

**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)
AND A CERTIFICATE OF)
PUBLIC CONVENIENCE AND)
NECESSITY)**

CASE NO. 2021-00185

DIRECT TESTIMONY

AND EXHIBITS

OF

BION C. OSTRANDER

ON BEHALF OF THE

KENTUCKY OFFICE OF THE ATTORNEY GENERAL

SEPTEMBER 27, 2021

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1 **I. INTRODUCTION**

2 **Q. Please state your full name, business address, and occupation.**

3 A. My name is Bion C. Ostrander. I am President of Ostrander Consulting. My business
4 address is 1121 S.W. Chetopa Trail, Topeka, Kansas 66615-1408. I am an independent
5 regulatory consultant specializing in revenue requirement/accounting issues related to
6 electric, gas, renewable energy, and telecommunications industries.

7 **Q. Please summarize your educational experience.**

8 A. I graduated from the University of Kansas in 1978 with a Bachelor of Science degree in
9 Business Administration with a major in Accounting.

10 **Q. Have you prepared an attachment summarizing your qualifications and regulatory
11 experience?**

12 A. Yes. I have attached Exhibit_(BCO-1), which is a summary of my regulatory experience
13 and qualifications.

14 **Q. Please summarize your professional experience.**

15 A. I am an independent regulatory consultant with a specialization in regulatory utility issues,
16 and particularly revenue requirement/accounting issues. I have 42 years of regulatory and
17 accounting experience, including 30 years with my firm Ostrander Consulting.

18 I started my current consulting practice, Ostrander Consulting, in 1990 after leaving
19 the Kansas Corporation Commission (“KCC”). I previously served as the Chief of
20 Telecommunications for the KCC from 1986 to 1990, and was the lead witness on most
21 major telecom issues, while still assisting with electric/gas utility issues on a periodic basis.
22 I served as Chief Auditor for the KCC from 1983 to 1986, addressing issues regarding the
23 telecom, gas, electric, and transportation industries.

1 In addition, I have worked for international and regional certified public accounting
2 firms, including Deloitte, Haskin and Sells (now Deloitte) and Mize, Houser, Mehlinger
3 and Kimes (now Mize Houser and Company P.A.).

4 I previously held a permit to practice as a certified public accountant (“CPA”) in
5 Kansas up until recent years, but I no longer maintain the permit to practice because I do
6 not perform any CPA-type services requiring a permit to practice. I remain a member of
7 the American Institute of CPAs and the Kansas Society of CPAs.

8 I have addressed many regulatory issues for various state regulatory agencies and
9 for international regulatory and other governmental entities. My experience includes
10 addressing issues related to rate cases under rate of return regulation, alternative
11 regulation/price cap plans, management audits, specialized accounting and regulatory
12 issues, cost modeling, and other matters.

13 I have addressed a broad range of regulatory issues in my career, including analysis
14 of the levelized cost of renewable energy alternatives, specialized accounting matters,
15 affiliate transactions/Cost Allocation Manual, income taxes (including net operating
16 losses), sale/leaseback, compensation, cross-subsidization, depreciation, retail and
17 wholesale cost studies for telecom, competition, affordable rates/universal service, service
18 quality, infrastructure/modernization, rate design for telecom, sales/acquisitions and many
19 other matters.

20 **Q. On whose behalf are you testifying?**

21 A. I am testifying on behalf of the Office of the Attorney General of the Commonwealth of
22 Kentucky (“AG”).

1 **Q. Have you previously testified before the Kentucky Public Service Commission**
2 **(“Commission”)?**

3 A. Yes. I have filed direct testimony and appeared as a witness in the following cases:

4 1) Big Rivers Electric Corp. - CN 2013-00199 – Direct Testimony dated October 28,
5 2013.

6 2) Atmos Energy Corp. - CN 2013-00148 – Direct Testimony dated October 9, 2013.

7 3) Big Rivers Electric Corp. – CN 2012-00535 – Direct Testimony dated May 24,
8 2013.

9 **Q. Was your testimony in this proceeding prepared by you or under your direct**
10 **supervision and control?**

11 A. Yes.

12 **Q. What is the purpose of your direct testimony in this proceeding?**

13 A. The purpose of my testimony is to provide recommendations and related adjustments
14 regarding the proposed revenue requirement of Delta Natural Gas Company, Inc.
15 (“Delta”), along with addressing relevant policy matters. Also, I will quantify the revenue
16 requirement effects of AG witness Mr. Richard Baudino’s cost of capital recommendation.

17 **Q. What is Delta’s proposed revenue increase in this proceeding?**

18 A. Delta is proposing an increase of \$9,135,170 (or 18.6%) in annual revenues for the
19 forecasted test period, resulting in a monthly increase in the average residential bill of

1 \$12.34 (or 20.7%) for a customer using 3.8 Mcf of gas. ¹ Delta proposes a cost of equity
2 of 10.95%, and an overall rate-of-return (“ROR”) of 7.65%.²

3 **Q. What base period and forecasted test period was used by Delta in this proceeding?**

4 A. Delta is using a forecasted test period, comprised of a base period for the twelve months
5 ending August 31, 2021 and a forecasted period for the twelve months ending December
6 31, 2022. The base period uses actual information for the seven months from September
7 2020 to March 31, 2021, along with estimated information for the five months from April
8 2021 to August 2021.³ Delta states it will file actual results for the estimated months of
9 the base period within forty-five (“45”) days after the last day of the base period as required
10 by KRS 278.192(2)(b).⁴ This means that Delta will not likely provide its fully updated
11 filing (by updating the five months of estimated data to actual results, along with updating
12 its related adjustments) until after the AG’s direct testimony has been filed.

13 **Q. Please summarize your testimony.**

14 A. Delta requested a revenue increase of \$9.135 million, and I have proposed adjustments to
15 operations and rate base which reduce the revenue requirement by \$6.105 million, and this
16 results in an AG recommended revenue increase of \$3.030 million. I have summarized my
17 adjustments and the related impacts (along with the impacts of Mr. Baudino’s cost of
18 capital recommendation) on Delta’s requested base rate increase in the following table.

¹ John B. Brown direct at 10, lines 1-4.

² Paul R. Moul direct, Attachment PRM-1, at 1 of 2.

³ Brown direct at 10, lines 7-11.

⁴ Application of Delta at 7.

Exhibit_ (BCO-2.1)		
Delta Natural Gas Company, Inc.		
Summary of AG Adjusted Revenue Requirement		
Case No. 2021-00185		
For the Forecasted Test Year Ended December 31, 2022		
(\$ Millions)		
	Ostrander Exhibit	Revenue Change
Base Rate Increase Requested by Company		9.135
AG Rate Base Adjustments		
Utilize Rate Base Instead of Capitalization to Reflect Return for Base Rates	BCO-2.2	(0.143)
Remove Portion of 2021 Forecasted Plant (net of Accum. Deprec. & ADIT)	BCO-2.6K	(0.254)
Remove all of 2021 Forecasted Plant (net of Accum. Deprec. & ADIT)	BCO-2.6K	(0.252)
Adjust Excess ADIT per Delta's Correction	BCO-2.6L	0.021
Remove Accounts Payable from Prepaids and CWIP	BCO-2.6M	(0.009)
Set Cash Working Capital in Rate Base to \$0	BCO-2.6N	(0.131)
AG Operating Income Adjustments		
Remove SERP-Related Expense per Delta's Correction	BCO-2.6A	(0.238)
Reduce Pension Expense per Delta's Correction	BCO-2.6B	(0.378)
Reduce Federal Income Tax Expense per TCJA per Delta's Correction	BCO-2.6C	(0.738)
Reduce State Income Tax Expense per TCJA per Delta's Correction	BCO-2.6C	(0.040)
Amortize Rate Case Expense Over Five Years	BCO-2.6D	(0.084)
Reduce Payroll Expense Related to Excessive Expense Ratio	BCO-2.6E	(0.359)
Revise Payroll Tax Expense for Impact of Prior Adjustment	BCO-2.6E	(0.028)
Reduce Incentive Expense	BCO-2.6F	(0.019)
Reduce Affiliate Charges to Delta	BCO-2.6G	(0.952)
Remove Part of Medical Benefit Cost per Commission Threshold	BCO-2.6H	(0.303)
Reduce Dues and Lobbying Expense	BCO-2.6I	(0.085)
Reduce Deprec. Expense for Forecasted Plant Removal	BCO-2.6J	(0.714)
AG ROE and Capital Structure Changes		
Reduce Return on Equity and Change in Capital Structure	BCO-2.4	(1.399)
Total AG Adjustments		<u>(6.105)</u>
Maximum Net Increase After AG Adjustments		<u><u>3.030</u></u>

1

2

3 **Q. Have you received comprehensive updated data for the forecasted test period?**

4 A. No. I have not received comprehensive actual updated information for the entire filing

5 through the end of the base period August 31, 2021 (including updated adjustments by

1 Delta), and I have not received this information in adequate detail, or on a timely basis,
2 which would allow me to substitute actual data for Delta’s original forecasted data for the
3 months of April to August 31, 2021.⁵ Delta has indicated it will make its updated filing
4 after the AG files its testimony.

5 **Q. When Delta makes its updated filing, should the Commission accept the revised data**
6 **and adjustments merely because it represents actual information through August 31,**
7 **2021 of the base period?**

8 A. No. Delta will be updating its filing and likely proposing revised adjustments in some
9 instances that substitute actual financial data for the projected months of April to August
10 31, 2021, included in the base period of its original filing.

11 However, the Commission should not accept any revised adjustments (and other
12 data) merely because the amounts are based on updated “actual” information. Updated
13 “actual information” does not necessarily translate to just and reasonable information to be
14 used for rate case purposes. For example, there may be updated actual information that
15 significantly exceeds the original budgeted information, and these amounts have not been
16 subject to review in this case and may represent excessive amounts that include unusual or
17 nonrecurring amounts, or reflect unjustified “accrual” entries made by the Company to
18 increase these balances.

19 For example, actual expenses that exceed the original budget expenses by a
20 significant amount may be an indication that Delta’s budget process is not reliable or

⁵ Delta uses data other than financial information in the calculation of its adjustments, and it would be necessary to have all of this information to make a comprehensive update to Delta’s original filing.

1 accurate because of this significant variance from budget. In these instances, the
2 Commission should be wary of significant variances, and it may be appropriate to rely on
3 original budget amounts versus unsubstantiated actual amounts.

4 **Q. When did Delta last file a rate case before this Commission?**

5 A. Delta last filed for an increase in base rates in April 2010 (using a historical test period
6 ending December 31, 2009) in Case No. 2010-00116,⁶ and when the rates in this case go
7 into effect in January 2022, it will have been just over eleven years since Delta's last rate
8 increase went into effect.

9 **Q. Have important events and changes in ownership transpired since Delta last filed a**
10 **rate case?**

11 A. Yes. In 2017, PNG Companies LLC ("PNG") acquired Delta, and 2020 Aqua America,
12 Inc. ("Aqua") acquired PNG, including Delta, and Aqua subsequently changed its name to
13 Essential Utilities Inc. ("Essential"). In April 2021, ownership of People's Gas of
14 Kentucky LLC ("PKY"), a farm tap affiliate of Delta owned by PNG, was transferred to
15 Delta. Delta is in the process of merging the operations of PKY into Delta.⁷ This rate case
16 includes the consolidated financial data and operations of Delta and PKY. PNG is
17 comprised of gas operations in Kentucky (40,000 customers),⁸ Pennsylvania (700,000
18 customers, and West Virginia (13,000 customers).⁹

⁶ Commission Order dated October 21, 2010, and nunc pro tunc Order dated November 29, 2010.

⁷ Brown direct at 3, lines 10-21.

⁸ Brown direct at 5, line 1.

⁹ Brown direct at 4, lines 12-14.

1 **Q. Has the change in ownership over the years had a negative or positive impact on**
2 **Delta?**

3 A. I cannot say with certainty if it has had either a positive or negative impact on the financial
4 and operational aspects of Delta, but the Company has not provided any quantification of
5 benefits, cost savings, or efficiencies. Witness Brown states that the various acquisitions
6 (and change in ownership) have allowed Delta to have access to technologies, economies
7 of scale, and expertise beyond what was available as a stand-alone utility.

8 AG DR 1-67¹⁰ asked Delta to identify and provide supporting documentation and
9 calculations for each of the various types and amounts of “economies of scale” and tangible
10 cost savings that were reflected in prior years and the revenue requirements of this rate
11 case. Delta generally stated that the economies of scale are reflected throughout the
12 revenue requirement, including a lower cost for SAP software, access to favorable capital
13 costs, and less expensive insurance and medical premiums. However, Delta’s response is
14 vague and did not provide any specific calculations of economies of scale or other tangible
15 cost savings that are reflected in the revenue requirement.

16 **Q. Does Delta have any documentation to support its assertion that Delta’s parent**
17 **Essential is considered “best in class” among natural gas utilities in the United States?**

18 A. No. Witness Brown makes this assertion,¹¹ and AG DR 1-68¹² asked Delta for
19 documentation to support this claim. Delta’s response states, “There were no studies or

¹⁰ Exhibit_(BCO-3).

¹¹ Brown direct at 4, lines 5-6.

¹² Exhibit_(BCO-4).

1 comparisons done to support the statement that Essential is a Best-in-Class utility.”
2 Therefore, the Commission should not place any undue reliance on Delta’s claim about
3 being an industry leader unless the Company provides specific supporting documentation
4 for such statements.

5 **Q. Does Delta use a capitalization method in this rate case, and do you agree with that**
6 **approach?**

7 A. Delta uses a capitalization amount of \$138,921,565 to calculate the return on component
8 of the base revenue requirements. This capitalization is \$2,185,576 greater than Delta’s
9 13-month average rate base \$136,735,989.

10 I do not agree with the capitalization method and I support the use of a traditional
11 rate base method in this rate case, and I have converted Delta’s capitalization approach to
12 a rate base method.

13 **Q. Does the Commission support the rate of return method over the capitalization**
14 **method?**

15 A. Yes, it appears so for the most part. I have been made aware the Commission uses a rate
16 base method for most of the investor owned utilities, with exceptions for Kentucky Utilities
17 Company and Louisville Gas & Electric Company.

18 The Commission approved the change from capitalization to rate base for Duke
19 Energy Kentucky, Inc. (“Duke”) in Case Nos. 2018-00261 and 2019-00271. In the Duke
20 Energy Kentucky gas case, Duke’s witness Sara E. Lawler, Director Rates & Regulatory
21 Planning of Duke Energy Business Services LLC states in Direct Testimony, that the
22 “Company believes that using gas rate base to calculate the revenue requirement is the

1 simplest and most transparent method.”¹³ In that same case, two other Duke witnesses
2 provided testimony that the use of the rate base method is effective, more precise, and more
3 commonly used than the capitalization method. In the Duke case, the Commission
4 approved its request to switch from capitalization to a rate base approach.

5 Also, as another example, in Case No. 2020-00174 regarding the Kentucky Power
6 Company (“Kentucky Power”), the Commission denied Kentucky Power’s use of the
7 capitalization method and adopted the AG’s recommendation to use a rate base method.¹⁴

8 **Q. Why is the rate base method a preferable and more accurate method to calculate the**
9 **return on component of the revenue requirement compared to the capitalization**
10 **method?**

11 A. The rate base method is more accurate because it allows parties to perform an objective
12 assessment of all specific costs and inputs that will earn a return. The rate base approach
13 is more transparent, less susceptible to some shortcomings of the capitalization method,
14 and is a more precise method for measuring a utility’s actual investment in plant and other
15 property that is used to provide utility service. The rate base method also allows certain
16 costs to be properly deducted from rate base, including accumulated deferred income taxes,
17 customer advances for construction and other items that would not be reflected in a
18 capitalization method.

¹³ Lawler direct, Case No. 2018-00261, at 5.

¹⁴ *In Re:* Electronic Application Of Kentucky Power Company For; (1) A General Adjustment Of Its Rates For Electric Service; (2) Approval Of Tariffs And Riders; (3) Approval Of Accounting Practices To Establish Regulatory Assets And Liabilities; (4) Approval of A Certificate Of Convenience And Necessity; and (5) All Other Required Approvals and Relief. Commission Order, Case No. 2020-00174, January 13, 2021, at 5.

1 Capitalization includes only the three primary components of equity (including
2 retained earnings), long-term debt, and short-term debt, and there is little to no flexibility
3 in adjusting the capitalization to reconcile to rate base (or to approximate rate base). Also,
4 capitalization can be significantly impacted by the timing of certain events. For example,
5 capitalization (and retained earnings) may appear excessive if this is measured shortly
6 before significant dividend payments are made that could substantially reduce the retained
7 earnings and related capitalization. Similarly, new long-term debt might be issued and
8 recorded on the books prior to the use of this debt for significant capital plant additions or
9 other cash outflows, and this causes a mismatch between capitalization and its intended
10 purpose or use.

