted Periods due to 2020 only including 8 months of allocations from Essential as well as due to the nature of how the Base Period and Forecasted Period were calculated.

2020 only included allocations from April through December (8 months actual) compared to a full 12 months projected for the Base Period and Forecasted Period. The Base Period and Forecasted Period was projected using 7 months of actual allocations (September 2020-March 2021) and adding 5 months of projected allocations (the sum of September 2020 – March 2021 divided by 7 multiplied by 5).

When annualizing April – December 2020 actual allocations (sum of April – December 2020 divided by 8 multiplied by 12, the result is \$733,866, which is more comparable to the Base Period and Forecasted Period. Also, Delta began receiving allocations for most services in October 2020, which increases the Base Period and Forecasted Period compared to 2020 due to projecting April – August 2021 based on the 7 months of actuals. See file “Attachment to AG 2-35 - 1600 Essential Allocations Updated.xlsx” for calculations.

E:

There were no non-recurring or one-time costs in 2020 or in the projected base period for PKY.

F:

As described in the responses to B and C, allocations from PNG to PKY did not materially fluctuate from 2018 to 2019 to 2020 and to the Base Period as the amounts allocated were approximately 1% or less each year of the total amounts allocated by PNG to its affiliates. Regarding Essential allocations to PKY, approximately \$34 thousand actual in 2020 and the Base Period and Forecasted Period projected amounts of \$34 thousand projected are comparable.

Allocations from PNG to Delta increased from \$113,472 in 2019 to \$435,725 in 2020 mainly due to increased IT project costs, which were allocated directly to Delta and capitalized (no other PNG affiliate received an allocation for these projects as they were Delta specific projects). The main project which was directly allocated to Delta and accounted for the majority of the capitalized costs was the Customer Billing & Receivables SAP module implementation (project SW.DELTA.CRB.2) in addition to other software implementations. See file “Attachment to AG 2-35 - PNG Allocations to Delta Capital Items.xlsx” showing the capital projects by year and amount. The allocated expense amounts on Delta (not considering the capital items) are consistent from month to month demonstrating this. See file “Attachment to AG 2-35 - 1600 PNG Allocations Updated.xlsx.” These services are important to provide to Delta in order to enhance the enterprise resource systems and bring efficiencies from software applications.

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Allocations in the Base Period increased due to new services being provided to Delta in 2021 including Billing Services, Customer Relations Services, and Executive Services. These services are important to provide to Delta to increase customer support and administer the low income customer assistance program and provide executive support services. The Executive Services increases was due to the acquisition by Essential and all companies under PNG received these services/allocations in order to support the additional requirements under a publicly traded company. Regarding Essential allocations to Delta, as described in D, expenses allocated from Essential to Delta increased from \$489,244 in 2020 to \$1,107,763 in the Base and Forecasted Periods due to 2020 only including 8 months of allocations from Essential as well as due to the nature of how the Base Period and Forecasted Period were calculated. (Essential acquired PNG/Delta in March 2020, and allocations began in April 2020). Additionally, Delta began receiving allocations for most services in October 2020, which increases the Base Period and Forecasted Period compared to 2020 due to projecting April – August 2021 based on the 7 months of actuals.

G:

As described in the responses above, the expenses allocated to PKY by both PNG and Essential did not materially change from year to year. There were no materially significant change in services, allocation formulas, or types of costs.

The expenses allocated to Delta from PNG changed as a result of increased support services for IT projects (mostly capitalized), Customer Billing and Relations, and Executive Support to improve the overall business operations as described above.

The allocation methodologies for all services (from PNG and Essential) did not change from year to year. Each year, the various statistics that drive the allocation of service costs for PNG affiliates are updated based on the various allocation basis for each service.

H:

As described in Response F, increased IT project costs, which were allocated directly to Delta and capitalized accounted for the increased allocations in 2020.

New services provided in 2021 such as Billing Services, Customer Relations Services, and Executive Services, accounted for the increased allocations in 2021. The majority of the Billing Services allocations were capitalized as part of the Customer Billing & Receivables SAP module implementation (project SW.DELTA.CRB.2). See file “Attachment to AG 2-35 - PNG Allocations to Delta Capital Items.xlsx” showing the capital projects by year and amount.

For the new allocations for Billing Services, Customer Relations Services, and Executive Services, the underling inputs that changed were that Delta portion of the statistics that drive to allocation

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of the total PNG costs of these services were now being included in the allocation methods they were not previously.

For example, in January 2021, Delta began receiving a 12.54% share of the Billing Services allocation due to newly being included in the overall PNG allocation. See file “Attachment to AG 2-35 - BILL.ALLOC2 PERCENTAGE ALLOCATION.xlsx” for the calculation of the percentage.

Also, in January 2021, Delta began receiving a 1.25% share of the Customer Relations Services allocation due to their Residential customer count being included in the overall PNG allocation. See file “Attachment to AG 2-35 - CUSTRELAT.ALLOC2 PERCENTAGE ALLOCATION” for the calculation of the percentage. The increase was due to two employees providing customer support and administering the low-income customer assistance program.

Finally, in January 2021, Delta began receiving a roughly 1.33% share of the Executive Services allocation due to their O&M less purchased gas expense; capex being included in the overall PNG allocation. See file “Attachment to AG 2-35 - EXECUTIVE.ALLOC1 PERCENTAGE ALLOCATION” for the calculation of the percentage. The increases were due to the acquisition by Essential and all companies under PNG received these services in order to support the additional requirements under a publicly traded company.

I:

There are no G&A Surcharge amounts allocated from Essential/PNG to Delta or PKY. The allocated expenses from Essential/PNG to Delta and PKY along with Delta’s and PKY’s regular expenses (non-allocated expenses) incurred are subject to G&A Surcharges calculated and capitalized on the Delta and PKY legal entities.

There are no G&A Surcharge amounts allocated from Essential/PNG to Delta and PKY in “Attachment to AG 1-46 – 1300 Essential Allocations.xls” to PKY and “Attachment to AG 1-46 – 1600 Essential Allocations.xls” for April 2020 to March 2021.

J:

See answer in I.

K:

See answer in I.

L:

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See answer in I.

M:

See answer in I.

N:

See answer in I.

O:

Please see the response to subpart b. Regarding “Attachment \_to\_AG-1-46\_-\_1600 Essential Allocations,” there are no allocated costs for many of the months April 2020 to September 2020 and then a significant increase in December 2020 amount, and then a significant reduction in monthly amounts from January to March 2021 because from April through September 2020, Delta was not receiving the accurate amount of allocations based on the services being received, so a one-time true up was done in December 2020. January through March 2021 reflect the accurate amount of allocations based on the services being received and are in line with October-November 2020.

See file “Attachment to AG 2-35 - 1600 Essential Allocations Updated.xlsx” showing the one-time true up booked in December and analysis showing Delta’s monthly allocations are consistently 5-6% of total Essential allocations for all PNG affiliates.

P:

See answer in I.

Q:

See answer in I.

Sponsoring Witness: William C. Packer



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36. **Affiliate Allocations OAG 1-47.** Address the following regarding Delta's response to OAG 1-47.

