COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF	)	
DELTA NATURAL GAS COMPANY, INC.	)	
FOR AN ADJUSTMENT OF ITS RATES	)	**Case No. 2021-00185**
AND A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY	)	

SECOND DATA REQUESTS OF THE ATTORNEY GENERAL

The Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention ("Attorney General") submits these Data Requests to Delta Natural Gas Company, Inc. (hereinafter "Kentucky Power" or the "Company") to be answered by September 8, 2021 and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate requested item will be deemed a satisfactory response.

(2) Identify the witness who will be prepared to answer questions concerning each request.

(3) Repeat the question to which each response is intended to refer.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the

preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from undersigned Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General and KIUC as soon as possible, and in accordance with Commission direction.

(10) As used herein, the words ‘‘document’’ or ‘‘documents’’ are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical

and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained;

and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

DANIEL J. CAMERON
ATTORNEY GENERAL

J. MICHAEL WEST
LAWRENCE W. COOK
ANGELA M. GOAD
JOHN G. HORNE II
ASSISTANT ATTORNEYS GENERAL
700 CAPITAL AVE, SUITE 20
FRANKFORT, KY 40601-8204
PHONE: (502) 696-5433
FAX: (502) 573-1005
Michael.West@ky.gov
Larry.Cook@ky.gov
Angela.Goad@ky.gov
John.Horne@ky.gov

Certificate of Service and Filing

Pursuant to the Commission's Order dated March 17, 2020 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that, on August 25, 2021, an electronic copy of the forgoing was served by e-mail to the following.

Monica H. Braun
Mary Ellen Wimberly
Katelyn L. Brown
monica.braun@skofirm.com
Maryellen.wimberly@skofirm.com
Katelyn.brown@skofirm.com

this 25th day of August, 2021.

Assistant Attorney General

ELECTRONIC APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF ITS RATES AND A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

Second Set of Data Requests

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 <u>all rate base components</u> 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.

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:

ELECTRONIC APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF ITS RATES AND A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

Description	Type	Tab 55 Base Period 3/31/21 Actual	Tab 55 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		**$ 277,645,551**	**$ 277,645,551**
Forecasted/budget plant April to Dec. 2021			$ 15,827,055
Forecasted/budget plant Jan. to Dec. 2022			$ 7,783,101
Delta - Utility Plant in Service		**$ 277,645,551**	**$ 301,255,707**

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.

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:

Case No. 2021-00185

ELECTRONIC APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF ITS RATES AND A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

Description	Type	Tab 55 Base Period 3/31/21 Actual	Tab 55 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		**$ 277,645,551**	**$ 277,645,551**
Forecasted/budget plant April to Dec. 2021			$ 15,827,055
Forecasted/budget plant Jan. to Dec. 2022			$ 7,783,101
Delta - Utility Plant in Service		**$ 277,645,551**	**$ 301,255,707**
Add:			
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
Subtotal Additions		**$ 6,569,878**	**$ 6,569,878**
Deduct:			
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	**$ (118,940,849)**	**$ (127,857,043)**
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)
Subtotal Deducts		**$ (161,870,560)**	$ (171,089,595)
Rate Base Total		**$ 122,344,869**	**$ 136,735,990**

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 its calculated.

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

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 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.

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.

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).

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.

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.

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.

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.

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 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 x .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.

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 wind 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).

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
		Tab 55, p. 12	"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)
Total ADIT	$ (45,578,306)	$ (42,472,111)	$ (42,774,952)

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.

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, 20222 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 agrees, then provide the adjustment that should be made to increase the Excess ADIT balance for this rate case.

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:

Description	Per Books 3/31/2021	Tab 55, p. 12 Base Period 13-mo. avg.	Tab 55 and "13 mo Avg ADIT" and "2021 capex & dep" Forecasted Period 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)
Total ADIT	$ (45,578,306)	$ (42,472,111)	$ (42,774,952)

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).

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.

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.

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.

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.

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.

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").

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).

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 lobbing 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 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.

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.

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.

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.

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."

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.

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).

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.

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 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.

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.

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.

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 <u>expensed</u> 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 x 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.

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.

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.

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.

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.

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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.

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.

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 50th 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 50th 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 50th 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 50th 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 companies and related benchmarked market positions; and iii) other financial and other operating information used to identify peer companies comparable to Delta.

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)

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 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 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.

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.

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 an 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.

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.

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.

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.

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.

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.

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.

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.

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.)

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.

[redacted] [redacted]

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ELECTRONIC APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF ITS RATES AND A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

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This concludes these Data Requests.