11 **Q. Will you convert Delta’s capitalization method to the rate base method?**

12 A. Yes, and I will use the same approach of AG witness Mr. Lane Kollen in converting the
13 capitalization method to the rate base method in the recent Kentucky Power Company
14 proceeding in Case No. 2020-00174, including an adjustment to convert the capitalization
15 amount to the rate base amount. Mr. Kollen’s approach was adopted by the Commission,
16 and I previously cited to the Commission’s adoption of the rate base method in that
17 proceeding.

18 **Q. Why did you use a pre-tax Gross Revenue Conversion Factor (“GRCF”) of 1.0 in
19 translating adjustments to a revenue requirement basis?**

20 A. I used the same approach of AG witnesses in other prior rate cases, by using a “pre-tax”
21 ¹⁵GRCF that is used in translating rate base and operating income adjustments to a revenue

¹⁵ “Pre-tax” refers to the GRCF without the impact of state and federal income taxes.

1 requirement impact. In this proceeding, Delta’s pre-tax GRCF is 1.0. I relied on
2 information from Delta’s GRCF at Tab 61, and the Company did not include any bad
3 debt/uncollectible or public service commission (“PSC”) fees in the calculation of its
4 GRCF – thus the pre-tax GRCF calculates to a factor of 1.0.

5 In other recent proceedings, such as Case No. 2021-00183 regarding Columbia Gas
6 of Kentucky, Inc., the AG witness Mr. David Dittmore used a pre-tax GRCF of
7 1.006320¹⁶ that reflects the impact of an uncollectible factor (.428000%) and PSC fees
8 factor (.200000%).¹⁷

9 I am not opposed to reflecting a bad debt and PSC fees factor in the pre-tax GRCF
10 of Delta, but the Company’s GRCF calculation at Tab 61 did not include these other
11 components.

12 **Q. Have you been able to review certain recent updated data requests provided by Delta,**
13 **and to reflect that information in your testimony?**

14 **A. No.**

16 **II. OPERATING INCOME ADJUSTMENTS**

18 **A. REMOVE SERP-RELATED EXPENSE**

19 **Q. Why have you removed SERP-related expense from the revenue requirement?**
20

¹⁶ Dittmore direct at 6, Table 1.

¹⁷ Also, state and federal income tax impacts are not reflected in Mr. Dittmore’s proposed pre-tax GRCF.

1 A. I have removed SERP-related expenses of \$237,779, and this reduces the related revenue
2 requirement by \$237,779, as shown at Exhibit _ (BCO-2.6A). In addition, Exhibit_(BCO-
3 5) includes Delta’s data request response to AG DR 1-59 addressing this SERP-related
4 expense. This adjustment is not expected to be a contested, because Delta has stated it
5 would reflect this adjustment in its updated revenue requirement filing. I am proposing
6 this adjustment because it is reasonable, and to ensure that the amounts are reflected in the
7 revenue requirement.

8 The AG’s First Series (“1”) of Data Requests (“DR”) 1-59, asked Delta to provide
9 the amount of SERP expense in the forecasted test period, and to explain why this amount
10 should be included in the revenue requirement. Delta’s response stated it is not currently
11 funding a SERP, but a SERP-related expense of \$237,779¹⁸ was erroneously recorded
12 above-the-line, and the Company will reflect this adjustment in its updated revenue
13 requirement filing. Therefore, I have removed these SERP-related expenses from the
14 revenue requirement.

15 Delta has not demonstrated that this SERP-related expense provides any benefit to
16 existing customers. Also, this SERP-related expense is primarily nonrecurring and
17 extraordinary, and if customer rates include recovery of this expense on a going-forward
18 basis, then customer rates will be excessive because the Company will not incur this type
19 of expense on a normal recurring basis. Finally, Delta has not demonstrated that this SERP-
20 related expense is fair, just, and reasonable.

21

¹⁸ This relates to \$237,779 of investment gains during the base year in the Rabbi Trust for the benefit of retired CEO Glenn R. Jennings, being paid at the rate of \$100,000 per year until the Trust is depleted.

1 **Q. To the extent this expense is treated as a “SERP-type” expense, is the treatment**
2 **consistent with prior Commission rulings?**

3 A. Yes. In Case No. 2020-00174, the Commission determined that Kentucky Power’s SERP
4 expenses should be disallowed because it did not provide substantial evidence that
5 ratepayers benefitted from the SERP expense.¹⁹

6

7 **B. REDUCE PENSION EXPENSE**

8

9 **Q. Why have you reduced pension expense in the revenue requirement?**

10 A. I have reduced pension expense by \$377,670, and this reduces the related revenue
11 requirement by \$377,670, as shown at Exhibit _ (BCO-2.6B). In addition, Exhibit_(BCO-
12 6) includes Delta’s data request response to Staff DR 2-40 addressing pension expense. In
13 response to AG and Staff data request responses, Delta has confirmed this adjustment is
14 not reflected in its original filing, although the Company states it will make this adjustment
15 in its updated filing. I am including this adjustment in revenue requirements because it is
16 reasonable, and to ensure the amounts are properly reflected in the revenue requirement.

17

18 **Q. Will you explain the AG’s pension expense adjustment in more detail?**

19 A. Delta’s filing, Tab 57 – Schedule D-2.5, originally proposed to reduce pension expense by
20 \$808,439 due to the Company freezing the pension plan for all employees at May 1, 2021,²⁰

¹⁹ *In Re*: Electronic Application of Kentucky Power Company For (1) A General Adjustment Of Its Rates for Electric Service; (2) Approval Of Tariffs And Riders; (3) Approval Of Accounting Practices To Establish Regulatory Assets And Liabilities; (4) Approval Of A Certificate Of Public Convenience And Necessity; And (5) All Other Required Approvals And Relief. Commission Order, Case No. 2020-00174, January 13, 2021, at 17.

²⁰ Brown direct, at 13, lines 18-23.

1 and this pension expense adjustment was offset by various increases in other employee
2 benefit expenses.²¹ Delta first proposed an additional reduction to pension expense of
3 \$511,670 in response to Staff DR 1-33, and then in subsequent responses to AG DR 1-83
4 and Staff DR 2-40, the Company reduced this pension expense reduction to \$377,670 based
5 on updated pension expense forecast information from its outside pension consultants
6 Willis Towers Watson (“WTW”). Therefore, I have included this adjustment as a reduction
7 to the revenue requirement.

8
9 **C. REDUCE INCOME TAX EXPENSE**

10
11 **Q. Why have you reduced income tax expense in the revenue requirement?**

12 A. I have reduced federal income tax expense by \$738,174 and state income tax expense by
13 \$39,600, and this reduces the related revenue requirement by \$738,174 and \$39,600,
14 respectively, as shown at Exhibit _ (BCO-2.6C). In addition, Exhibit_(BCO-7) includes
15 certain Delta data request responses addressing this reduction in income tax, including AG
16 DR 1-88²² and Staff DR 1-14.

17 In response to AG and Staff data request responses, Delta has indicated this
18 adjustment is not reflected in its original filing, but the Company has stated it will include
19 this adjustment in its updated filing. I am including this adjustment in revenue

²¹ The reduction in pension expense was offset by increases in other employee benefit expenses of: 1) increase in 401k expenses of \$310,198 due to Delta increasing its contribution to the 401k employee plan to offset freezing the pension plan; 2) increase in medical benefits expense of \$523,276; and 3) increase in dental benefits expense of \$81,948.

²² I did not include the two PDF pages of Delta’s response to this data request showing the tax calculation because I am not contesting this correction adjustment proposed by Delta.

1 requirements because it is reasonable, and to ensure the amounts are removed from the
2 revenue requirement. In addition, I am proposing a related adjustment to the Tax Cuts and
3 Jobs Act (“TCJA”) excess accumulated deferred income taxes (“excess ADIT”) in the rate
4 base adjustments section of this testimony.

5 AG DR 1-88 asked Delta if the impact on income tax expense due to the
6 corresponding amortization of the excess ADIT (due to the TCJA) was reflected in the
7 revenue requirement, because I was unable to locate this adjustment in the Company’s
8 filing. Delta’s response to AG DR 1-88(d) (and Staff DR 1-14) stated that the Company’s
9 original filing did not include this TCJA income tax expense impact, but it would make
10 this revision in its updated filing. Delta’s response to AG DR 1-88(d) stated that (federal)
11 income tax expense should be reduced by \$738,174, including \$734,146 for the impact of
12 Delta’s amortization of excess protected and unprotected deferrals, and \$4,028 for the
13 impact of PKY’s amortization of protected deferrals. Delta’s response to Staff DR 1-14
14 includes a slightly different amortization amount for PKY of \$4,692 (versus \$4,028 in AG
15 DR 1-88(d). However, I have used the lower amount of \$4,028 in my revenue requirement
16 adjustment, and a total adjustment of \$738,174 (\$734,146 plus \$4,028). Therefore, I have
17 included this adjustment to reduce federal income tax in Delta’s revenue requirement.

18 In addition, Delta’s response to Staff DR 1-14 states that it also failed to properly
19 reflect the impact of the TCJA accumulated deferred income taxes on state income tax
20 expense, and this should result in a reduction to state income tax expense of \$39,600 (and
21 Delta indicates it will make this adjustment to its updated filing). Thus, I have also included
22 this adjustment as a reduction to the revenue requirement. These adjustments are
23 reasonable and necessary to reflect the proper impact of the TCJA in this rate case.

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**D. AMORTIZE RATE CASE EXPENSE OVER FIVE YEARS AND DENY
REGULATORY ASSET TREATMENT**

Q. Will you summarize your recommendations regarding the rate case expense amortization period and the Company’s request to establish a regulatory asset for recovery of rate case expense?

A. I am recommending a five-year amortization of rate case expense (instead of Delta’s proposed three-year amortization) and this reduces rate case expense by \$84,000 and reduces the related revenue requirement by \$84,000 as shown at Exhibit _ (BCO-2.6D). In addition, Exhibit_(BCO-8) includes Delta’s August 12, 2021 supplemental response to Staff DR 1-12(d)²³ addressing the Company’s request for a deferred regulatory asset.. Also, Delta’s request to establish a regulatory asset in rate base for recovery of unamortized rate case expense should be denied as discussed more fully below.

Q. Did Delta include any expenses for this rate case in the base period, which might have been duplicated in the Company’s rate case expense adjustment for the forecasted test period?

A. No, it does not appear any duplication of expenses exists. Delta’s response to AG DR 1-56(g), states that no rate case expenses were included in the base period, and I presume this response means that no actual expenses incurred by its outside rate consultants to date have been included in the base period. Therefore, Delta’s adjustment to increase rate case

²³ I am only relying on Delta’s August 12, 2021 supplemental response to Staff DR 1-12(d) regarding its request for a deferred regulatory asset related to rate case costs, so I did not include copies of Delta’s updated rate case expense invoices and other documents provided with this supplemental response because I am not addressing those issues by citing to this data request response.

1 expense by \$210,000 (amortization of \$630,000 divided by three years) for the forecasted
2 period does not appear to duplicate any other expenses in the revenue requirement. I raise
3 this issue only because I was not able to determine with certainty that there were not any
4 rate case expenses included in other accounts of this rate case filing (such as Account
5 9923000 A&G Outside Services).

6 **Q. Why should rate case expense be amortized over five years, instead of three years as
7 proposed by Delta?**

8 A. First, Delta did not provide any documentation to support its request for a three-year
9 amortization period, and none of the Delta witnesses address this issue in their direct
10 testimony.

11 Second, Delta has not filed a rate case since April 2010, a period of over ten years.
12 Therefore, a five-year amortization period is reasonable based on this historical experience
13 of Delta rate case filings. Also, historical experience is the most reasonable indication of
14 future rate case filings because it is not possible to otherwise determine when the Company
15 will file its next rate case.

16 **Q. How did you calculate your adjustment to amortize rate case expense over five years?**

17 A. I started with Delta's total rate costs of \$630,000 at Tab 57 – Schedule D-2.9, and divided
18 this by five years amortization, to arrive at annual amortized expense of \$126,000. I then
19 deducted my amortized expense of \$126,000 from Delta's three-year rate case amortization
20 expense of \$210,000, to arrive at the difference, which is the rate case amortization
21 adjustment of \$84,000.

22 **Q. Why should Delta's request to recover its unamortized rate case expense in a deferred
23 regulatory asset (to be amortized over three years) be denied?**

1 A. I was not aware that Delta was requesting to recover its unamortized rate case expense in
2 a deferred regulatory asset because its witnesses do not address this issue in their direct
3 testimonies. I became aware when I saw a statement in the Company's Supplemental
4 Response (August 12, 2021) to Staff DR 1-12(d). Staff's DR 1-12 did not ask for any
5 information regarding treatment of rate case expense in a deferred regulatory asset, and
6 this information was addressed for the first time in the Company's supplemental response
7 to Staff DR 1-12 and not in the Company's original response to Staff DR 1-12.

8 Delta should not be able to recover its unamortized rate case expense in a deferred
9 regulatory asset for the reasons set forth below.

10 First, Delta has not provided any documentation to support its request for a deferred
11 regulatory asset, and the issue was not addressed in its direct testimony.

12 Second, Delta has not met the Commission's longstanding precedent and criteria
13 for establishing a deferred regulatory asset as addressed in Case No. 2008-00436²⁴ and as
14 explained in the Commission's COVID-19 proceeding in Case No. 2020-00085,²⁵ as set
15 forth below:

16 Supplemental to GAAP, longstanding Commission precedent provides that
17 regulatory assets may be established when a utility incurs: (1) an
18 extraordinary, nonrecurring expense that could not have been reasonably
19 anticipated or included in the utility's planning; (2) an expense resulting
20 from a statutory or administrative directive; (3) an expense in relation to an
21 industry-sponsored initiative; or (4) an extraordinary or nonrecurring
22 expense that, over time, will result in savings that fully offsets the cost.
23

²⁴ Regarding the application of Eastern Kentucky Power Cooperative, Inc. for an order approving the establishment of a regulatory asset related to certain replacement power costs, Order dated December 23, 2008.

²⁵ *In Re*: In the Matter of: Electronic Emergency Docket Related to the Novel Coronavirus COVID-19. Commission Order, Case No. 2020-00085, February 5, 2021, at 8.

1 Delta's request for a deferred regulatory asset related to amortizing rate case
2 costs does not meet the above-mentioned criteria because: 1) it is not an
3 extraordinary or nonrecurring expense; 2) it is not the result of a statutory or
4 administrative directive; 3) it was not incurred in relation to an industry-sponsored
5 initiative; and 4) it is not an extraordinary or nonrecurring expense that, over time,
6 will result in offsetting savings. Delta's request should be denied for its failure to
7 meet any of the Commission's longstanding criteria for establishing a regulatory
8 asset.

9 Third, Delta has not demonstrated that its request for a deferred regulatory asset is
10 fair, just, and reasonable. Also, including this deferred regulatory asset in rate base would
11 allow a return on the unamortized balance of the expense, and that is not reasonable
12 according to the Commission's decision in Case No. 2019-00271 regarding Duke Energy
13 Kentucky, Inc., and that issue is addressed next.

14 **Q. Are there examples where the Commission has denied deferred regulatory asset**
15 **treatment for the recovery of rate case expense?**

16 A. Yes. For example, in Case No. 2019-00271 regarding Duke Energy Kentucky, Inc., the
17 Commission stated, "The Commission agrees that rate case expense regulatory assets
18 should not be included in rate base, as that would allow a return on the unamortized balance
19 of the expense. The Commission has historically excluded this item from rate base to share
20 the cost of rate proceedings between the stockholders and ratepayers."²⁶

²⁶ *In Re*: Electronic Application Of Duke Energy Kentucky, Inc. For (1) An Adjustment Of The Electric Rates; (2) Approval Of New Tariffs; (3) Approval Of Accounting Practices To Establish Regulatory Assets And Liabilities; And (4) All Other Required Approvals And Relief. Commission Order, Case No. 2019-00271, April 27, 2020, at 7-8.

1 Consistent with the Commission's historic treatment, I propose that the
2 Commission deny Delta's request for a deferred regulatory asset to recover rate case
3 expense.