- a. Regarding Delta's response to OAG 1-47(c), explain why Delta began receiving significantly more IT services from PNG in 2020, identify all factors contributing to this increase in costs. Explain if this is the first year that PNG also incurred a significant increase in IT costs, and so part of the increase was allocated to Delta, or identify the year that PNG first began experiencing a significant increase in IT costs and explain why PNG did not begin allocating this increase in IT costs to Delta until 2020.
- b. Regarding (a) above, provide PNG's total IT costs for each of the calendar years 2018 to 2020 (and 2021 to date), and show the amount of IT costs allocated to each Delta, PKY, and each of the other affiliates these same calendar years/periods.
- c. Regarding Delta's response to OAG 1-47(d), explain the staffing changes with PNG that resulted in Delta receiving greater services for Budget, Financial, Strategy, and Executive services. Explain the reason for the increase in staffing, and explain the number of increased employees of PNG for each of these services.
- d. Regarding (c) above, provide PNG's total costs for Budget, Financial, Strategy and Executive services for calendar years 2018 to 2020 (and 2021 to date), and show the amount of each of these services allocated to Delta, PKY, and each of the other affiliates for each of these same calendar years/periods.

Response:

- a. See response to Item No. 35(b) and (f) for the explanation of changes in IT services.
- b. See file "Attachment to AG 2-35 - PNG Allocations by Service by Company by Month and Year.xlsx" for the requested information by month and by year.
- c. The increases were due to the acquisition by Essential and all companies under PNG received these services in order to support the additional requirements under a publicly traded company.
- d. See file "Attachment to AG 2-35 - Essential Allocations by Service by Company by Month and Year.xlsx" for the requested information by month and by year.

Sponsoring Witness: William C. Packer

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37. **Affiliate Allocations OAG 1-49 Missing Data for Various Periods.** OAG 1-49 requested all information at this data request for the calendar years 2017 to 2020, plus the Base Period and Forecasted Period. However, certain workpapers cited in the response to OAG 1-49(a) and other parts only include information for the months April 2020 to March 2021, (such as Delta's workpapers "Attachment to AG 1-46 – 1300 Essential Allocations.xls" to PKY and "Attachment to AG 1-46 – 1600 Essential Allocations.xls" to Delta). In addition, OAG has questions regarding other matters for this data request. Address the following:

- a. Provide all information requested at OAG 1-49 for the calendar years 2017 to 2020, plus the Base Period and Forecasted Period, when that time period specifically applies.
- b. Excel Attachment "Attachment to AG 1-47-2020 Allocation Factors – 2019 YE Data Final" appears to have various problems.

Response:

- a. See response for AGDR2\_NUM035\_09082135 A for explanation.
- b. The question appears to be a duplicate statement also found in the first paragraph of AG 2-38, the next question in this series. Please see the response to AG 2-38.

Sponsoring Witness: William C. Packer

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38. **Affiliate Allocations OAG 1-47 and 1-49 Excel Document Problems.** The Excel Attachment cited at OAG 1-47 and 1-49(a) “Attachment to AG 1-47-2020 Allocation Factors – 2019 YE Data\_Final” appears to have various problems.

First, the percentages for allocating costs to Delta appear for various Service Categories are not provided (red highlight covers many of these fields), for example there is no allocation percentage provided for the services of Budget and Financial Strategy, Executive, Govt. Affairs, Human Resources, and others.

Second, the allocation percentages are not provided for some services such as Legal and IT.

Third, for the allocation percentage shown in the “Delta’ field for various services, only the percentage is shown and there is no working link to other fields/workpapers (or to the “Statistics” tab with this Excel workpaper) to show this amount was calculated (and no formulas provided), although links are provided for allocation percentages for other affiliates (this is not a working Excel document showing links and formulas), and this also applies to the Excel Attachment for the 2019 Allocation Factors.

Address the following:

- a. Provide the corrected and complete information, including a working Excel document with all formulas and links intact for the Excel Attachment addressed above.

Response:

- a. The referenced file was the beginning basis file for allocation percentages to all PNG affiliates early in 2020. The Delta column contains mostly blank red cells because Delta was not expected to receive allocated costs for these various services. Later in 2020, Delta began receiving increased services and thus required updated allocations. A one-time true up was booked in December 2020 to account for these increased services. See response to Item No. 35(o) for details regarding the one-time true up.

Also, see attached Excel file for calculations for updated allocation factors to Delta beginning in October 2020.

Sponsoring Witness: William C. Packer

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39. **Affiliate Allocations OAG 1-52.** Delta's response to OAG 1-52 provides the amount and percent of services allocated by PNG to PKY, Delta, and all affiliates. For many services, Delta is allocated 1% or less of total PNG allocated costs. However, in 2021 Delta was allocated 10.30% of total IT costs of PNG, whereas as recent as 2019 Delta was only allocated 1.80% of these IT costs. Also, in 2021 Delta was allocated 7.27% of total Billing Services costs of PNG, whereas as recent as 2020 Delta was not allocated any Billing Services costs. Address the following:

- a. Explain why Delta's percent of allocated IT costs increased from 1.80% in 2019 to 10.30% in 2021 (and 10.94% in 2020).
- b. Explain the events, changes in operations, and other changes that occurred in 2020 and 2021 that resulted in Delta being allocated significantly more IT costs, and which also resulted in other affiliates that previously incurred significant IT costs to see a reduction in the allocation of IT costs. Explain if it was more events/changes that occurred for Delta that drove this change, or events/changes that occurred with other affiliates that drove this change. Provide supporting documentation and calculations.
- c. Regarding (b) above, explain how changes in allocation factor formulas (or significant changes in the inputs of allocation factor formulas) that caused the significant increase in the IT allocation percentage for Delta in 2020 and 2021. And provide and show the calculations of these factors and underlying inputs that caused this change.
- d. Explain why Delta's operations would become more IT intensive in 2020 and 2021, compared to prior years, and provide specific examples of why Delta's operations demand significantly more IT time and costs.
- e. Explain why Delta's percent of allocated Billing Services costs increased from zero in 2020 and prior years to 7.27% in 2021.
- f. Explain the events, changes in operations, and other changes that occurred in 2021 that resulted in Delta being allocated significantly more Billing Services costs, and which also resulted in other affiliates that previously incurred significant Billing Services costs to see a reduction in the allocation of these costs. Explain if it was more events/changes that occurred for Delta that drove this change, or events/changes that occurred with other affiliates that drove this change. Provide supporting documentation and calculations.

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- g. Regarding (f) above, explain how changes in allocation factor formulas (or significant changes in the inputs of allocation factor formulas) that caused the significant increase in the Billing Services allocation percentage for Delta in 2021. And provide and show the calculations of these factors and underlying inputs that caused this change.
- h. Explain why Delta's operations would become more Billing Service intensive in 2021, compared to prior years, and provide specific examples of why Delta's operations demand significantly more Billing Services time and costs.
- i. Identify all new and different types of Billing Services for Delta that have been implemented in the 2021 time frame and has caused this increase in allocation factors, and explain why other affiliates did not incur these similar new and different types of Billing Services.
- j. If Delta revenues and customer growth is stagnant or not increasing significantly, explain why this would cause an increase in Billing Services costs allocated to Delta.

Response:

a. - b.: Delta's customer billing system was replaced in January 2021. IT support to implement the change began in 2020 for system configuration and requirements for Delta and continued into 2021 for implementation, conversion and continued post conversion support which raised the total percentage of IT costs allocated to Delta.

