

**DELTA NATURAL GAS COMPANY, INC.**

**CASE NO. 2021-00185**

**SECOND ATTORNEY GENERAL DATA REQUEST**

**DATED AUGUST 25, 2021**

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.

**DELTA NATURAL GAS COMPANY, INC.**

**CASE NO. 2021-00185**

**SECOND ATTORNEY GENERAL DATA REQUEST**

**DATED AUGUST 25, 2021**

- 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

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

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

– 2200 \$3,378 plus the \$959,036 noted by the AOG totals \$1,041,121, plus Salaried Severance 2200 \$660 totals \$1,041,781.

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

**September 22, 2021 Supplemental Response:**

a. Please see the attachment, which includes actual information through August 2021.