4
5 **E. EXPENSED PORTION OF PAYROLL COSTS ARE OVERSTATED**

6
7 **Q. Will you summarize your adjustment to remove the amount of expensed payroll that**
8 **is overstated?**

9 A. Delta's adjustment for payroll expense is overstated and my adjustment reduces payroll
10 expense (via correction of the payroll expense factor) by \$359,396, along with a
11 corresponding reduction in payroll taxes of \$28,012, with a related revenue requirement
12 impact of \$359,396 and \$28,012, respectively, as shown at Exhibit _ (BCO-2.6E). In
13 addition, Exhibit_(BCO-9) includes certain Delta data request responses to AG DR 2-27,
14 AG DR 1-33, AG DR 2-29, and AG DR 1-37 that are relevant to my payroll expense
15 adjustment. The payroll "expense factor or ratio" is the amount of expensed payroll
16 divided by the total amount of payroll (which includes payroll that is both expensed and
17 capitalized).

18 **Q. Will you explain Delta's payroll adjustment?**

19 A. Table BCO-1 below provides a simplified illustration of Delta's payroll adjustment, with
20 information taken from Delta's Tab 57 - Schedule 2.6.²⁷ Delta began with its base period

²⁷ Delta updated Tab 57 - Schedule 2.6 in response to Staff DR 1-54, at Excel workpaper "Delta_R_PSCDR1_NUM054_61121_Tab_57, at Tab "D-2.6." However, the amount of Delta's proposed payroll adjustment did not change.

1 total payroll (expensed and capitalized, including five months of estimated data) which
 2 included straight-time labor, overtime, and incentives for a total of \$10,219,163, and then
 3 added back nonrecurring vacation accrual of \$505,192, reduced incentives by \$495,822,
 4 and included 2021 and 2022 pay raises of \$455,441 to arrive at the forecasted period
 5 (December 31, 2022) total payroll (expensed and capitalized) of \$10,683,974.

6 Delta then multiplied the base period total payroll costs by an expense factor of
 7 78.35 percent (the percent of expensed payroll to total payroll) which resulted in base
 8 period payroll expense of \$8,006,428. Delta also multiplied the forecasted period payroll
 9 costs by a greater expense factor of 78.06 percent, which resulted in forecasted period
 10 payroll expense of \$8,339,892. The increase in payroll expense from the base period to
 11 forecasted period payroll expense of \$333,464 is Delta’s payroll adjustment, as shown at
 12 Table BCO-1, line 8, column G.

13 **Table BCO-1:**

	A	B	C	D	E	F	G
		Base Period	Remove	Reduce	Payroll	Forecasted	Delta
		Total Costs	Non-recc.	Incentive	Raises	Total Costs	Adj. to
Ln	Description	(Exp. & Capit.)	Vacation	Costs	for 2021/2022	(Exp. & Capit.)	Payroll Exp.
1	Straight time	\$ 9,372,351					
2	Non-recurring vacation	\$ (505,192)					
3	Straight time adjusted	\$ 8,867,159	\$ 505,192		\$ 440,933	\$ 9,813,284	
4	Overtime	\$ 310,223			\$ 14,508	\$ 324,731	
5	Incentives	\$ 1,041,781		\$(495,822)		\$ 545,959	
6	Total Payroll (Exp. & Capit.)	\$ 10,219,163	\$ 505,192	\$(495,822)	\$ 455,441	\$ 10,683,974	
7	Percent Expensed	78.35%				78.06%	
8	Payroll Expensed	\$ 8,006,428				\$ 8,339,892	\$ 333,464

14
 15 **Q. What are your primary concerns with Delta’s payroll adjustment?**

16 A. I am primarily concerned with the increase in the straight time payroll expense (and to a
 17 lesser degree overtime expense) from the base period to the forecasted period, along with

1 the payroll expense ratios of 78.35 percent and 78.06 percent (line 7, columns B and F in
2 Table BCO-1 above) which appear to be overstated based on historical results. I will use
3 Table BCO-2 on the next page to address my primary concerns in more detail.

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2 **Table BCO-2:**

	A	B	C	D	E	F	G
			Calendar Years			8/31/2021	12/31/2022
Ln	Description	2017	2018	2019	2020	Base Period	Forecasted
	EXPENSED:						
1	Straight time	\$ 6,696,245	\$ 6,729,208	\$ 6,384,053	\$ 6,683,943	\$ 6,728,929	\$ 7,660,233
2	Incentives	\$ 526,365	\$ 84,415	\$ 596,723	\$ 1,145,623	\$ 1,041,121	\$ 426,175
3	Overtime	\$ 205,483	\$ 270,249	\$ 261,884	\$ 197,954	\$ 234,467	\$ 253,484
4	Other (Misc.)	\$ (882)	\$ 8,784	\$ (13,798)	\$ (91,137)	\$ 1,910	
5	Total Payroll Expense	\$ 7,427,211	\$ 7,092,656	\$ 7,228,862	\$ 7,936,383	\$ 8,006,427	\$ 8,339,892
6	Less incentives expense	\$ (526,365)	\$ (84,415)	\$ (596,723)	\$ (1,145,623)	\$ (1,041,121)	\$ (426,175)
7	Total Straight/OT Payroll Expense	\$ 6,900,846	\$ 7,008,241	\$ 6,632,139	\$ 6,790,760	\$ 6,965,306	\$ 7,913,717
8							
9	\$ Change - Total Straight/OT		107,395	(376,102)	158,621	174,546	948,411
10	% Change - Total Straight/OT		1.56%	-5.37%	2.39%	2.57%	13.62%
11							
12	CAPITALIZED:						
13	Straight time	\$ 1,958,480	\$ 1,959,737	\$ 2,118,892	\$ 2,520,129	\$ 2,138,230	\$ 2,153,051
14	Incentives	\$ -	\$ -	\$ -			\$ 119,784
15	Overtime	\$ 60,098	\$ 78,704	\$ 86,920	\$ 74,637	\$ 74,506	\$ 71,247
16	Other (Misc.)	\$ (258)	\$ 1,403	\$ (5,160)	\$ (35,083)		
17	Total Payroll Capitalized	\$ 2,018,320	\$ 2,039,844	\$ 2,200,652	\$ 2,559,683	\$ 2,212,736	\$ 2,344,082
18	Less incentives capitalized	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (119,784)
19	Total Straight/OT Payroll Capital.	\$ 2,018,320	\$ 2,039,844	\$ 2,200,652	\$ 2,559,683	\$ 2,212,736	\$ 2,224,298
20							
21	Total Payroll Costs Expensed/Capital.	\$ 9,445,531	\$ 9,132,500	\$ 9,429,514	\$ 10,496,066	\$ 10,219,163	\$ 10,683,974
22							
23	Total Straight/OT Expensed/Capital.	\$ 8,919,166	\$ 9,048,085	\$ 8,832,791	\$ 9,350,443	\$ 9,178,042	\$ 10,138,015
24							
25	Straight/OT Payroll Expense Factor	77.37%	77.46%	75.09%	72.63%	75.89%	78.06%
26							
27	Most recent 3-year average of Straight/OT payroll expense factor (2019, 2010, and Base Period)						74.51%
28	Note 1 - "Total Payroll Expense - less incentives" includes Straight time and Overtime only						
29	Source: AGDR 2-27 for columns A to F, and AGDR 1-33 (Revised Staff DR 1-36) for column F.						
30	Delta's filing, Tab 57 (and Staff DR 1-54, Tab 57, Schedule 2.6) for columns F and G.						

3

4

5 Note: Highlighted columns are highest priority to review, there is no Confidential data in this table.

1 The source for amounts in Table BCO-2 are AG DR 2-27 for columns A to F (also,
2 AG DR 1-33²⁸ shows the same amounts in column F). Amounts for columns F and G are
3 from Delta’s payroll adjustment provided at Tab 57 - Schedule 2.6.²⁹ The total payroll costs
4 (expensed and capitalized) at line 21, columns F and G, reconcile to Delta’s payroll
5 adjustment at Tab 57 – Schedule 2.6.

6 Table BCO-2 shows Delta’s “expensed” and “capitalized” payroll cost by each
7 component (straight time labor, incentives, overtime, etc.) for each of the calendar years
8 2017 through 2020, plus the base period and the forecasted period.³⁰ I will focus on the
9 payroll components of straight time payroll expense and overtime payroll expense (at lines
10 1 and 3, columns B to G, for each period), because these are payroll expenses with more
11 significant increases occurring from the base to forecasted period - which is the subject of
12 my concerns.

13 I have combined the straight time and overtime costs together (referred to as
14 “Straight/OT” amounts at Table BCO-2), and I will focus on the amounts and changes from
15 year-to-year at highlighted lines 7, 9, and 10 (columns C to G).

16 Lines 9 and 10, columns C to G, show the dollar amount of change, and percent
17 change, for Straight/OT expense for each of the periods. In all prior calendar years 2017

²⁸ AG DR 1-33 reflects revised and corrected amounts from Staff DR 1-36.

²⁹ The related Excel file was provided in response to Staff DR 1-54, Tab 57, Schedule 2.6.

³⁰ The Company’s payroll adjustment at Tab 57 – Schedule 2.6 only shows “total” payroll costs split between expensed and capitalized for the base period and forecasted period (columns F and G in Table BCO-2 above). In Table BCO-2, I determined the portion of “expensed” and “capitalized” payroll costs by specific component (straight time, overtime, incentive), by multiplying the total specific payroll component by the related base period expense factor (78.35% or capitalized factor (21.65%), and the same for the forecasted period expense factor (78.06%) and capitalized factor (21.94%).

1 to 2020 Straight/OT expenses increased by a very small amount from year-to-year, by
2 decreasing 5.37 percent in 2019 (a decrease of \$376,102), to the largest increase of 2.39
3 percent in 2020 (an increase of \$158,621), and the base period (which overlaps calendar
4 year 2020) only increased 2.57 percent (\$174,546) from calendar year 2020.³¹ However,
5 my primary concern is that column G, lines 9 and 10, shows that Straight/OT expense
6 increased significantly from the base period to the forecasted test period, by 13.62 percent
7 (and \$948,411). This is the most significant increase compared to the prior four years, and
8 this increase of \$948,411 is more than five times greater than the next largest increase of
9 \$174,546 that took place from 2020 to the base period. Most importantly, this 13.62
10 percent proposed payroll increase for the forecasted test period substantially exceeds the
11 Company's forecasted annual payroll increases of 4.5 percent for 2022, and 3 percent for
12 both 2023 and 2024.³² Delta's significant payroll increase is unusual, excessive, and
13 unexplained by Delta.

14 Most importantly, I am concerned with the significant and unexplained increase in
15 Straight/OT payroll expense of \$948,411 from the base to forecasted period (Table BCO-
16 2, line 9, column G) because this is masked by Delta's inclusion of offsetting (and
17 decreasing) incentive payroll costs in its adjustment.

18 **Q. Does Delta's payroll calculation method and workpapers mask the significant and**
19 **unexplained increase in Straight/OT payroll expense of \$948,411?**

³¹ A smaller increase from the calendar year ending December 31, 2020 to the base period ending August 31, 2021, would usually be expected, because four months overlap (September to December 2020), so any increase would be primarily related only to the eight months of 2021.

³² Per Tab 31, and a revised Tab 31 was provided in response to Staff DR 1-54 with Excel file "Delta_R_PSCDR1_Num054_061121_Tab 31."

1 A. Yes. Delta's payroll adjustment (Tab 57 - Schedule 2.6) shows an increase in payroll
2 expense for all components (straight time, overtime, and incentives) of \$333,465, and this
3 is the Company's proposed payroll adjustment. However, by including "incentive" payroll
4 costs in its adjustment calculation, the total significant increase in Straight/OT payroll
5 expense is masked and not disclosed.

6 For example, Table BCO-2, shows Delta's payroll adjustment increase of \$333,465
7 as the difference between Delta's Total Payroll Expense for the base period of \$8,006,427
8 (line 7, column F) and the Total Payroll Expense for the forecasted test period of
9 \$8,339,892 (line 7, column G). But this increase of \$333,465 is masked, or offset, by a
10 reduction in incentive expense of \$614,946 (Table BCO-2, line 2, column G minus F). I
11 have removed incentive costs from Delta's adjustment because I will address these costs
12 in a separate adjustment. After the impact of incentive costs are removed, the actual
13 increase in Straight/OT payroll expense is \$948,411, calculated as the difference between
14 Total Straight/OT Payroll Expense for the base period of \$6,965,306 (Table BCO-2, line
15 7, column F) and the related amount for the forecasted base period of \$7,913,717 (Table
16 BCO-2, line 7, column G). Therefore, the most relevant concern is Delta's significant and
17 unexplained increase in Straight/OT payroll expense amount of \$948,411 from the base to
18 forecasted test period.

19 **Q. What did you determine was one of the primary factors causing the significant**
20 **increase in the Straight/OT payroll costs from the base to forecasted period (and for**
21 **which you propose an adjustment)?**

1 A. I noticed when Delta adjusted and increased its Straight/OT payroll costs from the base to
2 forecasted period, it also significantly increased the payroll expense factor³³ from 75.89
3 percent for the base period to 78.06 percent for the forecasted period (Table BCO-2, line
4 25, columns F and G), thus shifting payroll costs to expenses (and from capital payroll
5 costs) and increasing the revenue requirement in this rate case. Delta's payroll adjustment
6 at Tab 57 – Schedule 2.6 shows a base period payroll expense factor of 78.35 percent, but
7 this is for all payroll components. However, when only Straight/OT payroll costs (and not
8 the other payroll components) are considered, the related base period expense factor should
9 be 75.89 percent as calculated at Table BCO-2 (Table BCO-2, line 25, column F).

10 A payroll expense factor of 75.89 percent means that 75.89 percent of total payroll
11 is expensed and the residual amount of 24.11 percent is capitalized. Therefore, Delta's
12 payroll adjustment (from the base to forecast period) was calculated in a manner that caused
13 a significant and unjustified shift of payroll costs from capitalized to expense, and expenses
14 have a much larger impact on the revenue requirement than payroll costs that are
15 capitalized to rate base. This shift of payroll costs from capital to expense, resulted in an
16 increase in Delta's revenue requirement. I have proposed an adjustment to reduce
17 Straight/OT payroll expense by \$359,396, and to shift some of these payroll costs back to
18 capital costs (and remove the impact of Delta's shift from capital to expense).

19 **Q. Is Delta's shift of Straight/OT payroll costs to expense, to increase the payroll expense**
20 **factor, both unjustified and without documented support?**

³³ The payroll expense factor (percent) is the amount of expensed payroll costs divided by of total payroll costs (payroll costs both expensed and capitalized).

1 A. Yes. The increase in the payroll expense factor for Straight/OT payroll costs from 75.89
2 percent for the base period, to 78.06 percent for the forecasted period, has not been
3 addressed by Delta.

4 Also, there is no other meaningful supporting documentation for this shift of costs
5 that causes unjustified increases in the revenue requirement of this case. Delta has not
6 specifically identified any reasons or events in the forecasted period that justified a
7 significant increase (or shift) in the payroll expense factor from prior periods.

8 Most importantly, as Table BCO-2 illustrates (line 25, columns B to G), for all five
9 prior periods from 2017 through the base period, the Straight/OT expense factor has never
10 been as high as the 78.06 percent proposed by Delta for the forecasted test period, and for
11 the three most recent periods (2019 through the base period), the Straight/OT expense
12 factor has ranged from 72.63 percent to 75.89 percent. Delta's proposed payroll expense
13 factor of 78.06 percent is clearly excessive. Therefore, Delta's proposed change to the
14 payroll expense factor for the forecasted period, which caused a significant increase in
15 Delta's proposed payroll expenses in this rate case, is not known or measurable, and is not
16 fair, just, and reasonable.

17 **Q. Do you propose as a reasonable compromise on this issue, and what method did you**
18 **use?**

19 A. Yes. I have used a three-year weighted average of the Straight/OT payroll expense factor
20 for the three most recent periods, 2019, 2020, and the base period. The three-year weighted
21 average payroll expense factor that I recommend is 74.51 percent (Table BCO-2, line 27,
22 column G, and it includes information from the individual payroll expense factors of 75.09

1 percent for 2019, 72.63 percent for 2020, and 75.89 percent for the base period (Table
2 BCO-2, line 27, columns D, E, and F).

3 I did not use a simple average for the three-year average Straight/OT payroll
4 expense factor. I used a more precise calculation, using a three-year weighted average that
5 combined the respective amounts of “Total Straight/OT Payroll Expense” (Table BCO-2,
6 line 7, columns D, E and F) for each of these three periods (2019 through the base period)
7 and divided it by the “Total Straight/OT Expensed/Capital” (Table BCO-2, line 23,
8 columns D, E and F) for the same three years. This resulted in an adjusted Straight/OT
9 payroll expense factor of 74.51 percent, and my supporting exhibits show how this factor
10 is applied to payroll costs to arrive at the proposed adjustment to reduce Straight/OT
11 payroll expense by \$359,396.