See response to Item No. 35(b), (f), and (h) for further explanation of changes in IT services and Billing Services.

c: The Delta percentage of total IT charges reflects the increased support needed as noted in subparts a and b above for Delta's move to the new billing system. The percentage of IT costs for non-billing system support remained consistent with prior years. See file "OAG2-39\_c\_g-Attachment-Allocation Percent Calculations.xlsx" for the changes from year to year and split between expense vs. capital.

Also, see response to Item No. 35(b), (f), and (h) for explanation of changes in IT services and Billing Services.

See files "Attachment to AG 2-35 - 1600 PNG Allocations Updated.xlsx" for changes in IT Services and Billing Services and shows the calculated split between Expense and Capital. The

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increased capital charges are due to the Customer Billing & Receivables SAP module implementation, while the expense allocations remain consistent.

d: See response to Item No. 35(b), (f), and (h) for explanation of changes in IT services and Billing Services.

e: Prior to 2021, Delta maintained its own billing system and received no support from affiliates for that system. With implementation in January 2021 of the new billing system referenced in b-d above, Delta began to receive support from PNG Companies LLC for implementation, training and ongoing support in using the billing system.

See response to Item No. 35(b), (f), and (h) for explanation of changes in IT services and Billing Services.

f: Implementation and use of the new billing system referenced in the responses above generated costs to Delta from PNG Companies LLC for support that were not provided for the previous system. Please see the response to AG 1-77 regarding the benefits of the new system.

See response to Item No. 35(b), (f), and (h) for explanation of changes in IT services and Billing Services.

g: The allocation of billing services was new in 2021 in support of Delta's use of the new system referenced in the responses above. See file "OAG2-39\_c\_g-Attachment-Allocation Percent Calculations.xlsx" for the changes from year to year and split between expense vs. capital.

h: See previous answers above regarding customer billing system project.

i: See previous answers above regarding customer billing system project.

j: See previous answers above regarding customer billing system project.

Sponsoring Witness: William C. Packer

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40. **Gas Recovery Cost Mechanism.** Address the following regarding Delta's proposal to have one gas recovery tariff and eliminate the mechanism for farm tap customers.
- a. Provide a copy of both tariffs and explain if the gas cost recovery tariff and mechanism for farm tap customers is different than the mechanism for other customers, and explain all differences including underlying calculations and all other factors.
  - b. Explain if adopting the existing gas cost recovery tariff to replace the farm tap tariff will result in any change in the amount of gas costs recovered by Delta, and explain these changes and provide supporting documentation.

Response:

- a. Delta's farm tap customers are currently served under Delta's Gas Cost Recovery (GCR) rider and the former Peoples KY's farm tap customers are served under the former Peoples KY's GCR. Now that Peoples KY has been transferred to Delta, Delta is proposing to bill all farm tap customers in a non-discriminatory fashion under the same rates and same GCR. Attached are Delta's GCR and the Peoples KY's GCR, which was simply adopted by Delta when Peoples KY was transferred to Delta.
- b. No. Delta will collect the same amount of gas supply costs after the merger of the GCR as it would with separate GCR. Both GCR mechanisms are designed to provide a dollar-for-dollar recovery of gas supply costs. Specifically, both GCR mechanisms include the same four components: (i) Average Expected Gas Cost (EGC), (ii) Refund Amounts (RA) reflecting refunds from pipelines (iii) Actual Adjustment (AA), and (iv) Balance Adjustment (BA). With a merged GCR, Delta will collect its gas supply expenses, nothing more nor less. Furthermore, the combined GCR will include the same four components.

Sponsoring Witness: William Steven Seelye

CLASSIFICATION OF SERVICE  
RATE SCHEDULES

## GAS COST ADJUSTMENT CLAUSE

DETERMINATION OF GCR

The Company shall file a Quarterly Report with the Commission which shall contain an updated Gas Cost Recovery Rate (GCR) and shall be filed at least thirty (30) days prior to the beginning of each calendar quarter. The GCR shall become effective for billing with the final meter readings of the first billing cycle of each calendar quarter.

The gas cost recovery rates are comprised of:

- (1) The expected gas cost component (EGC), on a dollar per Mcf basis, which represents the average expected cost of gas supplies and may include fixed price, forward price and indexed price purchases. The purchases are less amounts injected into underground storage. The EGC includes withdrawals from underground storage at the average unit cost of working gas. The EGC includes the uncollectible gas costs portion of bad debt. In an effort to mitigate price volatility, the Company may contract with gas suppliers at fixed prices, at locked-in prices for gas to be delivered at future dates (forward price) and at index-based prices. These efforts can include the monthly or periodic layering of forward purchase volumes to help moderate the volatility of gas prices. The Company may consider published futures prices as well as price trends and price expectations at the time such decisions are made. Depending upon the circumstances, this volume can be up to the annual projected system requirements including storage needs. (T)
- (2) The supplier refund adjustment (RA), on a dollar per Mcf basis, which reflects refunds received from suppliers during the reporting period, plus interest at the average 90 day commercial paper rate for the calendar quarter. In the event of any large or unusual refunds, the Company may apply to the Public Service Commission for the right to depart from the refund procedure herein set forth. (T)
- (3) The actual adjustment (AA), on a dollar per Mcf basis, compensates for difference between the previous quarter's expected gas cost and the actual cost of gas during that quarter. (T)
- (4) The balance adjustment (BA), on a dollar per Mcf basis, which compensates for any under or over collections which have occurred as a result of prior adjustments. (T)

DATE OF ISSUE: October 27, 2020  
DATE EFFECTIVE: January 31, 2021  
ISSUED BY: John B. Brown, President



Issued by Authority of the Public Service Commission of KY in  
Case No. \_\_\_\_\_ dated \_\_\_\_\_

**KENTUCKY  
PUBLIC SERVICE COMMISSION**

**Linda C. Bridwell**  
Executive Director



EFFECTIVE

**1/31/2021**

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)



FOR All Service Areas

<u>DELTA NATURAL GAS COMPANY, INC.</u>	P.S.C. NO. <u>12</u>		
Name of Issuing Corporation	Original	SHEET NO.	<u>14</u>
	CANCELLING P.S.C. NO.		<u>11</u>
	Original	SHEET NO.	<u>14</u>

CLASSIFICATION OF SERVICE  
RATE SCHEDULES

GAS COST ADJUSTMENT CLAUSE

BILLING

The gas cost recovery rate to be applied to bills of customers shall equal the sum of the following components:

$$GCR = EGC + RA + AA + BA$$

DEFINITIONS

For purposes of this tariff:

- (T) |
- (a) "Average Expected Cost" means the cost of gas supplies, adjusted for injections/withdrawals into storage and the uncollectible gas costs portion of bad debt. Cost of gas supplies include associated transportation and storage charges, and propane which results from the application of suppliers' rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased volumes during the twelve month period ending with the reporting period to which the GCR will apply, divided by the corresponding sales volume. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments in its calculations. Any adjustments of this type shall be described in the quarterly Gas Cost Recovery Report.
  - (b) "GCR" means the quarterly updated gas cost recovery rate applicable to the monthly consumption of customers (sum of the expected gas cost component plus the supplier refund adjustment plus the actual adjustment plus the balancing adjustment; i.e.,  $GCR = EGC + RA + AA + BA$ ).
  - (c) "Calendar Quarters" means each of the four three-month periods of (1) August, September and October; (2) November, December and January; (3) February, March and April; and (4) May, June and July.
  - (d) "Reporting Period" means the three (3) month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas recovery rates; i.e., the calendar quarter preceding that during which the most recent Quarterly Report was filed.