12 **Q. Is your proposed adjustment reasonable?**

13 A. Yes. As I previously noted, Delta’s payroll adjustment includes at least \$592,894 of
14 unexplained increases in Straight/OT payroll expense (after deducting Delta’s proposed
15 payroll raises of \$445,441 that are not being contested at this point), but my final
16 adjustment proposes only a \$359,396 reduction in Straight/OT payroll expense.

17 **Q. Are there other contributing factors that could explain the significant and**
18 **unexplained increase in Straight/OT payroll expense of \$948,411 from the base to**
19 **forecasted period?**

20 A. No, not that I am aware. There might be some other minor factors, but none that explain
21 the largest portion of this increase.

22 First, Delta’s adjustment does include payroll raises for 2021 and 2022, and this
23 accounts for \$355,517 of the \$948,411 Straight/OT payroll increase from the base to

1 forecasted period,³⁴ but I am not opposing these payroll raises at this time. This means the
2 remaining significant increase of \$592,894 is unexplained for Straight/OT payroll expense
3 from the base to forecasted period (and my payroll adjustment of \$359,396 will account
4 for most of this).

5 Second, in April 2021, PKY was transferred to Delta in April 2021. Delta states
6 that its forecasted employees for years 2021 to 2024 (which includes the base and
7 forecasted periods) includes 162 total employees, consisting of 153 for Delta and 9 for
8 PKY (as noted at Tab 30).³⁵ Because Delta has apparently included 162 forecasted
9 employees in both the base period and forecasted period payroll costs in its payroll
10 adjustment, this means that payroll costs should remain about the same for both of these
11 periods (other than the payroll raises included in the Company's adjustment). Thus, this
12 issue does not appear to explain the reason for the \$592,894 increase in Straight/OT payroll
13 costs from the base to forecasted period. The absence of other justified reasons for this
14 significant increase in Straight/OT payroll expense also acts to support my adjustment.

15 **Q. Does your proposed revision of the Straight/OT payroll expense factor and the related**
16 **adjustment to reduce payroll expense satisfy all of your concerns regarding payroll-**
17 **related issues?**

18 A. No. However, my proposed payroll adjustment does mitigate some of my concerns, but I
19 still have concerns with other payroll-related matters in this case.

³⁴ Total payroll raises of \$455,441 (per Table BCO-1, line 6, column E), multiplied by Delta's forecasted period expense factor of 78.06 percent).

³⁵ Andrea Schroeder direct at 4, lines 5-6.

1 **Q. Will you explain some of your other concerns with payroll-related matters?**

2 A. Some of my other concerns are explained below.

3 First, Delta's response to AG DR 2-29(f) states that its payroll adjustment is based
4 on average headcount for the first seven months, which is 153 employees, with the
5 remaining five budgeted months at 161 employees (which assumes full-employment) –
6 resulting in an average of 156 employees in the base period. Delta does not specifically
7 address the headcount assumptions for the forecasted period, although it appears this is at
8 based on at least 162 projected employees because Tab 30 shows 162 forecasted employees
9 for all of the years 2021, 2022 (forecasted test period), 2023, and 2024.

10 Delta's response to AG DR 1-37(a) states that it does not budget based on the actual
11 number of employees, but based on all positions, including open and un-filled positions
12 that are actively being recruited. Delta states that if actual number of employees are being
13 used, it would understate the labor costs. I do not agree with this approach to budgeting
14 and including related payroll costs in this rate case based on this rationale, and this may
15 explain part of Delta's significant increase in forecasted payroll costs for this rate case
16 (from the base period to the forecasted test period).

17 If budgeted payroll costs (and forecasted payroll costs included in this rate case) always
18 assume 100% fill capacity of employees, including employees that do not actually work
19 for the company but reflect open or unfilled position, this will almost always result in
20 overstated payroll costs. It is not reasonable to assume there will never be any turnover or
21 vacancies during a typical year, especially when the Company cannot not fully control the

1 conditions under which employees may periodically turnover.³⁶ Most larger companies
2 cannot claim 100% fill employment all the time, vacancy and turnover are inevitable for
3 almost every company. It is always reasonable to include some vacancy/turnover factor in
4 a payroll adjustment (or use actual payroll costs which reflect this vacancy and turnover),
5 so that payroll costs are not overstated in a rate case.

6 As an example, Delta's response to AG DR 1-33 (headcount information) shows
7 that Delta's budgeted number of employees almost always exceeds its actual number of
8 employees for each month from January 1, 2018 to March 31, 2021 per the latest
9 information available (budgeted employees usually exceed actual employees by about four
10 to five employees, although budgeted employees can exceed actual employees by up to
11 twelve employees).³⁷ This information confirms my argument, and shows that Delta
12 seldom operates at 100 percent fill capacity, and the number of actual employees almost
13 always lags the number of projected/full capacity employees, and this has been occurring
14 consistently for at least the most recent 2.5 year period that was made available. This
15 indicates that 100 percent fill capacity is an outlier, is unusual, and is not reflective of
16 typical operations of the Company based on past experience.

17 This information also shows that if there had been a rate case for this period 2018
18 to 2020, and Delta had included payroll costs at its budgeted/100 percent fill capacity (and
19 was granted relief based on these employee levels), then Delta would have over-collected

³⁶ For example, employees may turnover because they are leaving due to increased pay, better working conditions, or perhaps just moving to another locations for various reasons. In addition, turnover can result from Company decisions to fire or dismiss employees, or hiring freezes, and other decisions.

³⁷ There are five months in 2019 where actual employees exceeded budgeted employees, and there is one month in 2019 where number of actual and budgeted employees were the same.

1 in excessive rates charged to customers, because Delta's subsequent actual payroll costs
2 would have been less than its budgeted/100 percent fill capacity of payroll costs included
3 in its rate case filing.

4 Also, per AG DR 1-33, I find it interesting that Delta's lowest number of actual
5 employees over the period January 2018 through March 2021, occurred in March 2021
6 with employee headcount of 149 (compared to Delta's budgeted level of 161 employees).
7 In fact, for the first seven months of the base period (which are intended to reflect actual
8 data), the number of employees has averaged 153, compared to Delta's budgeted employee
9 count of 161. Delta has provided recent information to show that it has filled some of these
10 positions, but this is a strong indication of how volatile employee levels can be, even if the
11 Company is trying its best to recruit and hire these positions. This indicates that Delta's
12 assumption of a 100 percent fill capacity with zero turnover is not a reasonable assumption
13 for projecting payroll costs in this proceeding.

14
15 **F. REMOVE INCENTIVE COSTS USING THE EXPENSE FACTOR FROM THE**
16 **PAYROLL ADJUSTMENT**

17
18 **Q. Will you summarize your adjustment to remove a portion of Delta's incentive**
19 **expenses?**

20 A. I have reduced Delta's incentive expense by \$19,382 and this has a corresponding impact
21 on revenue requirements of \$19,382 as shown at Exhibit _ (BCO-2.6F).

22 **Q. Why did you reduce Delta's incentive expense?**

23 A. I reduced Delta's incentive expense by using the same rationale from my previous
24 adjustment to payroll expense, and this is based on revising Delta's payroll expense ratio

1 from 78.06 percent to a three-year weighted average ratio of 74.71 percent. Delta's total
2 incentive costs (expensed and capitalized) included in the payroll adjustment is \$545,959,³⁸
3 and when multiplied by the Company's expense ratio of 78.06 percent, this equals incentive
4 expense of \$426,176. I took the same total incentive cost of \$545,959 and multiplied this
5 by the three-year weighted payroll expense ratio of 74.51 percent, and this results in a
6 revised incentive expense of \$406,794. The reduction from Delta's incentive expense of
7 \$426,176 to my revised incentive expense of \$406,794, is my proposed adjustment of
8 \$19,382.

9 **Q. Is it necessary to reduce Delta's incentive expense to remove the impact of financial-**
10 **based metrics?**

11 A. No. Delta's response to AG DR 1-79 states that for 2021 and beyond, 80 percent of the
12 long-term incentives are based on financial metrics. However, the Company did not pay
13 any long-term incentives in 2020, and no long-term incentives are included in the
14 forecasted test period (no adjustment is applicable).

15 Also, per Delta's response to AG DR 1-79, beginning in 2021, the short-term
16 incentive plan has been revised and is based solely on non-financial measures,³⁹ so no
17 adjustment is necessary for short-term incentives.

18
19 **G. REDUCE AFFILIATE CHARGES TO DELTA**
20

³⁸ Table BCO-1, line 5, column F.

³⁹ These non-financial (or customer-focused) metrics include safety, customer satisfaction, environmental stewardship, diversity, and individual goals.

1 **Q. Will you summarize your adjustment to reduce affiliate charges to Delta?**

2 A. I have reduced total affiliate charges allocated to Delta's by \$952,040, consisting of a
3 reduction of Essential allocations to Delta of \$553,881 and PNG capital cost allocations to
4 Delta of \$398,159, with a corresponding impact on revenue requirements of \$952,040 as
5 shown at Exhibit _ (BCO-2.6G). In addition, Exhibit_(BCO-10) includes certain Delta
6 data request responses to AG DR 2-39, AG DR 2-35⁴⁰, AG DR 1-46⁴¹, AG DR 1-47⁴², and
7 AG DR 1-48⁴³ that are relevant to my adjustment to affiliate charge to Delta.

8 **Q. Will you explain charges allocated from Essential/PNG to Delta/PKY?**

⁴⁰ This exhibit only includes information from Delta's original response to AG DR 2-35 dated August 25, 2021, because time did not permit review of Delta's September 21, 2021 supplemental response related to updated allocations for the months April to August 2021. Also, this Exhibit does not include all Excel files attached to AG DR 2-35, only the Excel files most relevant to my proposed adjustment to affiliate charges. This Exhibit includes Excel files, "Attachment_to_AG-2-35_-_1300_Essential_Allocations_Updated", "Attachment_to_AG-2-35_-_1600_Essential_Allocations_Updated", "Attachment_to_AG-2-35_-_Essential_Allocations_by_Service_Company_by_Month_and_Year", and "Attachment_to_AG-2-35_-_PNG_Allocations_to_Delta_Capital_Items." This Exhibit does not include the remaining Excel files included with AG DR 2-35, including "Attachment_to_AG-2-35_-_1300_PNG_Allocations_Updated", "Attachment_to_AG-2-35_-_BILL.ALLOC2_PERCENTAGE_ALLOCATION", "Attachment_to_AG-2-35_CUSTRELAT.ALLOC2_PERCENTAGE_ALLOCATION", "Attachment_to_AG-2-35_EXECUTIVE..ALLOC1_PERCENTAGE_ALLOCATION", and "Attachment_to_AG-2-35_-_PNG_Allocations_by_Service_Company_by_Month_and_Year."

⁴¹ This Exhibit only includes information from Delta's response to AG DR 1-46 that is most relevant to my proposed adjustment and this includes Excel file, "Attachment_to_AG_1-46_-_OAG_Attachment_3_-_Expensed_and_Capitalized_Amounts_Allocated_to_Delta_and_PKY." This Exhibit does not include other Excel files attached to AG DR 1-46.

⁴² This Exhibit only includes information most relevant to the issue that I am addressing at Delta's response to AG DR 1-47(b), and this includes Excel file, "Attachment_to_AG_1-47_-_1600_FERC_Income_Statement_2019_and_2020." This Exhibit does not include five other Excel files attached to AG DR 1-47, one of which is related to the 2017 and 2018 periods, and the remaining four Excel files are related to allocation factors that are not relevant to the issue that I am addressing at the Excel file attached to this Exhibit.

⁴³ This Exhibit only includes information most relevant to the issue that I am addressing at Delta's response to AG DR 1-48(b) and this includes Excel file, "Attachment_to_AG_1-48_-_1300_FERC_Income_Statement_2019_and_2020." This Exhibit does not include one other Excel file attached to AG DR 1-48 that is related to allocation factors for prior years 2017 and 2018, and is less relevant to the issue that I am addressing at the relevant Excel file attached to this Exhibit.

1 A. Essential (which owns PNG) and PNG (which owns Delta) both allocate affiliate charges
2 to Delta and PKY. Because Essential acquired Delta (and PNG) in April 2020, affiliate
3 charges from Essential to Delta did not begin until April 2020. Also, in April 2021, PKY,
4 a farm tap affiliate of PNG was transferred to Delta, so affiliate charges from Essential and
5 PNG to PKY began around April 2021 (and this increases the total affiliate charges to Delta
6 in this rate case also, because PKY operations are included in this rate case). Costs from
7 Essential are first allocated to PNG, and then to Delta.

8 Delta has a utility services agreement⁴⁴ with PNG that was approved by the
9 Commission in Case No. 2018-00379, and this document briefly describes the allocation
10 process.⁴⁵ Essential and PNG allocate corporate charges to Delta (and PKY) for services
11 related to Information Technology, Budget and Financial Strategy, Executive, General
12 Accounting, Regulatory & Legal, and other services.

13 **Q. Will you summarize the amount of charges allocated from Essential/PNG to**
14 **Delta/PKY by year?**

15 A. The allocations to Delta/PKY by year are shown below, and I will address these amounts
16 on the following page (these amounts are from AG DR 1-46(a), Excel
17 “Attachment_to_AG_1-46_-_OAG_Attachment_3_Expensed_and_Capitalized_
18 Amounts_Allocated_to_Delta_and_PKY”).

19

⁴⁴ The Utility Services Agreement and the Cost Allocation Manual were provided at AG DR 1-44(b) and (c), respectively.

⁴⁵ Tab 51 also briefly describes the allocation process and shows amounts allocated to Delta/PKY by service category for the years 2019 to 2020, plus the Base and Forecasted periods.

1 **Table BCO-3:**

	A	B	C	D	E	F	G
Ln	Source: AGDR 1-46:	2017	2018	2019	2020	Base Period	Forecasted Period
1	<i>Allocations by PNG:</i>						
2	PNG charges to Delta	\$ -	\$ -	\$ 62,323	\$ 50,790	\$ 86,623	\$ 86,623
3	PNG charges to PKY	\$ 272,238	\$ 227,739	\$ 240,423	\$ 207,854	\$ 186,039	\$ 186,039
4	PNG capital costs - Delta			\$ 51,149	\$ 384,935	\$ 398,159	\$ 398,159
5	PNG capital costs - PKY			\$ 2,455	\$ 2,209	\$ 2,061	\$ 2,061
6	Total allocation -PNG	\$ 272,238	\$ 227,739	\$ 356,350	\$ 645,788	\$ 672,882	\$ 672,882
7							
8	<i>Allocations by Essential:</i>						
9	Essential charges to Delta	\$ -	\$ -	\$ -	\$ 489,244	\$ 1,107,762	\$ 1,107,762
10	Essential charges to PKY				\$ 34,295	\$ 34,107	\$ 34,107
11	Total allocation - Essential	\$ -	\$ -	\$ -	\$ 523,539	\$ 1,141,869	\$ 1,141,869
12							
13	Total Allocations	\$ 272,238	\$ 227,739	\$ 356,350	\$ 1,169,327	\$ 1,814,751	\$ 1,814,751
14							
15	Change - Amount		\$ (44,499)	\$ 128,611	\$ 812,977	\$ 645,424	\$ 0
16	Change - Percent		-16%	56%	228%	55%	0%

3 Some key points regarding the above affiliate allocation are set forth in the
4 following bullet points:

- 5 1) The amount of affiliate charges included in the base and forecasted period for
6 recovery in this this rate case are the same, about \$1.8 million (Table BCO-3, line
7 13, column F and G).
- 8 2) Essential did not begin allocating charges to Delta and PKY until 2020, after
9 Essential acquired PNG.
- 10 3) PNG “capital costs” allocated to Delta and PKY are related to software and other
11 capitalizable costs that PNG translates to an expense charge for allocation purposes
12 (Table BCO-3, line 4 and 5, columns D to G).
- 13 4) PNG allocations to Delta increased significantly beginning 2020, due to
14 Information Technology (“IT”) costs related to implementation of the Delta
15 Customer Billing & Receivables SAP software (and other software

1 implementation), and this will be addressed in more detail (Table BCO-3, line 4,
2 columns D to G).

3 5) Total allocations from Essential/PNG to Delta/PKY increased significantly
4 beginning in 2020,⁴⁶ increasing to an amount for 2020 of \$1,169,327 (an increase
5 of \$812,977 and 228%), and from 2020 to the base/forecasted period, Delta
6 increased allocations in this rate case to \$1,814,751 (an increase of \$645,424 and
7 55%), per Table BCO-3, lines 13, 15 and 16, columns E to G.

8 The largest concern is regarding the significant increases of: 1) PNG capital costs
9 allocated to Delta for from 2019 through the forecasted test period (Table BCO-3, line 4,
10 columns D through G); and 2) Essential allocations to Delta for the period 2020 through
11 the forecasted test period (Table BCO-3, line 9, columns E through G).

12 **Q. Do you consider the amount of affiliate charges allocated to Delta (and included in**
13 **the forecasted test period of this rate case) to be significant?**

14 A. Yes, these charge represent one of the single largest categories of expenses in this rate case.
15 Total forecasted affiliate charges of \$1,841,545 (included in the forecasted test period)
16 represent 11.5 percent of the total O&M expenses of \$16,007,039 (included in the
17 forecasted test period).⁴⁷ These expenses have a substantive impact on the revenue
18 requirement of this case.

⁴⁶ The most significant amount of these allocations were to Delta (and not PKY).

⁴⁷ The forecasted period O&M expenses of \$16,007,039 are per Tab 22, although this amount differs slightly from forecasted O&M expenses of \$16,006,950 at Tab 54, Schedule A. Total O&M expenses exclude purchased gas, depreciation and amortization, other taxes, and income taxes.

1 **Q. Which affiliate services charged to Delta/PKY show the most significant increase, and**
2 **reflect a substantive concern?**

3 A. This information is provided in the Table BCO-4 below (per Tab 51 of the filing), and I
4 will address my concerns after the table.

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1 **Table BCO-4:**

	A	B	C	D	E	F	G
			Source: Tab 51 per Filing				
				Allocation to Delta	Allocations to PKY	Total Allocations	Change from 2020
Ln	Service	2019	2020	Base & Forecasted	for Base & Forecasted	Base & Forecasted	to Forecasted Period
1	Accounts Payable		\$ 9,281	\$ 6,810	\$ 3,508	\$ 10,318	
2	Billing Services	Inserted	\$ 6,359	\$ 83,802	\$ 5,961	\$ 89,763	\$ 83,404
3	Budget & Fin. Strateg	total	\$ 93,032	\$ 226,521	\$ 9,887	\$ 236,408	\$ 143,376
4	Cash Management	balance	\$ 10,326	\$ 9,845	\$ 927	\$ 10,772	
5	Community Relations	only,	\$ 15,859	\$ 34,881	\$ 8,517	\$ 43,398	
6	Customer Relations	not by	\$ 41,572	\$ 5,904	\$ 14,554	\$ 20,458	
7	Executive	service	\$ 164,136	\$ 327,393	\$ 12,989	\$ 340,382	\$ 176,246
8	Fleet		\$ 17,790	\$ 50,715	\$ 3,194	\$ 53,909	
9	General Accounting		\$ 96,652	\$ 129,675	\$ 21,767	\$ 151,442	\$ 54,790
10	Human Resources		\$ 76,547	\$ 135,160	\$ 16,231	\$ 151,391	\$ 74,844
11	Information Technology		\$ 421,153	\$ 365,087	\$ 19,544	\$ 384,631	\$ (36,522)
12	Internal Auditing		\$ 18,322	\$ 43,708	\$ 1,915	\$ 45,623	
13	Legal		\$ 34,070	\$ 85,035	\$ 3,220	\$ 88,255	\$ 54,185
14	Operations		\$ 4,943	\$ 8,474		\$ 8,474	
15	Regulatory and Legal		\$ 8,766	\$ 20,919	\$ 447	\$ 21,366	
16	Safety & Training		\$ 24,423	\$ 21,689	\$ 12,215	\$ 33,904	
17	Supply Chain		\$ 4,507	\$ 10,908	\$ 41	\$ 10,949	
18	Tax Accounting		\$ 7,112	\$ 26,015	\$ 906	\$ 26,921	
19	Call Center		\$ 29,784		\$ 31,062	\$ 31,062	
20	All Other/Misc.		\$ 28,794		\$ 49,234	\$ 49,234	
21	SAP Licenses				\$ 12,742	\$ 12,742	
22	Incentives		\$ 2,107		\$ 2,006	\$ 2,006	
23	Telecom Applications		\$ 19,588		\$ 18,137	\$ 18,137	
24		\$ 356,350	\$ 1,135,123	\$ 1,592,541	\$ 249,004	\$ 1,841,545	\$ 550,323
25	Change - Amount					706,422	
26	Change - Percent					62%	
27	Amounts in columns D, E, and F are for allocations to Delta/PKY for the forecasted period (base period is the same).						
28	These seven services account for 78% (\$550,323) of the \$706,422 increase in these services from 2020 to the						
29	to forecasted test period.						

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I am most concerned with the significant increase in affiliate charges from 2020 to the forecasted test period for the services that are highlighted above, including Billing Services, Budget & Strategy, Executive, General Accounting, Human Resources, Information Technology, and Legal. These seven services represent \$1.4 million of the total \$1,841,545 of allocated charges for the forecasted test period, and the increase in these

1 seven services of \$550,323 (Table BCO-4, line 24, column G) from 2020 to the forecasted
 2 test period represents 78 percent of the increase for all services (\$706,422) for the same
 3 periods.

4 From 2020 to the forecasted test period, there was actually a decrease in
 5 Information Technology (“IT”) services of \$17,174, but these IT charges are significant
 6 and subject to ongoing increases which I will address in more detail.

7 **Table BCO-5**

	A	D	E	F	G		
	AG DR 2-39					Forecasted	
Ln	IT Allocations - per AG DR 2-	2019	2020	2021	Period		
1	Capital portion allocated as exp	\$ 51,149	\$ 384,907	\$ 323,169	not		
2	Expense allocated	\$ 14,402	\$ 3,354	\$ 15,889	provided		
3	Total allocated to Delta	\$ 65,551	\$ 388,261	\$ 339,058	\$ -		
4	Percent allocated to Delta from	1.80%	10.94%	10.30%			
5	Note - Total amount billed to PKY for 2019 to 2021 did not change much, from \$20,109 in 2019 to \$17,974 in 2021,						
6	and this is not a concern.						
7							
8	AG DR 2-39						
9	Billing Services Allocation - per AG DR 2-39						
10	Capital portion allocated as exp	\$ -	\$ -	\$ 104,585	not		
11	Expense allocated	\$ -	\$ -	\$ 7,152	provided		
12	Total allocated to Delta	\$ -	\$ -	\$ 111,737	\$ -		
13	Percent allocated to Delta from total allocatio		0.00%	7.27%			
14	Note - Total amount billed to PKY for 2020 and 2021 did not change much, from \$6,359 in 2020 to \$5,857 in 2021,						
15	and this is not a concern.						

9 The amounts in Table BCO-5 above are Delta’s response to AG DR 2-39 Excel file
 10 “OAG2-39_c_g-Attachment-Allocation_Percent_Calculations.” Table BCO-5 shows
 11 total IT charges allocated to Delta increased from \$65,551 in 2019, to \$388,261 for 2021,
 12 and then decreased slightly to \$339,058 for 2021. AG DR 2-39 did not show the amount
 13 of IT expenses included in the forecasted test period, although the Table BCO-4 (line 11,

1 column F) shows this amount is \$384,631.⁴⁸ Also, the percent of IT affiliate charges
2 allocated to Delta increased from 1.80 percent in 2019, to 10.94 and 10.30 percent for 2020
3 and 2021, respectively (Table BCO-5, line 4). Thus, in 2019, Delta received 1.80 percent
4 of all Essential/PNG IT expenses allocated among all affiliates, and in 2021 this percent
5 increased to about 10.30 percent.

6 Table BCO-5 also shows the allocated charge for Billing Services increased from
7 a zero balance in 2019 and 2020, to \$111,737 in 2021. AG DR 2-39 did not show how the
8 amount of Billing Service expenses included in the forecasted test period, although the
9 Table BCO-4 shows this amount would be about \$89,763 (line 2, column F).⁴⁹ Also, the
10 percent of Billing Services affiliate charges allocated to Delta, increased from zero percent
11 in 2019 and 2020, to 7.27 percent in 2021 (Table BCO-5, line 13). Thus, in 2019 and 2020,
12 Delta received zero percent of all Essential/PNG Billing Services expenses allocated
13 among all affiliates, and in 2021 this percent increased to about 7.27 percent.

14 **Q. Will you identify the two groups of affiliated charges that are the primary focus of**
15 **your concerns, and which you will address in more detail?**

16 A. First, I am most concerned with the affiliate charges allocated from Essential to Delta,
17 which increased from \$489,244 in 2020 to \$1,107,762 in the forecasted test period (Table
18 BCO-3, line 9, columns E and G). And for these affiliate charges, I am most concerned

⁴⁸ Various data request responses from Delta sometimes show conflicting amounts of affiliate charges included in the forecasted test period.

⁴⁹ Various data request responses from Delta sometimes show conflicting amounts of affiliate charges included in the forecasted test period.

1 with changes in the related services of General Accounting, Executive, Human Resources,
2 Legal, and Budgets and Financial Strategy.

3 Second, I am also concerned with the affiliate charges related to capital costs that
4 are allocated from PNG to Delta, which increased from \$51,149 in 2019 to \$384,935 in
5 2020, and to \$398,159 in the forecasted test period (Table BCO-3, line 4, columns D, E,
6 and G). And for these affiliate charges, I am most concerned with changes in the IT capital
7 costs that drive these amounts.

8 I am not focusing on the other affiliate charges that have stayed relatively stable
9 from 2019 to the forecasted test period, including:

10 1) affiliate charges allocated from Essential to PKY, that are \$34,295 and \$34,107 for the
11 2020 and forecasted test period, respectively (Table BCO-3, line 10, columns E and G);

12 2) affiliate charges allocated from PNG to Delta that are \$62,323, \$50,790, and \$86,623
13 for the 2019, 2020, and forecasted test period, respectively (Table BCO-3, line 2, columns
14 D, E, and G); and

15 3) affiliate charges related to capital costs allocated from PNG to PKY that are \$2,455,
16 \$2,209, and \$2,061 for the 2019, 2020, and forecasted test period, respectively (Table
17 BCO-3, line 5, columns D, E and G).

18 **Q. What reasons did Delta provide for the increase in allocations from Essential to**
19 **Delta?**

20 A. Essential did not begin allocating charges to Delta until 2020, when Essential acquired
21 PNG. In 2020, Essential allocated an initial layer of corporate overhead and other expenses
22 to Delta in the amount of \$489,244, and these allocations increased to \$1,107,762 for the
23 base and forecasted test periods, an increase of \$618,518 or 126% (Table BCO-3, line 9,

1 columns E and G). Delta’s response to AG DR 2-35 was relied upon in addressing the
2 following allocations from Essential to Delta, including Excel files:

- 3 * “Attachment_to_AG-2-35_-_1300_Essential_Allocations_Updated”;
- 4 * “Attachment_to_AG-2-35_-_1600_Essential_Allocations_Updated”; and
- 5 * “Attachment_to_AG-2-35_-
6 “Essential_Allocations_by_Service_Company_by_Month_and_Year.”

7 Those services that appear to represent the most significant increase from 2020 to the
8 forecasted test period, include the following:

- 9 • General Accounting – increase from 2020 allocated expense of \$54,551 to forecasted
10 test period of \$115,627 (AG DR 2-35).
- 11 • Executive – increase from 2020 allocated expense of \$132,679 to forecasted test period
12 of \$304,402 (AG DR 2-35).
- 13 • Human Resources - increase from 2020 allocated expense of \$63,651 to forecasted test
14 period of \$135,160 (AG DR 2-35).
- 15 • Legal - increase from 2020 allocated expense of \$34,070 to forecasted test period of
16 \$85,036 (AG DR 2-35).
- 17 • Budgets and Financial Strategy - increase from 2020 allocated expense of \$90,872 to
18 forecasted test period of \$226,521 (AG DR 2-35).

19 Delta explains the reason for the increases in allocated expenses as follows. Delta’s
20 response to AG DR 2-35(f) (h) states that in 2021, it began providing Executive Services,
21 Billing Services, and Customer Relations Services for the first time (and apparently these
22 services were not provided to Delta in 2020, when allocation to Delta began). Also, Delta

1 states all of these services are important to provide customer support and administer the
2 low income customer assistance program and provide executive support services (and the
3 Company states that new types of Executive Services were created when Essential acquired
4 PNG).

5 **Q. Has Delta adequately supported this relatively new layer of corporate affiliate**
6 **charges allocated from Essential to Delta (that began in 2020)?**

7 A. No. Since Essential acquired PNG in 2020, it has added a significant new layer of corporate
8 overhead costs charged to Delta in the amount of \$489,244 for 2020 and \$1,107,762 for
9 the forecasted test period. This is in addition to total PNG corporate overhead costs (plus
10 capital costs) allocated to Delta/PKY in the amount of \$645,788 for 2020 and \$672,882 for
11 the forecasted test period.

12 The Company has not provided any detailed analysis to show the cost versus the
13 benefit of this \$1.1 million additional layer of corporate overhead costs allocated to Delta.
14 Delta appears to have operated reasonably and without any known or documented
15 problems prior to Essential's acquisition, and without Essential's additional layer of
16 corporate overhead costs of \$1.1 million. None of the Company witnesses address the
17 amount or the reasonableness of this new layer of corporate overhead cost in their
18 testimonies. Delta has not provided any studies, analysis, or supporting documentation to
19 show the financial (quantitative) and operating (non-quantitative) benefits, including all
20 economies of scale, cost reductions, and other benefits that help offset or justify the \$1.1
21 million of Essential's corporate overhead charges.

22 Second, because Essential added a significant new layer of \$1.1 million of
23 corporate overhead costs to Delta's operating expenses, this should have also resulted in

1 some reasonable reduction in certain redundant or similar PNG corporate overhead costs
2 that were being allocated to Delta, and also a reasonable reduction in certain redundant or
3 similar directly incurred administrative costs of Delta. However, Delta did not provide any
4 information addressing this issue or showing that there was any partial reduction or offset
5 of other administrative overhead costs. Delta's response to AG DR 1-47(b) and 1-48b) is
6 vague and does not adequately explain (or reconcile) the impact of the new layer of
7 corporate allocations on Delta's (and PKY's) financial operations for 2020 (and future
8 periods), and it does not identify any specific substantial offsetting expense savings or
9 efficiencies related to this added layer of allocations (or how these savings or efficiencies
10 were achieved).

11 Third, Delta has not provided any studies, analysis, or other supporting
12 documentation that shows the \$1.1 million incremental layer of Essential's corporate
13 overhead charges are reasonable when compared to industry data addressing the threshold
14 or reasonable levels of allocated expenses from parent companies to their regulated
15 affiliates. There is no information showing that \$1.1 million of additional corporate
16 overhead allocations are in line with industry "best" practices or the marketplace.

17 Fourth, Delta has not provided any comprehensive studies, analysis, or other
18 supporting documentation showing that the \$1.1 million of incremental corporate overhead
19 charges are provided at the lower of cost or market, or would be similar in cost to services
20 provided by third parties in the marketplace.

21 The bottom line is that Delta has not met a reasonable burden of proof to support
22 the significant and incremental layer of \$1.1 million of corporate overhead charges

1 allocated by Essential to the Company, and included in the revenue requirements of this
2 case for the forecasted test period.

3 **Q. What are you recommending as an adjustment to the \$1.1 million of Essential**
4 **corporate overhead costs allocated to Delta?**

5 A. I am removing 50 percent of these Essential corporate overhead costs, resulting in an
6 adjustment of \$553,881 (\$1,107,762 x 50 percent), for all of the previous stated reasons.
7 Delta previously operated without this additional significant layer of corporate overhead
8 costs, and there is no documentation that supports the reasonableness of these charges in
9 the record of this proceeding.

10 **Q. What reasons did Delta provide for the increase in the second category of allocated**
11 **charges, the amount of PNG “capital costs” allocated to Delta as an affiliate expense?**

12 A. I will now address the second group of affiliate charges for which I have concerns, these
13 affiliate charges are related to capital costs that are allocated as expenses from PNG to
14 Delta, with amounts of \$51,149 in 2019, \$384,935 in 2020, and \$398,159 in the forecasted
15 test period (Table BCO-3, line 4, columns D, E, and G). For these affiliate charges, I am
16 most concerned with changes in the IT service that drives these amounts.

17 Delta’s response to AG DR 2-35(b)(f)(g)(h)(i), states that the PNG allocations to
18 Delta were mainly driven by increased IT project costs, including Delta’s Customer Billing
19 & Receivables SAP module software implementation and other software implementation
20 directly charged to Delta and capitalized. Delta also states that the IT project costs were
21 allocated from PNG directly to Delta and capitalized (no other PNG affiliate received an
22 allocation for these projects because they were Delta specific projects). These capital costs
23 are shown at AG DR 2-35, Excel workpaper “Attachment_to_AG_2-

1 35_PNG_Allocations_to_Delta_Capital_Items”, and includes major software capital costs
2 of \$51,149 in 2019, \$375,304 in 2020, \$80,822 in January to March 2021, for total costs
3 of \$507,274.