INTERIM GAS COST ADJUSTMENT FILINGS

The Company may make application for Interim Gas Cost Adjustments subject to the approval of the commission.

DATE OF ISSUE <u>November 8, 2010</u>	DATE EFFECTIVE <u>Oct 10</u>
ISSUED BY <u>Glenn R. Jennings</u>	TITLE <u>Chairman of Board</u>
Name of Officer	President and CEO
Issued by authority of an Order of the Public Service Commission of KY in	
CASE NO. <u>2010-00116</u>	DATED <u>October 21, 2010</u>

**KENTUCKY**  
**PUBLIC SERVICE COMMISSION**

**JEFF R. DEROUEN**  
**EXECUTIVE DIRECTOR**

TARIFF BRANCH

*Brent Kirkley*  
President and CEO

**10/22/2010**

PURSUANT TO KRS 15.011(2)(1)

**CLASSIFICATION OF SERVICE – RATE SCHEDULES  
PEOPLES KY PURCHASED GAS ADJUSTMENT**

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

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

DATE OF ISSUE: April 1, 2021  
EFFECTIVE DATE: April 1, 2021  
ISSUED BY: John B. Brown, President



Issued by authority of an Order of the Public Service Commission of KY  
In Case No. 2020-00346 dated February 22, 2021

**KENTUCKY  
PUBLIC SERVICE COMMISSION**

**Linda C. Bridwell**  
Executive Director



EFFECTIVE

**4/1/2021**

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

**CLASSIFICATION OF SERVICE – RATE SCHEDULES  
 PEOPLES KY PURCHASED GAS ADJUSTMENT**

DEFINITIONS

For purposes of this tariff:


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

GAS COST RECOVERY RATE (GCR):

Expected Gas Supply Cost (EGC)	\$ 3.8821 / per 1.0 Mcf	(I)
Refund Adjustment (RA)	\$ 0.0000	
Actual Cost Adjustment (ACA)	\$(0.4715)	(R)
Balance Adjustment (BA)	<u>\$(0.0160)</u>	(R)
 Total Gas Cost Recovery Rate	 \$ 3.3946 / per 1.0 Mcf	 (R)

(R) Indicates Reduction. (I) Indicates Increase.

DATE OF ISSUE: April 30, 2021  
 EFFECTIVE DATE: May 1, 2021  
 ISSUED BY: John B. Brown, President



Issued by authority of an Order of the Public Service Commission of KY  
 In Case No. 2021-00134 dated April 26, 2021

**KENTUCKY  
 PUBLIC SERVICE COMMISSION**

**Linda C. Bridwell**  
 Executive Director



**EFFECTIVE  
 5/1/2021**  
 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

**DELTA NATURAL GAS COMPANY, INC.**

**CASE NO. 2021-00185**

**SECOND ATTORNEY GENERAL DATA REQUEST**

**DATED AUGUST 25, 2021**

41. **Pipeline Replacement Program Rider.** Delta proposes to revise its Pipe Replacement Program Rider (“PRP”) in order to use a forecasted formula with a true-up period, which Witness Brown (page 15, lines 9 and 10) states is consistent with the approach used by several other Kentucky local distribution companies. Address the following:

- a. Provide a copy of the proposed PRP Rider and explain how this is similar to or different from riders used by other Kentucky companies, and provide copies of PRP Rider tariffs from other Kentucky companies to confirm that Delta’s PRP Rider is similar to these other tariffs.
- b. Provide a copy of the existing PRP Rider and explain all of the components that will change in the new PRP Rider compared to the existing Rider, and explain how this is driven by going to a forecasted formula.

Response:

See attached for a copy of the proposed PRP Rider. The Proposed Delta PRP Rider is patterned after the approved Columbia Gas of Kentucky Rider, which is also attached. Both Tariffs apply the rate of return on the net rate base to Rider related plant, net of accumulated depreciation and deferred taxes. Return is grossed up for federal and state income taxes in both Tariffs. Both tariffs compute a cost-of-service component of depreciation, property taxes, and a reduction for savings in Account No. 887. The Columbia Rider includes forecasted net plant additions and subsequently adjusts to true up for actual costs. The Proposed Delta PRP Rider includes a similar mechanism. Both Riders are billed via a monthly fixed charge. Atmos and LGE also have pipe replacement plans or trackers based on anticipated additions.

See attached for a copy of the existing PRP Rider. The components themselves will not change, but the inputs will include expected amounts rather than historical amounts. The balancing adjustment is a new part of the calculation to true up the rate for the amount actual results differ from expected amounts.

Sponsoring Witness: John B. Brown

CLASSIFICATION OF SERVICE  
RATE SCHEDULES

(T)

PIPE REPLACEMENT PROGRAM ("PRP") RIDERAPPLICABILITY

Applicable to all customers receiving service under the Company's Rate Schedules, Residential, Small Non-Residential, Large Non-Residential and Interruptible Services.

CALCULATION OF PIPE REPLACEMENT RIDER REVENUE REQUIREMENT

The PRP Rider Revenue Requirement includes the following:

- a. PRP-related plant in service not included in base gas rates minus the associated PRP-related accumulated depreciation and accumulated deferred income taxes;
- b. Retirement and removal of plant related to PRP construction;
- c. The weighted average cost of capital on the net rate base is the overall rate of return on capital authorized in the Company's latest base gas rate case, grossed up for federal and state income taxes and PSC assessment;
- d. Depreciation expense on the PRP-related plant in service less retirement and removals;
- e. Reduction for savings in operating and maintenance expense;
- f. Increased property tax expense on the PRP-related plant in service.

PIPE REPLACEMENT PROGRAM FACTORS

All customers receiving service under Delta's Residential, Small Non-Residential, Large Non-Residential and Interruptible Service Rate Schedules shall be assessed a monthly charge in addition to the Customer Charge component of their applicable rate schedule that will enable the Company to complete the pipe main replacement program.

The PRP Rider will be updated annually in order to reflect the expected impact on the Company's revenue requirements of forecasted net plant additions and subsequently adjusted to true up the actual costs with the projected costs. A filing to update the projected costs for the upcoming calendar year will be submitted annually by October 15 to become effective with meter readings on and after the first billing cycle of January. Delta will submit a balancing adjustment annually by March 31 to true-up the actual costs, as offset by operations and maintenance expense reductions, during the most recent twelve months ended December with the projected program costs for the same period. The balancing adjustment true-up to the rider will become effective with meter readings on and after the first billing cycle of June.

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DATE OF ISSUE: May 28, 2021

DATE EFFECTIVE: July 1, 2021

ISSUED BY: /s/ John B. Brown  
John B. Brown, President



**SMRP RIDER  
 SAFETY MODIFICATION AND REPLACEMENT PROGRAM RIDER**

**APPLICABILITY**

Applicable to all customers receiving service under the Company's Rate Schedules GS, IS, IUS, SVGTS, DS and SAS.