4 Also, Delta’s response to AG DR 2-39 states the Delta customer billing system was
5 replaced in January 2021 and IT support began in 2020 for system configuration and
6 continued into 2021 for implementation, conversion and continued post conversion support
7 – and this resulted in increased allocated IT support costs. Finally, per AG DR 2-39, the
8 Excel worksheet, “OAG2-39_c_g-Attachment-Allocation_Percent_Calculations”, shows
9 the allocation of IT affiliate charges to Delta increased from an allocation factor of 1.80%
10 in 2019 (\$65,550 of IT affiliate charges), to 10.94% in 2020 (\$388,260 of IT affiliate
11 charges), and to 10.30% in 2021 (\$339,058 of IT affiliate charges).⁵⁰

12 **Q. What are your concerns regarding the PNG capital costs allocated to Delta as affiliate**
13 **expenses?**

14 A. PNG has allocated capital costs to Delta as affiliate expenses, including \$51,149 for 2019,
15 \$384,935 for 2020, and \$398,159 for the forecasted test period. Also, AG DR 2-35, Excel
16 workpaper “Attachment_to_AG_2-35_PNG_Allocations_to_Delta_Capital_Items” show
17 major allocated software capital costs of \$51,149 in 2019, \$375,304 in 2020, \$80,822 in
18 January to March 2021, for total costs of \$507,274. I have three primary concerns
19 regarding these PNG capital costs allocated as affiliate charges.

⁵⁰ Presumably this same factor of 10.30% was used for the forecasted test period, but this information was not provided in the data request response.

1 First, Delta’s responses to AG DR 2-35 and 2-39 make it appear that these PNG
2 allocated capital costs are one-time costs related to implementing software for a new
3 customer billing system in 2020 and in January 2021. However, PNG allocations to Delta
4 for these software capital costs are \$384,935 for 2020 and \$398,159 for the base and
5 forecasted test period, and a total amount of \$507,274 at AG DR 2-35.⁵¹ However, it
6 appears that Delta is treating these one-time software capital costs as a recurring affiliate
7 charges by including \$398,159 in the forecasted test period, when it appears these capital
8 costs have already been incurred in 2020 and 2021, and no other capital costs will be
9 incurred in the future on a going-forward basis. Therefore, it appears the forecasted period
10 affiliate charges related to capital costs are overstated by \$398,159. Delta’s response to
11 AG DR 2-35, Excel file “Attachment_to_AG_2-
12 35_PNG_Allocations_to_Delta_Capital_Items”, identifies total major software capital
13 costs of \$507,274, and it appears these total software capital costs have been more than
14 recouped via the 2020 PNG allocation of \$384,935 and the 2021 (or Base Period) allocation
15 of \$398,159. It does not appear reasonable that one-time capital costs of \$507,274 have
16 already been recouped via affiliate charges in 2020 and 2021 (and perhaps as early as
17 January 2021, for the 2021 capital costs – and January 2021 is not included in the forecasted
18 test period ending December 31, 2022.

19 Second, Delta’s response to AG DR 2-35 appears to state that the software capital
20 costs were allocated from PNG directly to Delta, and were capitalized. Delta’s statement

⁵¹ AG DR 2-35, Excel workpaper “Attachment_to_AG_2-35_PNG_Allocations_to_Delta_Capital_Items”, and includes major software capital costs of \$51,149 in 2019, \$375,304 in 2020, \$80,822 in January to March 2021, for total costs of \$507,274.

1 is not clear. However, if PNG allocated software capital costs via affiliate charges to Delta
2 of \$384,935 in 2020 and \$398,159 in 2021 (or Base Period), and then Delta subsequently
3 capitalized these software costs to their books and included them in rate base in this rate
4 case, this means that Delta is double-recovering these costs in this rate case, once via the
5 affiliate charge expenses, and secondly via the same amounts capitalized to rate base.

6 Third, Delta makes conflicting statements about the treatment of software/IT
7 capital costs that are passed through via allocated expenses to the Company. Delta's
8 response to AG DR 2-35(f)(h) appears to indicate that capital costs are passed through to
9 Delta for these software/IT projects. But Delta's response to AG DR 2-35(i) appears to
10 state both there are, and there are not, G&A surcharges (which are indirect capital costs)
11 allocated to Delta – it is not clear which statement applies. Also, Delta's response to AG
12 DR 2-39(d) and 1-46(a) discusses capital projects subject to allocation and the G&A
13 surcharge, without appearing to provide any specific calculations or detailed explanation
14 regarding how the specific IT/software capital costs were calculated prior to allocation to
15 Delta (and if any rate or return or other costs were included). It is not clear if these capital
16 amounts allocated to Delta as affiliate charges are treated as G&A surcharges. AG DR 2-
17 35 (i) through (q) requests this type of supporting documentation and calculations
18 regarding G&A surcharges, but it does not appear that this information has been provided
19 as it relates to IT/software costs allocated to Delta.

20 Based on the previously stated concerns, I am removing the PNG software capital
21 costs allocated to Delta in the amount of \$398,159 for the forecasted test period. If Delta
22 can satisfy my two previous stated concerns, and can show that these software-related
23 capital costs are recurring in the future (for the 2022 period and beyond), and the amounts

1 are not subsequently being capitalized by Delta, then it may be reasonable to allow these
2 costs to be included in PNG allocations to Delta.

3

4 **H. REMOVE PORTION OF MEDICAL BENEFIT COST INCREASES**

5

6 **Q. Will you summarize your adjustment to remove a portion of Delta’s medical benefit
7 cost increases?**

8 A. I have removed fifty percent of Delta’s proposed increase in medical and dental benefit
9 costs, and this reduces expenses by \$302,612 (\$261,638 for medical and \$40,974 for
10 dental) with a corresponding impact on revenue requirements of \$302,612 as shown at
11 Exhibit _ (BCO-2.6H). In addition, Exhibit_(BCO-11) includes Delta’s data request
12 response to Staff DR 1-41⁵² that are relevant to my adjustment to medical benefit expenses.

13 **Q. Is there Commission precedent to reflect medical cost benefits at a prescribed level of
14 employee contribution rate?**

15 A. Yes. The Commission’s precedent requires that medical insurance premiums reflect a
16 minimum employee contribution rate of 21 percent for single coverage, an employee
17 minimum contribution rate of 33 percent for other types of coverage, and a minimum
18 employee contribution rate of 60 percent for dental premiums.

⁵² Besides Delta’s written data request response which is “page 1” of this response, I only included pages 2, 3, and 4 of the 40 page PDF attachment related to Delta Plan Benefits, because these three pages show the employee contribution rates for Delta’s medical, dental and vision benefits, which is the relevant issue and adjustment that I am addressing in this section of my testimony.

1 The Commission cited to its standard and related thresholds for employee
2 contribution levels in a rate case resulting in a stipulated outcome in Case No. 2018-00261,
3 regarding Duke Energy Kentucky, Inc. The Commission stated,

4 The Attorney General proposed to reduce this amount by \$187,675 based
5 upon his understanding of recent Commission decisions in which recovery
6 of medical insurance premiums were adjusted to reflect an employee
7 contribution rate of 21 percent for single coverage, 33 percent of the total
8 cost for other types of coverage, and an employee contribution rate of 60
9 percent for dental premiums. The Joint Stipulation includes the Attorney
10 General's proposed reduction of costs, and the Commission approves the
11 same. The Commission appreciates Duke Kentucky's willingness to reduce
12 its employee benefit packages to the national average in the Joint
13 Stipulation, but through responses to discovery, Duke Kentucky
14 demonstrated that it had already implemented a cost-sharing mechanism to
15 its employee benefits. The Commission would note that when a utility has
16 properly demonstrated that its employee compensation package is at, or
17 moving towards, the national average of cost sharing, and 100 percent of
18 the insurance premiums are not being borne by the utility, no adjustment
19 has been made.⁵³
20

21 **Q. Do Delta's medical, vision, and dental plans comply with the Commission standard**
22 **and thresholds for medical costs, and do you have cost information to calculate this**
23 **impact?**

24 A. In most cases, it appears that Delta is not in compliance with the Commission's standard
25 and related thresholds for employee contribution levels for health, vision, and dental plans.
26 However, I did not have cost information from Delta to calculate an adjustment for the
27 impact of meeting the Commission's standard.

⁵³ *In Re:* Electronic Application Of Duke Energy Kentucky, Inc. For Authority To 1) Adjust Natural Gas Rates 2) Approval Of A Decoupling Mechanism 3) Approval Of New Tariffs 4) And 4) All Other Required Approvals, Waivers And Relief. Commission Order, Case No. 2018-00261, March 27, 2019, at 10-11.

1 I relied on Staff DR 1-41 which asked Delta to provide information about health
2 care plans, and the associated employee contribution rates and employer contribution rates
3 of the total premium cost for each category, along with each plan's deductibles. Delta
4 provided a copy of its health care plans, but did not provide a calculation of the cost
5 associated with providing coverage that is not compliant with the Commission's standard.
6 The Company's health care information is provided at Staff DR 1-41, pages 3 and 4 (of
7 40).

8 There are several medical health care plan options available to employees, and full-
9 time employees contribution level can range from a low of 11.2 percent to a high of 24.3%
10 percent, with part-time employees contribution rate at 42.7 percent. Delta is in compliance
11 in some instances, and not in others, with the minimum employee contribution rate of 21
12 percent per the Commission standard. This would likely require an adjustment, because
13 most of the various health plan offerings are below the 21 percent Commission threshold.
14 However, I do not have specific cost information to make this calculation.

15 For various vision health plans, the employees contribution level ranges from 20
16 percent to 45.3 percent, and there is mixed results with plans that are both above and below
17 the Commission's standard contribution threshold of 33 percent. I do not have cost
18 information to calculate the impact of not meeting the Commission's standard.

19 Finally, for various dental plans, the employees contribution level ranges from 27.5
20 percent to about 33-36 percent, and both of these contribution levels fail to meet the
21 Commission's threshold of 60 percent. I do not have cost information to calculate the
22 impact of meeting the Commission's standard.

1 **Q. How did you calculate your adjustment if you did not have any cost information from**
2 **Delta?**

3 A. In this case, Delta proposes an adjustment at Tab 57, Schedule D-2.5, to increase medical
4 costs by \$523,276, and to increase dental costs by \$81,948. I calculated an adjustment that
5 removes fifty percent of the proposed increase in cost for these medical costs. Because I
6 do not have specific cost information, I am using this proxy (or placeholder) calculation,
7 but I do believe it is important to bring this issue to the Commission's attention. I am not
8 opposed to Delta providing true-up information that would allow a more precise calculation
9 for this issue.

10

11 **I. REMOVE DUES AND LOBBYING EXPENSES**

12

13 **Q. Will you summarize your adjustment to remove additional dues and lobbying**
14 **expenses?**

15 A. I have reduced dues and lobbying expenses by \$84,842, and these adjustments have a
16 corresponding impact on revenue requirements of \$84,842 as shown at Exhibit _ (BCO-
17 2.6I). In addition, Exhibit_(BCO-12) includes certain Delta data request responses to AG
18 DR 2-15, AG DR 1-6, AG DR 2-17, and AG DR 2-18 that are relevant to my dues and
19 lobbying expenses adjustment.

20 **Q. Will you explain the dues/lobbying expenses that Delta has removed from this rate**
21 **case, and any additional adjustments that you will propose?**

22 A. First, Delta's response to AG DR 2-15 states it previously recorded 6.8 percent of AGA
23 lobbying dues below-the-line, so it was not necessary to make an adjustment to this rate

1 case for that amount. Also, because Delta's response to AG DR 2-15 shows revised AGA
2 dues of \$25,006 included in the forecasted test period, this means the Company previously
3 recorded \$1,700 of dues expense below the line (AGA dues of \$25,006 x \$6.8 percent).
4 However, I will remove the remaining balance of AGA dues expense, which reduces AGA
5 dues by \$23,306 (\$25,006 less \$1,700 of dues already removed by Delta). I will also
6 remove similar Southern Gas Association ("SGA") dues of \$13,507 from this rate case.

7 Second, Delta's response to AG DR 1-6 also indicated that it inadvertently failed
8 to remove lobbying-related costs of 25 percent of the Kansas Oil and Gas Association
9 ("KOGA"), 15 percent of the Kentucky Chamber, and 7.2 percent of the Kentucky
10 Association for Economic Development ("KAED"), and it will include these adjustments
11 in its updated filing (Delta indicates these amounts are less than \$1,000). However, I will
12 remove the following dues: 1) all of the dues related to the KOGA of \$1,311; 2) all of the
13 dues related to the Kentucky Gas Association ("KGA") of \$6,775; 2) 15 percent of the
14 Kansas Chamber dues of \$643 (\$4,286 x 15 percent); and 3) 7.2 percent of the KAED dues
15 of \$18 (\$250 x 7.2 percent), and the rationale for removing these costs will be the same as
16 removing the AGA dues.

17 Third, Delta removed \$7,350 of lobbying costs, related to 20 percent of estimated
18 "direct" lobbying costs of Greg Coker on behalf of Capital Link Consultants ("CLC"). In
19 response to AG DR 2-17, Delta has proposed to remove another \$1,050 of these costs when
20 it makes its updated filing. I am proposing to remove the remaining portion of CLC
21 consulting costs of \$34,650 (\$42,000 total less Delta assumed lobbying portion of \$7,350)
22 based on the Delta's response to AG DR 2-17 and the rationale that these remaining costs
23 are unsupported. Delta's "Schedule 3.3 Lobbying" at its supporting workpapers states that

1 CLC has removed 20 percent of his costs based on these amounts being related to “direct”
2 lobbying. AG DR 2-17(d) and (e) asked Delta to explain the difference between CLC’s
3 identification of “direct” lobbying costs which are removed and the remaining “indirect”
4 lobbying and other costs that are not removed, and to provide copies of CLC’s billings to
5 identify the difference between these two types of lobbying costs. Delta’s response to AG
6 DR 2-17(d) and (e) explains some other general services that CLC provides to Delta, but
7 because CLC is paid on a retainer basis of \$3,500 per month, there is no supporting billing
8 documentation that can be examined to determine “direct” lobbying costs (which Delta
9 removed) and any other indirect and other lobbying costs which would be allowable by
10 Delta. Also, Delta does not specifically explain the difference between direct lobbying and
11 indirect lobbying (and other costs) which should be allowable. Most importantly, because
12 CLC is paid on a retainer basis, there is no documentation to support specific services
13 provided or if actual services were rendered with a value that is at least equal to the \$3,500
14 per month retainer. Therefore, because there is no support for the specific allocation or
15 determination of CLC costs, the remaining fees of \$34,650 should be removed from the
16 revenue requirement.

17 Finally, AG DR 2-18 asked Delta to identify all employees of Delta and affiliates
18 that are registered lobbyists and which allocate costs to Delta/PKY, and to identify the
19 amount of “direct” or other types of lobbying costs incurred by these employees, and
20 explain why these lobbying-related costs have not been removed from the revenue
21 requirement (and provide supporting documentation). Delta’s response to AG DR 2-18
22 identified the Vice President of Regulatory & Legislature Affairs for Essential as a
23 registered lobbying in Pennsylvania, and this employee has payroll costs of \$9,865

1 allocated to Delta for the forecasted test period, and she estimates 5 percent of her time (or
2 \$493) is related to lobbying, and Delta has agreed to remove this amount from the revenue
3 requirement. I am proposing to remove 50 percent of these costs, which is \$4,932. Because
4 the amount of time spent lobbying is a high level estimate with no supporting
5 documentation, I believe a 50 percent reduction is reasonable.

6 **Q. Will you summarize the dues and lobbying costs that you are proposing to remove**
7 **from the revenue requirement?**

8 A. Yes, I am proposing to remove total dues and lobbying costs of \$84,842 consisting of the
9 following:

- 10 • All AGA dues (except amount removed below-the-line by Delta) of \$23,006.
- 11 • All of the KOGA dues of \$1,311.
- 12 • All of the KGA dues of \$6,775.
- 13 • All of the SGA dues of \$13,507.
- 14 • 15 percent of the Kentucky Chamber dues, equal to \$643.
- 15 • 7.2 percent of the KAED dues, equal to \$18.
- 16 • The remaining portion of CLS consulting costs \$34,650.
- 17 • 50 percent of the allocated costs of the VP of Regulatory & Legislature Affairs, equal
18 to \$4,932.

19 **Q. Is there Commission precedent for removing professional association dues, such as**
20 **the AGA dues, in a rate proceeding?**

21 A. Yes, and I believe this would support removing all dues related to the AGA, SGA, KOGA
22 and KGA in this rate case. The Commission has disallowed recovery of dues paid to the

1 Edison Electric Institute (“EEI”) in certain prior electric rate cases, based on the rationale
2 these costs are related to legislative advocacy, regulatory advocacy, and public relations
3 activities.⁵⁴

4 It can be argued the dues of AGA, SGA, KOGA, and KGA are similar, and there
5 is some level of lobbying activity with all of these organizations. Also, Delta has not
6 provided any documentation or testimony to support the inclusion of these dues in the
7 revenue requirement. Delta has failed to meet a reasonable burden of proof in supporting
8 these dues, and has not demonstrated that the related dues provide a direct and tangible
9 benefit to ratepayers, or that the costs are fair, just, and reasonable. The AG does not bear
10 this burden of proof.

11 **Q. Are there recent cases where the Commission has denied recovery of association**
12 **dues?**

13 A. Yes. In Case Nos. 2020-00349 and 2020-00350,⁵⁵ the Commission determined that
14 Kentucky Utilities Company, and Louisville Gas & Electric Company, respectively, did
15 not meet their burden of proof in demonstrating that EEI dues should be recovered from
16 customers. Similarly, Delta has not proven any direct or tangible benefit to its customers
17 that would justify recovery of these dues. Delta’s requested recovery of these dues is not
18 fair, just and reasonable, and recovery of these costs should be denied by the Commission.

⁵⁴ Orders in Case No. 2003-00433 at 51-52, and in Case No. 2003-00434 at 44-45.

⁵⁵ *In the Matters of:* Electronic Application Of Kentucky Utilities Company For An Adjustment Of Its Electric Rates, A Certificate Of Public Convenience And Necessity To Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory And Accounting Treatments, And Establishment Of A One-Year Surcredit; and Electronic Application Of Louisville Gas And Electric Company For An Adjustment Of Its Electric And Gas Rates, A Certificate Of Public Convenience And Necessity To Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory And Accounting Treatments, And Establishment Of A One-Year Surcredit, respectively.

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J. REDUCE DEPRECIATION EXPENSE RELATED TO REMOVAL OF FORECASTED PLANT

Q. Will you summarize your adjustment to reduce Delta’s depreciation expense for the impact of your adjustment to remove forecasted plant from rate base?

A. This adjustment reduces depreciation expense by \$713,607 for the impact of removing part of 2021 forecasted plant additions and all of 2022 forecasted plant additions, and this has a corresponding impact on revenue requirements of \$713,607 as shown at Exhibit _ (BCO-2.6J). The rationale for this adjustment is supported by the rate base adjustment that is addressed in the first adjustment in the Rate Base section of this testimony. I am not addressing Delta’s proposed depreciation rates, and this adjustment does not reflect any revision to Delta’s proposed depreciation rates. Although the AG does not agree with Delta’s proposed depreciation rates, I am not addressing that issue. The supporting calculations for this adjustment are provided in supporting exhibits and workpapers.

III. RATE BASE ADJUSTMENTS

K. REMOVE UNSUPPORTED FORECASTED PLANT

Q. Will you summarize your adjustment to remove unsupported forecasted plant from rate base?

A. I am removing \$5,827,055 of Delta’s 2021 forecasted plant additions, and making corresponding adjustments to remove accumulated depreciation of \$1,838,949, and

1 accumulated deferred income taxes (“ADIT”) of \$108,543. These adjustments represent a
2 revenue requirement impact of \$381,672, \$120,451, and \$7,110 for the same components,
3 as shown at Exhibit_(BCO-2.6K). Also, Exhibit_(BCO-13) includes certain Delta data
4 request responses to AG DR 1-64, AG DR 1-20⁵⁶, AG DR 1-17 September 21, 2021
5 Supplemental Response⁵⁷, AG DR 2-4, AG DR 2-9⁵⁸, Staff DR 2-17, Staff DR 2-15, and
6 Staff DR 3-7.

7 In addition, I am removing the entire balance of Delta’s 2022 forecasted plant
8 additions of \$7,783,091, and making corresponding adjustments to remove accumulated
9 depreciation of \$3,921,264, and ADIT of \$8,023. These adjustments represent a revenue
10 requirement impact of \$509,792, \$256,843, and \$526 for the same components, as shown
11 at Exhibit_(BCO-2.6K).

12 I am not proposing to remove any CWIP from rate base at this time.

13 If the Commission does not adopt my recommendation for removing certain 2021
14 and 2022 forecasted plant from rate base, then at the very minimum, I recommend that
15 \$1,750,299 of 2022 forecasted costs for the Nicholasville pipeline be removed from rate
16 base.

17 **Q. Will you show Delta’s proposed rate base?**

⁵⁶ This Exhibit includes Delta’s Excel files, “Delta_R_AGDR1_NUM020_072821”, Tab “bal sheet 2017”, “bal sheet 2018”, bal sheet 2019”, and “bal sheet 2020.”

⁵⁷ This Exhibit includes Delta’s Excel files “Delta_R_AGDR1_SUPP_NUM017_ATT_09121”, Tab “Delta Trial Balance BS Accts” and “PKY Trial Balance BS Accts”. For for each of these two Tabs, I copied the fields from December 31, 2020 to the most recent month-end August 31, 2021 to be included in this Exhibit).

⁵⁸ Certain Delta CONFIDENTIAL Attachments provided with this data request response are not included with this Exhibit attached to my testimony.

1 A. Yes, this information is shown in Table BCO-6 below:

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20 **Table BCO-6:**

	A	B
		Tab 55
		Forecasted Period
Ln	Description	12/31/2022
1	Plant in service	\$ 268,424,110
2	Property under capital leases	\$ 85,472
3	Plant acquisition adjustment	\$ (580,759)
4	CWIP	\$ 5,508,659
5	Subtotal plant	\$ 273,437,482
6	Gas Stored - Noncurrent	\$ 4,208,069
7	Subtotal Utility Plan	\$ 277,645,551
8	Forecasted/budget plant April to Dec. 2021	\$ 15,827,055
9	Forecasted/budget plant Jan. to Dec. 2022	\$ 7,783,101
10	Utility Plant	\$ 301,255,707
11		
12	Add:	
13	M&S	\$ 604,905
14	Prepayments	\$ 1,072,741
15	Gas Stored - Current	\$ 1,143,702
16	Unamortized Debt Expense per books	\$ 1,747,661
17	CWC	\$ 2,000,869
18	Subtotal Additions	\$ 6,569,878
19		
20	Deduct:	
21	Accumulated Deprec.	\$ (127,857,043)
22	Accumulated Amort.	calculated, although
23	Accum. Provision for plant acq. Adj.	12/31/2022 13-mo. av;
24		\$ (127,857,043)
25	Customer Advances for Constr.	\$ (457,600)
26	Customer Deposits	
27	ADIT and Excess ADIT (below) Note 3	\$ (42,774,952)
28	Subtotal Deducts	\$ (171,089,595)
29		
1	30	Delta's Proposed Rate Base Total
		\$ 136,735,990

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Q. Will you explain in more detail your adjustment to remove unsupported forecasted plant from rate base?

1 A. This information is summarized in Table BCO-7 below. I propose to remove \$5,827,055
2 of Delta's \$15,827,055⁵⁹ forecasted plant from rate base, for the period April 1, 2021 to
3 December 31, 2021.

4 In addition, I have removed all of the calendar year 2022 forecasted plant of
5 \$7,783,091⁶⁰ from rate base.⁶¹ The total amount of forecasted plant I have removed from
6 rate base is \$13,610,146.

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18 **Table BCO-7:**

⁵⁹ Gross plant of \$16,981,899 less retirements of \$1,154,844.

⁶⁰ Gross plant of \$7,901,546 less retirements of \$118,455.

⁶¹ The actual corresponding cost of this plant, when not reflected on a 13-month basis, is \$16,072,448 (gross plant of \$17,612,234 less retirements of \$1,539,786)

	A	B	C	D
		Forecasted	Forecasted	
		Not Actual	Period	
		April 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2022	
Ln	Description	2021	2022	Total
1	Delta CapEx Budget Tab 19	\$ 18,508,300	\$ 17,583,802	
2				
3	AG Plant Adjustment:			
4	CWIP		\$ 5,508,659	
5				
6	Forecasted plant	\$ 16,981,899	\$ 17,612,234	
7	Forecasted retirements	\$ (1,154,844)	\$ (1,539,786)	
8	Total Forecasted Plant	\$ 15,827,055	\$ 16,072,448	
9				
10	Forecasted plant in rate base	\$ 15,827,055		\$ 15,827,055
11	Forecasted plant - 13 mo. avg. 2022		\$ 7,901,546	
12	Forecasted retirements - 13 mo. avg. 2022		\$ (118,455)	
13			\$ 7,783,091	\$ 7,783,091
14	Delta's proposed plant in rate base			\$ 23,610,146
15				
16				
17	AG allowed in rate base	\$ 10,000,000	\$ -	\$ 10,000,000
18	AG adjustment to rate base	\$ (5,827,055)	\$ (7,783,091)	\$ (13,610,146)

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3 **Q. How did you determine the amount of projected plant that you removed from rate**
4 **base?**

5 A. The part of Delta's plant that is subject to my adjustment for the forecasted April to
6 December 31, 2021⁶² period, along with all forecasted plant for January to December 31,
7 2022, is shown in Table BCO-8 below.⁶³

8

9 **Table BCO-8:**

⁶² I am not opposing actual plant placed from January to March 31, 2021, and I do not have updated documentation to address the specific amount of plant placed by Delta from April 1, 2021 to August 31, 2021.

⁶³ Per Table BCO-8, the amounts at line 6, column B (\$15,827,055) and line 16, column B (\$7,783,101) correspond to amounts shown at Table BCO-6, line 8 and 9, and Table BCO-8, and Table BCO-7, lines 8 and 13.

	A	B	C
Ln	Description	Plant Amount	
1	Delta 2021 CapEx Budget (Tab15)	\$ 18,500,000	
2	2021 Forecasted:		
3	Forecasted plant April to December 2021 (Delta and PKY)	\$ 16,981,899	Note 1
4	Retirements for related plant for months April to Dec. 2021	\$ (1,154,844)	Note 2
5	Net plant budget additions for April to Dec. 2021	\$ 15,827,055	
6	Delta December 31, 2021 Forecasted Plant	\$ 15,827,055	Note 3
7			
8	Note 1 - Per "2021 capex & dep" tab, fields W to AE, lines 44 and 45, for months April to December 2021		
9	Note 2 - Per "2021 capex & dep" tab, fields W to AE, lines 44 to 45, for months April to December 2021		
10	Note 3 - Per "2021 capex & dep" tab, field AE 48, and Tab 55, p. 2, field AC 48, and Tab 55, p. 3, field R46		
11			
12	Delta 2022 CapEx Budget (Tab15)	\$ 17,333,500	
			Actual Plant,
13	2022 Forecasted:	13-Mo. Avg.	Not 13-Mo. Avg.
14	Forecasted plant Jan. to Dec. 2022 (13-mo. Avg.)	\$ 7,901,546	\$ 17,612,234
15	Retirements for related plant Jan. to Dec. 2022 (13-mo. Avg.)	\$ (118,445)	\$ (1,539,786)
16	Delta Forecasted December 31, 2022 Forecasted Plant	\$ 7,783,101	\$ 16,072,448
17			
18	Note 4 - Above amounts for 2020 are from "2022 capex & dep" tab		

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I propose to remove \$5.8 million of the \$15.8 million (and allow \$10.0 million of plant in rate base) of 2021 forecasted plant, and remove all of the 2022 forecasted plant of \$7.8 million. As I explain in the bullet points below, it will be a challenge, but not impossible, for Delta to spend \$10 million (which I am allowing) of the \$15.8 million total forecasted CapEx in 2021 (and this does not include CWIP). It is even more difficult to justify the \$16.0 million of forecasted CapEx spending for 2022, because this potential spending is too remote from the test period, none of these amounts have been spent to date, there is no reasonable level of certainty regarding this spending, and the entire amount is not considered to be known and measurable (and is certainly not used and useful at this time).

1 The following information supports my reasons to remove certain 2021 and 2022
2 forecasted plant additions from rate base in this proceeding:

3 1) Delta has not provided any testimony or substantive supporting documentation to
4 prove they will actually spend their proposed CapEx during the corresponding 2021
5 and 2022 periods.⁶⁴

6 2) Delta's response to AG DR 1-64 states it does not keep any information to compare the
7 prior years' CapEx budgets to actual spending, and the related variance and reasons for
8 the variance, on a project-specific basis. Delta only keeps this information by FERC
9 account, which is not useful. Thus, Delta does not have any reliable or available
10 historical data to prove its track record on CapEx spending, or if the Company's
11 spending either lags or exceeds the budget for important projects. Also, it has no data
12 to show if important projects are completed on time (or by their original scheduled
13 completion date).

14 3) Although Delta claims it will actually spend the forecasted \$15.8 million for 2021,⁶⁵
15 and \$16.1 million for 2022,⁶⁶ there is a substantive supporting documentation that
16 shows this level of significant annual capital spending is without precedent in Delta's
17 recent history, as shown below:

⁶⁴ Delta has provided some general responses to data requests when asked to provide documentation to support the forecasted plant expenditures for 2021 and 2022, but the information is not convincing or substantive.

⁶⁵ Table BCO-8, line 6, column B, amount of \$15,827,055.

⁶⁶ Table BCO-8, line 16, column C, amount of \$16,072,448 (this is the actual amount, the corresponding 13-month average is shown at line 16, column B).

1 a) Delta claims it will spend about \$16.0 million per year for the 2021 and 2022
2 periods, but from 2016 through the current date, the single largest annual CapEx
3 spending by Delta was \$13.6 million in 2019, and \$13.5 million in 2020, and
4 limited CapEx spending in the range of \$7.4 million to \$9.1 million for years 2016
5 to 2018.⁶⁷ Delta may claim its spending was constrained by its CapEx budget in
6 these prior years, but the CapEx budget is at least partially influenced by available
7 funds and the Company's ability to efficiently and effectively manage projects of
8 this magnitude in a limited time frame.

9 b) I reviewed Delta's plant in service and CWIP activity for years 2016 to 2020, and
10 the average CapEx spending in those years was only \$7.6 million, and this is
11 significantly less than anticipated spending of about \$16.0 million projected for
12 2021 and 2022.⁶⁸

13 c) For the period January to June 2021 year-to-date, Delta's balance sheet shows the
14 Company has only spent \$2.2 million for plant in service (not including CWIP)⁶⁹
15 and has only spent \$5.3 million (if CWIP is included)⁷⁰ for this six-month period.⁷¹
16 Updated information shows that Delta has only spent about \$4.0 million for the
17 eight-month period from January to August 2021 for plant in service capital

⁶⁷ Staff DR 1-25.

⁶⁸ AG DR 1-20.

⁶⁹ I have excluded CWIP spending from year-to-date 2021 spending, because Delta's response to AG DR 2-4(b) appears to indicate that plant in service spending does not overlap with CWIP spending.

⁷⁰ This includes amounts from the plant in service and CWIP account.

⁷¹ AG DR 1-17 (September 21, 2021, Supplemental response).

1 spending (this is less than 50 percent of what I am allowing).⁷² This means Delta
2 would need to spend \$12 million in the next four months to reach its CapEx
3 forecasted spending of \$16.0 million for 2021, and that includes the latter part of
4 the year that is not the prime construction season. For the four-month period
5 September to December 31, 2021, Delta will have to spend almost three times what
6 it spent in the first eight months of the season, which should be a significant
7 challenge. Finally, for the periods 2016 to 2020, Delta's average capital spending
8 per year was \$10.9 million, which means that Delta will need to spend more in the
9 last four months of 2021 (\$12 million) than it spent on average for each of the
10 calendar years 2016 to 2020 (\$10.9 million). Again, this seems like a significant
11 challenge. And if some of the CWIP spending is completed by year-end and is
12 related to the CapEx budget of \$16.0 million, this would put Delta closer to its goal.

13 d) Delta's response to AG DR 2-9 states that it has fallen behind its construction
14 budget through June 2021 for reasons beyond its control, and a major construction
15 project is being constructed in the fourth quarter which was scheduled for
16 completion earlier in the year. However, Delta asserts that if construction lags
17 through the end of the year, then it will accelerate construction in 2022. Delta's
18 response does not provide any substantial supporting documentation to show that
19 it will be able to accelerate its CapEx spending to meet its \$16.0 million forecasted
20 level it included in rate base. Also, there could continue to be other unexpected
21 issues that arise and which are beyond Delta's control in the latter part of this year,

⁷² AG DR 1-17 (September 21, 2021, Supplemental response).