**CALCULATION OF SAFETY MODIFICATION AND REPLACEMENT RIDER REVENUE REQUIREMENT**

The SMRP Rider Revenue Requirement includes the following:

- a. SMRP-related Plant In-Service not included in base gas rates minus the associated SMRP-related accumulated depreciation and accumulated deferred income taxes;
- b. Retirement and removal of plant related to SMRP construction;
- c. The rate of return on the net rate base is the overall rate of return on capital authorized in the Company's latest base gas rate case, grossed up for federal and state income taxes;
- d. Depreciation expense on the SMRP = related Plant In-Service less retirement and removals;
- e. Property taxes related to the SMRP; and
- f. Reduction for savings in Account No. 887 – Maintenance of Mains,

**SAFETY MODIFICATION AND REPLACEMENT PROGRAM FACTORS**

All customers receiving service under Rate Schedules GSR, GSO, IS, IUS, SVGTS, DS, GDS and SAS shall be assessed a monthly charge in addition to the Customer Charge component of their applicable rate schedule that will enable the Company to complete the safety modification and replacement program.

Rider SMRP will be updated annually in order to reflect the expected impact on the Company's revenue requirements of forecasted net plant additions and subsequently adjusted to true up the actual costs with the projected costs. A filing to update the projected costs for the upcoming calendar year will be submitted annually by October 15 to become effective with meter readings on and after the first billing cycle of January. The allocation of the program costs shall be based on the revenue distribution approved by the Commission. Company will submit a balancing adjustment annually by March 31 to true-up the actual costs, as offset by operations and maintenance expense reductions, during the most recent twelve months ended December with the projected program costs for the same period. The balancing adjustment true-up to the rider will become effective with meter readings on and after the first billing cycle of June.

The charges for the respective gas service schedules effective July 1, 2021 are:

Rate GSR, Rate SVGTS - Residential Service	\$7.67
Rate GSO, Rate GDS, Rate SVGTS - Commercial or Industrial Service	\$27.95
Rate IUS, Rate IUDS	\$239.00
Rate IS, Rate DS <sup>1/</sup> , Rate SAS	\$1,397.94
<sup>1/</sup> - Excluding customers subject to Flex Provisions of Rate Schedule DS	

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DATE OF ISSUE: June 21, 2021  
 DATE EFFECTIVE: July 1, 2021  
 ISSUED BY: /s/ Kimra H. Cole  
 TITLE: President & Chief Operating Officer

Issued pursuant to an Order of the Public Service Commission in Case No. 2020-00327 dated June 4, 2021.

**KENTUCKY  
 PUBLIC SERVICE COMMISSION**

**Linda C. Bridwell**  
 Executive Director



**EFFECTIVE  
 7/1/2021**

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

**CERTIFICATION OF SERVICE  
RATE SCHEDULES**

PIPE REPLACEMENT PROGRAM ("PRP") RIDER

APPLICABILITY

Applicable to all customers receiving service under the Company's Rate Schedules, Residential, Small Non-Residential, Large Non-Residential and Interruptible Services.

CALCULATION OF PIPE REPLACEMENT RIDER REVENUE REQUIREMENT

The PRP Rider Revenue Requirement includes the following:

- a. PRP-related plant in service not included in base gas rates minus the associated PRP-related accumulated depreciation and accumulated deferred income taxes;
- b. Retirement and removal of plant related to PRP construction;
- c. The weighted average cost of capital on the net rate base is the overall rate of return on capital authorized in the Company's latest base gas rate case, grossed up for federal and state income taxes and PSC assessment;
- d. Depreciation expense on the PRP-related plant in service less retirement and removals;
- e. Reduction for savings in operating and maintenance expense;
- f. Increased property tax expense on the PRP-related plant in service.

(N)  
(N)

PIPE REPLACEMENT PROGRAM FACTORS

All customers receiving service under Delta's Residential, Small Non-Residential, Large Non-Residential and Interruptible Service Rate Schedules shall be assessed a monthly charge in addition to the Customer Charge component of their applicable rate schedule that will enable the Company to complete the pipe main replacement program.

The PRP Rider will be updated annually, in order to reflect the impact on the Company's revenue requirements of net plant additions as well as a balancing adjustment for the preceding program year. Such adjustment to the Rider will become effective with meter readings on and after the first billing cycle of May, and will reflect the allocation of the required revenue increase based on the revenue distribution approved by the Commission.

(N)  
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**KENTUCKY  
PUBLIC SERVICE COMMISSION**

**JEFF R. DEROUEN  
EXECUTIVE DIRECTOR**

TARIFF BRANCH

*Brent Kirtley*

EFFECTIVE

**8/24/2012**

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

DATE OF ISSUE: August 28, 2012  
DATE EFFECTIVE: August 24, 2012 (Final Meter Reads)  
ISSUED BY: Glenn R. Jennings, Chairman of the Board, President and CEO

*Glenn R. Jennings*

Issued by Authority of an Order of the Public Service Commission of KY in Case No. 2012-00136 dated August 24, 2012

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

**SECOND ATTORNEY GENERAL DATA REQUEST  
DATED AUGUST 25, 2021**

42. **Tax Cuts and Jobs Act Surcredit.** Explain all of the impacts on Delta operations and its customers resulting from an elimination of this Surcredit, and identify all positive and negative repercussions.

Response:

The elimination of the Tax Cuts and Jobs Act Surcredit is required by the Commission's Order in Case No. 2018-00040. In Case No. 2018-00040 the Commission required the implementation of a surcharge outside of a general rate case as a single-issue adjustment to Delta's rates to account for lower taxes resulting from the Tax Cuts and Jobs Act. In its Order in Case No. 2018-00040 dated December 21, 2018, the Commission stated that, "The tax reduction surcredits approved by this Order will continue in effect until new base rates established in Delta's next general rate case." (Order at 5.) Eliminating the Tax Cuts and Jobs Act Surcredit in a subsequent general rate case, is the same practice followed by the Commission in approving new base rates for other utilities in Kentucky, including Kentucky Utilities Company (Case No. 2020-00349), Louisville Gas and Electric Company (Case No. 2020-00350), Kentucky Power Company (Case No. 2020-00174) and others.

The Tax Cuts and Jobs Act Surcredit was a single-issue rate adjustment that inured to the benefit of customers, passing the savings created by the Tax Cuts and Jobs Act along to customers. The elimination of the Surcredit and reflecting the lower taxes through base rates is designed to have no impact on the overall billings to customers. The savings from the Tax Cuts and Jobs Act will simply be reflected in base rates instead of through a surcredit.

Despite the Commission's directive in Case No. 2018-00040 that the surcredit will continue only until Delta's next general rate case, there are no negative repercussions with reflecting the reduced taxes through base rates. Reflecting the tax reduction through base rates allows these tax impacts to be allocated to the customer classes, along with all other costs including income taxes, based on guidance from the Company's class cost of service study. Including the tax reductions as an element of all other costs represents the appropriate approach to allocating costs to the customer classes and is fully consistent with the Commission's Order in Case No. 2018-00040.

Sponsoring Witness: John B. Brown



**DELTA NATURAL GAS COMPANY, INC.**

**CASE NO. 2021-00185**

**SECOND ATTORNEY GENERAL DATA REQUEST**

**DATED AUGUST 25, 2021**

43. **Return on Equity.** Refer to Delta's response to No. 8 (b) of the First Attorney General Data Request:

- a. Provide the agreement(s) that control or otherwise specify Delta's cost of short-term debt.
- b. Provide an explanation of how Delta's cost of short-term debt is determined. Provide the components that make up Delta's cost of short-term debt, e.g., LIBOR, credit spreads, etc. Provide the specific documents that contain these components as they are applied to Delta.
- c. Explain why the historical costs of short-term debt provided in Delta's response to No. 8(c) are not confidential, but the cost of short-term debt provided in 8(b) is confidential.
- d. Provide all non-confidential supporting documentation that would allow the Commission, Staff, and intervenors to calculate Delta's current cost of short-term debt and present it unredacted in testimony and in the Commission Order in this case.
- e. For the short-term debt costs in Delta's response to 8(c), provide the components that make up the short-term debt cost (LIBOR, etc.)

Response:

- a. Please refer to the attachment.
- b. The short-debt rate is determined pursuant to the agreement provided in response to subpart a, specifically paragraph 1 of the Amendment which states:

*This note shall bear interest at a rate per annum equal to the applicable rate set forth in that certain Credit Agreement dated as of December 5, 2018 by and between Aqua America, Inc. (now known as Essential Utilities, Inc.), a Pennsylvania corporation, as the borrower thereunder, and PNC Bank National Association as Administrative Agent on behalf of various lenders, as the lender thereunder (the "Credit Agreement"), but in no event in excess of the maximum rate permitted by law.*

The interest rate charged to Delta for its short-term debt borrowings during a month is the weighted average daily interest rate incurred by Essential Utilities, Inc. ("Essential") on its borrowings under the Credit Agreement during that same month. Interest under the Credit Agreement is based at Essential's option, on the prime rate, an adjusted Euro-Rate, an adjusted federal funds rate or at

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

**SECOND ATTORNEY GENERAL DATA REQUEST  
DATED AUGUST 25, 2021**

rates offered by the banks. The applicable spreads applied to the chosen option are outlined in the agreement provided in response to subpart a.

The components of the historical and projected short-term debt rates provided in AG 1-8b are LIBOR + the Applicable Spread as defined in the Credit Agreement. The specific details of these components are provided in the Exhibit AG-2-43(b), which is provided pursuant to a petition for confidential protection.

c. For No. 8(b), Delta was asked to provide “supporting work papers and documentation...” for future periods related to cost rates for short-term debt. To be responsive, Delta had to provide information that contained commercially sensitive information that would disadvantage Delta and its parent by providing insight into the Company’s forecasting calculations. Although Delta is requesting confidential treatment for the calculations and components of its short-term debt, its thirteen-month average at 12/31/2021 is expected to be 1.226%, which, as shown in the confidential attachment, is a combination of actual and projected rates.

The information requested and provided in response to No. 8(c) was historical in nature and did not create a situation that would disadvantage Delta and its parent in the same manner as the information provided confidentially in response to No. 8(b).

d. Please see the preceding subparts. There are no additional non-confidential documents available to support the determination of Delta’s short-term debt rate.

e. Please see the response to subpart b above which outlines the components of Essential’s borrowings under the Credit Facility.

Sponsoring Witness: William C. Packer

**INTERCOMPANY PROMISSORY NOTE**

\$40,000,000

Execution Date: October 3, 2017

Effective Date: October 3, 2017

For Value Received, DELTA NATURAL GAS COMPANY, INC, a corporation formed under the laws of the Commonwealth of Kentucky (the "Borrower"), hereby promises to pay to the order of PNG COMPANIES LLC, a limited liability company formed under the laws of the State of Delaware (the "Lender"), on September 30, 2019, at such place as the Lender may designate in writing, the principal sum of up to \$40,000,000 or, if less, the then unpaid principal amount of the loans made by the Lender to the Borrower to finance or support general corporate requirements and the capital expenditures and the working capital needs of the Borrower as set forth in Schedule 1 attached hereto. This note may be prepaid in whole at any time or in part from time to time. This note may also be refunded or renewed one or more times at Borrower's option any time prior to its due date, for a term not to exceed two years from the effective date of refund or renewal; provided, however, that the combined terms of any such refunds or renewals shall not exceed six years from the original Effective Date stated above.

This note shall bear interest at a rate per annum equal to the applicable rate set forth in the Credit Agreement dated as of June 8, 2017, between the Lender (as borrower thereunder) and the several banks and financial institutions or entities from time to time parties thereto (the "Credit Agreement"), but in no event in excess of the maximum rate permitted by law. Interest shall be computed in the manner provided in the Credit Agreement, adjusted to include issuance expenses, if applicable.

Interest accruing on this note shall be payable in the manner provided in the Credit Agreement. If any payment hereof becomes due and payable on a day other than a business day, such payment shall be extended to the next succeeding business day. If the date for any payment of principal is so extended, interest thereon shall be payable for the extended time.

All loans made by the Lender and all repayments of the principal thereof shall be recorded by the Lender on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Lender to make any such recordation shall not limit or otherwise affect the obligations of the Borrower hereunder.

All payments hereof shall be made in lawful money of the United States of America and in immediately available funds.

This note, together with all accrued interest hereon, shall become immediately and automatically due and payable, without demand, presentment, protest or notice of any kind, upon the insolvency, general assignment, receivership, bankruptcy or dissolution of the Borrower (or the filing of any petition by or against the Borrower with respect to any of the foregoing). The Borrower does hereby forever waive presentment, demand, protest, notice of protest and notice of nonpayment or dishonor of this note.

The Borrower hereby agrees to pay all reasonable costs and expenses incurred by the Lender incidental to or in any way relating to the Lender's enforcement of the obligations of the Borrower hereunder or the protection of the Lender's rights hereunder, including but not limited to, reasonable attorneys' fees and expenses incurred by the Lender (whether or not a proceeding has been commenced).

No failure on the part of the Lender to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Lender of any right, remedy or power hereunder preclude any other or future exercise thereof or the exercise of any other right, remedy or power.

Each and every right, remedy and power hereby granted to the Lender or allowed it by law or other agreement shall be cumulative and not exclusive the one of any other, and may be exercised by the Lender from time to time.

Every provision of this note is intended to be severable; if any term or provision of this note shall be invalid, illegal or unenforceable for any reason whatsoever, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

THE BORROWER WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF, BASED UPON, OR IN ANY WAY CONNECTED TO, THIS NOTE.

THE PROVISIONS OF THIS NOTE SHALL BE CONSTRUED AND INTERPRETED AND ALL RIGHTS AND OBLIGATIONS HEREUNDER DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

DELTA NATURAL GAS COMPANY, INC.

By: 

Title: President, Treasurer and Secretary



(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the Undersigned hereby unconditionally sells, assigns and transfers unto

\_\_\_\_\_  
(Assignee(s)):

the within note and all rights thereunder.

Dated: \_\_\_\_\_

\_\_\_\_\_  
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within note in every particular, without alteration or enlargement or any change whatever.

**FIRST AMENDMENT TO  
INTERCOMPANY PROMISSORY NOTE**

This FIRST AMENDMENT TO DRAW PROMISSORY NOTE (this "Amendment"), dated effective August 31, 2021, is made by DELTA NATURAL GAS COMPANY, INC., a Kentucky corporation, (the "Borrower"), in favor of PNG COMPANIES LLC, a Delaware limited liability company (the "Lender").

WHEREAS, Lender has extended a loan to Borrower pursuant to that certain Intercompany Promissory Note, dated effective as of October 3, 2017 in the original principal amount of **Forty Million and No/100 Dollars (\$40,000,000.00)**, payable to the order of Lender (as amended from time to time, the "Note"); and

WHEREAS, Borrower and Lender have agreed, subject to the terms and conditions set forth herein, to make certain modifications to the Note as more fully described herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants, promises and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the parties hereto agree as follows:

1. The first sentence of the second paragraph of the Note is hereby deleted in its entirety and replaced with the following text:

"This note shall bear interest at a rate per annum equal to the applicable rate set forth in that certain Credit Agreement dated as of December 5, 2018 by and between Aqua America, Inc. (now known as Essential Utilities, Inc.), a Pennsylvania corporation, as the borrower thereunder, and PNC Bank National Association as Administrative Agent on behalf of various lenders, as the lender thereunder (the "Credit Agreement"), but in no event in excess of the maximum rate permitted by law."

2. All references to "Credit Agreement" in the Note shall be deemed to be references to the Credit Agreement as defined in this Amendment.

3. This Amendment is retroactive as to April 1, 2021, and Borrower and Lender confirm their renewal of the Note for the final term allowable under the Note.

4. This Amendment is a continuation of the Note and shall not be construed as a novation or extinguishment of the obligations arising under the Note as originally issued, and the issuance of this Amendment. The execution of this Amendment shall not be deemed to be a waiver of any default thereunder by either party.

5. Except as modified hereby, the Note remains unaltered and in full force and effect. This Amendment shall be considered an integral part of the Note, and all references to the Note in the Note itself shall, on and after the date of this Amendment, be deemed to be references to the Note as amended by this Amendment.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Amendment effective as of the date first above written. This Amendment may be executed in one or more counterparts, which shall each constitute one and the same document.

**Borrower:**

**DELTA NATURAL GAS COMPANY, INC.**

a Kentucky corporation

By: 

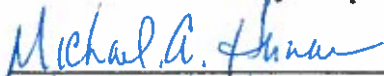
Name: John B. Brown

Title: President

**Lender:**

**PNG COMPANIES LLC**

a Delaware limited liability company

By: 

Name: MICHAEL A. HAWAR

Title: PRESIDENT



**Delta Natural Gas Co., Inc.**

**Exhibit AG 2-43b**

**Short Term Debt Cost Rates**

	<u>Month</u>		<u>13 mo. avg.</u> <u>12/31/2021</u>
	8/31/20		
	9/30/20		
	10/31/20		
	11/30/20		
	12/31/20		
	1/31/21		
	2/28/21		
	3/31/21		
	4/30/21		
	5/31/21		
	6/30/21		
proj.	7/31/21		
proj.	8/31/21		
proj.	9/30/21		
proj.	10/31/21		
proj.	11/30/21		
proj.	12/31/21		1.226%

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

**SECOND ATTORNEY GENERAL DATA REQUEST  
DATED AUGUST 25, 2021**

- 44.
- a. Provide the basis for the estimated cost of the new long-term debt issue of 3.10% for the November 2021 issuance.
  - b. Provide an update on the progress of the projected November 2021 debt issuance. Provide any terms, conditions, issuance date, and coupon rate that has been agreed upon.
  - c. Provide the length of the term in years of the projected November 2021 issuance of long-term debt.

Response:

- a. Please refer to the response to Item No. 28 of Commission Staff's Second Request for Information.
- b. Delta filed an Application for the approval of the long-term debt issuance on August 27, 2021. Please see Case No. 2021-00326 for additional information regarding the long-term debt, which will be secured by an intercompany promissory note.
- c. The length of the term is not expected to exceed thirty years.

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45. **Confidential Compensation Study Conclusions (Confidential OAG 1-95 Report)**. Witness Packer's direct testimony (page 12, lines 5-8) states that Delta uses a market-based approach to establish compensation levels and the Company compensates at or above the 50<sup>th</sup> percentile of the market. Also, Witness Packer's testimony (page 11, lines 9-20) states that Delta has included all incentive costs in this rate case because it can demonstrate that its total compensation an employee earns is reasonable based on the market. OAG 1-41(a) asked Delta to provide a copy of all current compensation studies that Witness Packer relied upon to determine the Company compensates employees at or above the 50<sup>th</sup> percentile market level and that the Company's total compensation policy is competitive with the market, and Delta's response refers to its answer to OAG 1-95(c) which includes Confidential information that Delta refers to as a "competitive market report" (as of November 2020) coordinated by Essential's Compensation Director that analyzed the 50<sup>th</sup> percentile market level (for each employee and job title per OAG 1-41(a)). Address the following:

- a. Explain in more specific terms how the competitive market report ("market report") provided at Confidential OAG 1-95(c) shows that Delta compensates employees at or above the 50<sup>th</sup> percentile per Witness Packer's testimony, and provide citations to specific data included at the market report to support these conclusions. Provide copies of all other documentation cited to support Delta's conclusion.
- b. Explain in more specific terms how the competitive market report ("market report") provided at Confidential OAG 1-95(c) shows that Delta's total compensation is reasonable and competitive with the market (including its incentive compensation) per Witness Packer's testimony, and provide citations to specific data included at the market report to support these conclusions. Provide copies of all other documentation cited to support Delta's conclusion.
- c. The market report provided with Confidential OAG 1-95(c) shows that most Delta employees' compensation is either above or below the 50<sup>th</sup> percentile, for those significant number of employees paid both below and above the 50<sup>th</sup> percentile, explain how this is consistent with Witness Packer's testimony that Delta compensates employees "at or above the 50<sup>th</sup> percentile."
- d. Explain if it is Delta's conclusion that its compensation is competitive with the market because it pays a certain number of employees above the 50<sup>th</sup> percentile, or because it pays a certain number of employees below the 50<sup>th</sup> percentile (and provide copies of independent studies or market data supporting this conclusion). Explain how many employees, what percent of employees, or how much of total payroll, that is paid above the 50<sup>th</sup> percentile (or paid below the 50<sup>th</sup> percentile) is necessary to reach a conclusion that Delta's compensation is competitive with the

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market (and provide copies of independent studies or market data supporting this conclusion).

- e. Explain if it is Delta's conclusion that its compensation is reasonable because it pays a certain number of employees above the 50<sup>th</sup> percentile, or because it pays a certain number of employees below the 50<sup>th</sup> percentile. Explain how many employees, what percent of employees, or how much of total payroll, that is paid above or below the 50<sup>th</sup> percentile is necessary to reach a conclusion that Delta's compensation is reasonable (and provide copies of independent studies or market data supporting this conclusion).
- f. For those employee paid below the 50<sup>th</sup> percentile, explain if it is Delta's conclusion that these employee's compensation is reasonable or unreasonable, and provide copies of independent studies or market data supporting this conclusion.
- g. Explain if it is Delta's conclusion that all compensation paid above the 50<sup>th</sup> percentile for individual employees is competitive with the market, and provide copies of independent studies or market data supporting this conclusion. If that is not Delta's conclusion, then identify all employees at the market report whose compensation is above the 50<sup>th</sup> percentile and is not considered to be competitive with the market.
- h. Identify all employees at the market report whose compensation is considered unreasonable.
- i. Identify all employees at the market report whose compensation is not considered to be competitive with the market because it is paid above or below the 50<sup>th</sup> percentile (and identify these specific employees at the market report for those both above and below the 50<sup>th</sup> percentile).
- j. Explain if it is Delta's conclusion that all compensation paid below the 50<sup>th</sup> percentile is not competitive with the market, and provide copies of independent studies or market data supporting this conclusion.
- k. Explain if Delta's believes that all employee compensation paid above the 50<sup>th</sup> percentile is reasonable and all employee compensation paid below the 50<sup>th</sup> percentile is unreasonable, and provide support for this statement.
- l. If available, identify all employees at the market report: i) paid below the 25<sup>th</sup> percentile; ii) paid between the 50<sup>th</sup> and 74<sup>th</sup> percentile; iii) paid between the 75<sup>th</sup> and 99<sup>th</sup> percentile; and iv) paid above the 100<sup>th</sup> percentile.

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- m. Explain if it is Delta's conclusion that all employees' compensation should be brought up to at least the 50<sup>th</sup> percentile in order to be competitive with the market, and provide the total increase in salaries/wages to achieve this result.
- n. Explain if Delta compensates all new employees hired at the 50<sup>th</sup> or above percentile, and explain why or why not. If the answer is "yes", provide the 10 most recent employee hires and provide their compensation levels and information from the market report to show they are compensated at or above the 50<sup>th</sup> percentile.
- o. For those employees paid below the 50<sup>th</sup> percentile, explain if Delta has an active program to bring these employees' pay up to or above the 50<sup>th</sup> percentile over time, and provide a copy of this program and how Delta plans to achieve this result.
- p. For those employees paid significantly above the 50<sup>th</sup> percentile, explain if Delta has an active program to freeze these employees' compensation (or give them reduced raises or incentive compensation that are below other employees), and provide a copy of this program and how Delta plans to achieve this result.

Response:

- a. Attached is a Confidential Employee Competitive Analysis Report. The attachment is confidential and is being provided pursuant to a petition for confidential protection. This report represents the current compensation packages of active employees in comparison to the market. There are three levels of market comparison that are provided in alignment with our philosophy to look at the entire compensation package:
  - Base Salary Compa-Ratio,
  - Total Cash Compensation Compa-Ratio and
  - Total Direct Compensation Compa-Ratio

The report was created within the CompAnalyst database. It differs from earlier reports in that it contains up-to-date pay data as of August 1, 2021 after all realignment and merit increases were processed.

Essential and Delta define "competitive market" as a range of 15% above and below the market median as reported in the survey data. Employees can receive merit increases with a base salary compa-ratio up to 1.25 but after that employees are only eligible for lump sum increases through the merit process.

This report should be used in conjunction with the attachment produced in response to AG 2-33(c) that identifies the exact market matches used from the surveys. The market competitive

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assessment process is iterative because responsibilities evolve. The Compensation team actively engages with business leadership in discussions to ensure that the market match accurately represents the duties being performed by the employees. Market matches have changes as Essential and Delta have realigned jobs with similar responsibilities across the organization. For example, all Administrative Assistant I's across the organization are matched to the same market survey positions.

b. The competitive report has been color-coded with green representing all employees who fall within the market range (=/- 15% from market median) on each variable. 91% (138/151) of the base salaries of employees fall within that range. This is reduced to 63% (95/151) when we review the pay on a total cash compensation (Base + Short-Term Incentive or Achievement Award) which supports the need for our incentive programs. Further analysis reveals that 98/151 employees (65%) fall within the competitive range on the Total Direct Compensation variable. The survey did not provide Long Term Incentive data for 25 employees. The lack of survey data indicates that companies do not provide information on Long Term Incentive compensation for these roles so that the proper comparison is to Base Salary and Total Cash Compensation.

c. As part of the Delta realignment and adjustment process, we ensured that employee base salaries below the market (<.85 compa-ratio) were brought up into the competitive range. This is reflected in the 91% result noted in b) above. For employees who are at the .85 compa-ratio, we found that our Short-Term Incentive and Achievement Award programs may cause them to be a little less competitive on the Total Cash Compensation level, but as the base salaries increase, that situation should stabilize and bring them into the competitive Total Cash Compensation range.

d. As mentioned above, Delta reviews the competitive compensation positions of all employees annually. We reached our conclusion that the compensation is competitive by reviewing reports and analyzing pay findings using reports such as the one provided. Subpart b) contains information at the granular level – percentage and number of employees at the competitive compa-ratio as we deliver on our philosophy to pay employees competitively.

e. Delta has concluded that its compensation is reasonable because it falls within our competitive framework and philosophy. See the preceding subparts, including the attached report, to justify that conclusion.

f. Delta's compensation package starts with a competitive base salary. As mentioned in the preceding subparts, if employees fall below the minimum acceptable (<.85 compa-ratio), we discuss the issue with management and make adjustments during our annual merit cycle to ensure that employee base pay falls within the competitive range. Essential went through that process with Delta for the first time in 2021 and made those adjustments effective 5/1/2021.

g. Delta and Essential acknowledge that a few employees' pay is above the 50th percentile in the competitive market report. Their pay will not continue to grow due to the strict controls on that

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process through our merit policy. A number of these individuals are long tenured at Delta, and as they retire, the positions will be replaced at the desired percentile.

h. There were 11 employees whose pay falls above our competitive market (identified in yellow in the attached report). We do not consider this unreasonable, however, because we believe they bring expertise to their roles and a deep knowledge of Delta. Roles are continually evolving and some of these employees may move into new positions more commensurate with their current pay level.

i. Please see the response to the preceding subparts.

j. Compensation varies considerably between companies within the gas industry as each company has their own compensation philosophy. Pay is not just targeted at 50th percentile (market median), it falls within a range around this median. Essential and Delta have targeted a small range – 30% around that median— to determine competitiveness. A more traditional salary structure would have a 50% range spread around that median of “acceptable” pay.

k. See the response to preceding subparts. Delta believes its current compensation is reasonable.

l. Essential and Delta used the market median to determine the pay competitiveness. We do not use the 25th and 75th percentiles in the analysis.

m. At this time, we do not need to bring any employee’s pay into the competitive range. We made that adjustment on 5/1/2021 for existing employees. There were only 2 Part Time Customer Representatives whose base salary was below our acceptable level – one of these employees just terminated at the end of August. It was management’s decision not to change their hourly rates as part of the realignment. We will revisit this again during the 2022 merit cycle.

n. See the responses to the preceding subparts, including the attachment to subpart a. Also, see the attachment provided in response to AG 1-32 for the 11 positions that were filled this year. All of the 11 most recently hired employees are within the competitive range.

o. See the responses to the preceding subparts.

p. See the responses to the preceding subparts.

Sponsoring Witness: William C. Packer

**ATTACHMENT TO DELTA\_R\_AGDR2\_NUM045a\_090821  
FILED UNDER SEAL PURSUANT TO THE PETITION FOR  
CONFIDENTIAL TREATMENT FILED ON  
SEPTEMBER 8, 2021**