1 or even next year, which prevent the Company from spending its \$16.0 million
2 forecasted CapEx for each of the years 2021 and 2022.

3 e) Finally, Delta has recently significantly cut its CapEx budgets for years 2023 and
4 2024 by a total amount of \$24.6 million.⁷³ For 2023, Delta cut its budget in half,
5 from \$32.0 million in \$16.3 million. For 2024, Delta cut its CapEx budget by about
6 one-third, a decrease from \$30.5 million to \$21.6 million. I believe the original
7 CapEx budgets for 2023 and 2024, at their elevated levels, would have been
8 challenging to achieve. Based on the previous information that I have addressed,
9 the \$16.0 million projected CapEx budgets for 2021 and 2022 are also challenging.
10 And the fact that Delta has significantly underspent its 2021 projected CapEx
11 spending of \$16.0 million through August 31, 2021 (only spending about \$4.1
12 million to date for actual plant in service) does not support the Company's proposal
13 to include these elevated levels of forecasted plant spending in rate base.

14 **Q. Given the previous concerns that you have identified with Delta's CapEx forecasted**
15 **spending levels of \$16.0 million in each of the years 2021 and 2022, has the Company**
16 **provided any substantive meaningful documentation to address these concerns?**

17 A. No. Most of the analysis and review that I have performed shows that it will be difficult,
18 but not impossible, for Delta to spend \$16.0 million in 2021, when only about \$4.1 million
19 has been spent in the first eight months of 2021 related to plant in service.

⁷³ This amount is determined by comparing the original CapEx budget for years 2023 and 2024 at Tab 19 to Delta's revised CapEx budget for years 2023 and 2024 at Staff DR 2-17.

1 Delta continues to generally maintain that its forecast of \$16.0 million CapEx
2 spending in 2021 is achievable in the short remaining time frame, but Delta has not
3 provided a specific plan or any other detailed supporting documentation to illustrate how
4 this can be achieved. Through discovery, Delta has had the opportunity to build a
5 convincing case of how it can achieve this level of CapEx spending, but it has failed to
6 provide this type of specific information. Delta has thus failed to meet a reasonable burden
7 of proof in this regard, so the Commission should adopt my recommendation.

8 **Q. If the Commission does not adopt your recommendation to remove significant levels**
9 **of 2021 and 2022 forecasted plant from rate base, what do you recommend?**

10 A. At the very minimum, the Commission should remove 2022 forecasted costs of \$1,750,299
11 for to the Nicholasville pipeline, related to the right-of-way acquisition, as identified in the
12 responses to Staff DR 2-15 and 3-7. Witness Jonathan Morphew states that Delta expects
13 to begin construction on this pipeline in 2023, and finish by the end of 2023, or sometime
14 in 2024 if there is inclement weather.⁷⁴ These Nicholasville costs should not be included
15 in 2022 forecasted costs of this rate case, because the pipeline construction will not begin
16 until 2023, and it might not be completed until 2024. The 2023 and 2024 time periods are
17 clearly beyond Delta's 2022 forecasted test period in this case, so the related costs should
18 be rejected.

19 In addition, it can be argued the 2002 forecasted Nicholasville costs do not meet
20 the Commission's standard of review under KRS 278.020(1), because there is not sufficient
21 information available yet for the Commission to review and consider under a CPCN. For

⁷⁴ Morphew direct testimony, page 10, lines 10-13.

1 example, Delta has not bid the project yet⁷⁵ and required permitting has not yet begun.⁷⁶
2 The Commission has previously denied a CPCN for Kentucky Power due to the lack of
3 adequate support for the costs, and Kentucky Power did not provide adequate evidence that
4 the proposal was the most reasonable, least-cost alternative.⁷⁷ These Nicholasville plant
5 costs that are included in Delta's 2022 forecasted period should be rejected by the
6 Commission.

7 **L. ADJUST EXCESS ACCUMULATED DEFERRED INCOME TAXES**

8
9 **Q. Did Delta identify an adjustment to excess accumulated deferred income tax**
10 **(“ADIT”) that was not previously reflected in its original filing?**

11 A. Yes. I am proposing an adjustment to decrease the TCJA accumulated deferred income
12 taxes by \$315,256 (which has the effect of increasing rate base by this same impact), and
13 causes an increase in the revenue requirement of \$20,649, as shown at Exhibit _ (BCO-
14 2.6L). In response to AG and Staff data request responses, Delta has identified this
15 additional adjustment that is not reflected in its original filing, although Delta states that it
16 will make this adjustment in its updated filing. I am including this adjustment because it
17 is reasonable, and to ensure the amounts are reflected in the revenue requirement.

⁷⁵ Staff DR 3-9.

⁷⁶ Staff DR 2-17.

⁷⁷ *In re*: Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) Approved Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief. Commission Order, Case No. 2020-00174, January 15, 2021, at 80.

1 Delta's response to AG DR 1-88(d) stated that it also discovered an additional error
2 to its original filing, because TCJA excess ADIT were inadvertently overstated by "non-
3 rate base" related amounts of \$361,134 and TCJA excess ADIT were understated by the
4 amount of \$45,878 related to PKY. The net impact is that TCJA excess ADIT are
5 overstated by \$315,256 (\$361,134 - \$45,878), and so rate base is understated by this same
6 amount.

7
8 **M. REMOVE ACCOUNTS PAYABLE FROM PREPAIDS AND CWIP**

9
10 **Q. Will you summarize your adjustment to remove accounts payable from the prepaids
11 and CWIP balances?**

12 A. I have removed accounts payable of \$117,048 from the prepaids account (using a 13-month
13 average basis) and removed accounts payable of \$14,335 from the CWIP accounts (using
14 a 13-month average basis. This has a combined impact of reducing rate base by \$131,383
15 with a corresponding impact on revenue requirements of \$8,606 as shown at Exhibit _
16 (BCO-2.6M). In addition, Exhibit_(BCO-14) includes Delta's data request response to
17 Staff DR 1-5 which is related to my adjustment to remove accounts payable from prepaids
18 and CWIP balances.

19 **Q. Why are you proposing this adjustment?**

20 A. I am removing accounts payable from both the prepaids and CWIP accounts that are
21 included in rate base because the Company has not financed this portion of prepaids or
22 CWIP, it is the vendors that have financed this cost. Thus, it is appropriate to remove this

1 portion of non-Company financed cost. The amount of accounts payable that I am
2 removing is from Staff DR 1-5.

3 **Q. Is there Commission precedent to support this adjustment?**

4 A. Yes. The Commission adopted this adjustment to remove accounts payable from prepaid
5 balances and CWIP in the Kentucky Power Company rate case in Case No. 2020-00174.⁷⁸

6
7 **N. SET CASH WORKING CAPITAL TO ZERO**

8
9 **Q. Will you summarize your adjustment to CWC?**

10 A. I am proposing an adjustment to remove the impact of Delta's CWC adjustment in its
11 original filing of \$2,000,869, and setting the CWC to zero instead of using Delta's new
12 lead/lag study that calculates a negative CWC of (\$213,233). The removal of Delta's
13 original CWC adjustment of \$2,000,869 causes a related reduction in the revenue
14 requirement impact of \$131,057, as shown at Exhibit _ (BCO-2.6N). In addition,
15 Exhibit_(BCO-15) includes Delta's September 13, 2021 Supplemental Response to data
16 request response to Staff 3-29⁷⁹ that is related to my adjustment to CWC.

17 **Q. Will you explain why you are setting the CWC to zero?**

⁷⁸ *In Re:* Electronic Application Of Kentucky Power Company For; (1) A General Adjustment Of Its Rates For Electric Service; (2) Approval Of Tariffs And Riders; (3) Approval Of Accounting Practices To Establish Regulatory Assets And Liabilities; (4) Approval of A Certificate Of Convenience And Necessity; and (5) All Other Required Approvals and Relief. Commission Order, Case No. 2020-00174, January 13, 2021, at 10.

⁷⁹ I did not include the lead/lag study that was attached to this data request because it is not relevant to my position, because I am setting CWC to zero and not accepting the lead/lag study.

1 A. Delta's filing included a CWC component of \$2,000,869 that appears to have used the 1/8th
2 methodology as noted at Delta's response to Staff DR 3-29. Staff DR 3-29 asked Delta to
3 prepare a new lead/lag study that excludes non-cash items.

4 On September 13, 2021, Delta provided its supplemental response to Staff DR 3-
5 29 that also included a new lead/lag study with a negative CWC of (\$213,233). Witness
6 Seelye's response to Staff DR 3-29 states that the negative CWC is a demonstration of the
7 Company's effectiveness of Delta's cash management practices, and reducing CWC to this
8 negative amount would create a disincentive for Delta to manage its cash effectively and
9 discourage efficiency and effective cost management. Witness Seelye states, in no event
10 should the CWC included in rate base be less than zero.

11 I do not agree with witness Seelye's reasons for setting the CWC to zero, because
12 the Company should always remain incented towards effective cash management
13 regardless of any rate case adjustment. However, I am setting the CWC at zero as a
14 reasonable compromise between Delta's original CWC of \$2,000,869 and Delta's revised
15 lead/lag study showing a negative CWC of (\$213,233).

16 The Commission previously adopted a zero CWC instead of using the 1/8th
17 methodology proposed by Duke Energy Kentucky, Inc. ("Duke Energy") in Case No.
18 2019-00271.⁸⁰ In that same Order, the Commission referred to AG witness Mr. Kollen's
19 direct testimony which noted that Duke Energy calculated CWC using a 1/8th methodology,
20 and Mr. Kollen argued this methodology is not reasonable because it is outdated,

⁸⁰ *In Re:* Electronic Application Of Duke Energy Kentucky, Inc. For 1) An Adjustment Of The Electric Rates; 2) Approval Of New Tariffs; 3) Approval Of Accounting Practices To Establish Regulatory Assets and Liabilities; 4) And 4) All Other Required Approvals And Relief. Commission Order, Case No. 2019-00271, April 27, 2020, at 6-7.

1 inaccurate, Duke sells its accounts receivables to an affiliate, and that Duke uses a \$0 cash
2 working capital allowance in other jurisdictions.

3 I agree that CWC calculated using the 1/8th methodology is outdated and inaccurate,
4 and Delta's CWC should be set to zero in this case.

5
6 **IV. TARIFF ISSUES**

7
8 **Q. Do you agree with Delta's proposal to eliminate the TCJA Surcredit?**

9 A. I agree with this concept and I am aware that the Commission indicated in Case No. 2018-
10 00040 that the surcredit will continue until Delta's next rate case. The removal of the
11 surcredit is enabled by establishing permanent rates in this case that include the impact of
12 the TCJA upon revenue requirements, including: 1) the monthly amortization of the excess
13 accumulated deferred income taxes ("excess ADIT") which acts to decrease this excess
14 ADIT; and 2) the corresponding reduction in state and federal income tax expense.⁸¹

15 Witness Seelye states that the TCJA surcredit is \$3.83 per customer per month.⁸²

16 However, AG data requests, and Delta's related responses, have identified potential
17 problems with Delta's calculation of the impact of the TCJA in revenue requirements of
18 this rate case. My testimony, at "C. Reduce Income Tax Expense," proposes to reduce
19 federal income tax by \$738,174 and state income tax by \$39,600 to correctly reflect the
20 impact of the amortization of the excess ADIT on income tax expense, and Delta proposed

⁸¹ Delta addresses its position on this issue in its response to AG DR 1-42.

⁸² Seelye direct, at 26, lines 6-7.

1 these corrections to its filings in response to AG DR 1-88 (federal income tax expense) and
2 Staff DR 1-14 (state income tax expense). Also, at “L. Adjust Excess Accumulated
3 Deferred Income Taxes”, I propose to correct the amount of excess ADIT as proposed by
4 Delta in response to AG DR 1-88, and this decreases excess ADIT by \$315,256.

5 If both of the adjustments proposed above (which are related to the TCJA) are
6 accepted by Delta, then I would agree with removing the TCJA surcredit because this will
7 ensure the impact of the TCJA is properly reflected in customer rates. However, if my
8 proposed adjustments are not accepted, then I would oppose removing the TCJA surcredit
9 because the impact reflected in customers rates for the TCJA will not be correct and the
10 surcredit should continue in place until the proper permanent impact of the TCJA can be
11 reflected in customer rates.

12

13 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

14 **A. Yes.**

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)

AFFIDAVIT OF BION OSTRANDER

State of Kansas)
)
)

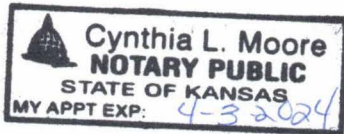
Bion Ostrander, being first duly sworn, states the following:

The prepared Pre-Filed Direct Testimony, Schedules and Exhibits attached thereto constitute the direct testimony of Affiant in the above-styled case. Affiant states that he would give the answers set forth in the Pre-Filed Direct Testimony if asked the questions propounded therein. Affiant further states that, to the best of his knowledge, information and belief his statements made are true and correct. Further affiant saith naught.

Bion Ostrander
Bion Ostrander

SUBSCRIBED AND SWORN to before me this 24th day of September, 2021

Cynthia L Moore



NOTARY PUBLIC

My Commission Expires: 4-3-2024

EXHIBIT __ (BCO-1)

Bion C. Ostrander – Curriculum Vitae

I am an independent regulatory consultant with forty-two years of total regulatory and accounting experience working for Certified Public Accounting (CPA) firms, regulatory agencies, and my regulatory consulting business, including thirty years as an independent consultant with my own firm. I have been providing continuous consulting services since 1990 and have addressed more than 250 cases in numerous U.S. and international jurisdictions.¹

I have addressed a broad range of telecom and energy accounting and policy issues in my career, including rate case/revenue requirement accounting adjustments, CAM/EAM reviews, capital asset infrastructure/modernization, affordable rates/universal service, tariff design, models that calculate the levelized cost of electricity for renewable energy options (PV solar, wind, biogas, etc.) for purposes of setting feed-in/renewable energy rider tariffs, compensation, affiliate transactions, depreciation, merger/acquisitions, cross-subsidization, complex income tax issues, service quality, retail and wholesale cost studies, competition, and many others.

My experience is summarized below:

- ✓ **Bion C. Ostrander (dba Ostrander Consulting):** Principal/Owner - October 1990 to current.
- ✓ **Kansas Corporation Commission:** Chief of Telecommunications – 1986-1990.
- ✓ **Kansas Corporation Commission:** Chief Auditor (gas, electric, telephone & transport.) – 1983-1986.
- ✓ **Mize Houser Mehlinger & Kimes:** Auditor in audit section of regional CPA firm – 1981-1983.
- ✓ **Deloitte Haskins and Sells (now Deloitte):** Auditor for international CPA firm – 1978-1981.

¹ Mr. Ostrander maintained a permit to practice as a CPA for most years he was providing consulting services, the permit was maintained primarily for credential purposes. However, because he no longer provides any attestation or related services that require a permit to practice, he no longer maintains the permit – although he retains membership in CPA organizations.

A client summary is included in the table below:

Client Summary	
<i>Consumer Advocates/Attorney General</i>	<i>Public Service Commissions</i>
Indiana UCC	Arizona
Kansas CURB	Georgia
Kentucky AG	Kansas
Michigan AG	Maryland
Maine OPA	Minnesota
Maine AARP	North Dakota
Maryland OPC	Oklahoma
Michigan AG	<i>Other</i>
Nevada AG	Maryland - Montgomery County
New Hampshire	Virginia - CWA
Oklahoma AG	<i>International</i>
Utah OCS	Fair Trading Commission - Barbados
Vermont DPS	Eastern Caribbean Telecomm. Authority (ECTEL -
Washington AG	St. Lucia, St. Kitts/Nevis, St. Vincent, Grenada, Dominica)
Wyoming	Armenia - USAID
	Saudi Arabia

Work History – Ostrander:

Bion C. Ostrander – Consulting Firm (1990 to present):

Principal

Mr. Ostrander principally addresses regulatory issues on behalf of governments and regulatory agencies, including U.S. and international regulatory agencies. Services include those related to revenue requirement issues, renewal energy issues, price caps or alternative regulation plans, competition assessment, costing/pricing, interconnection/local loop unbundling, universal service, management audits and other matters.

Kansas Corporation Commission (1983 – 1990):

Chief of Telecommunications

Supervised staff and directed all telecommunications-related matters including assessment of rate cases of SWBT, United/Sprint and rural LECs. Also, directed actions regarding alternative regulation plans, establishing access charge policy, transition to intrastate competition, depreciation filings, establishment of the Kansas Relay Center for speech and hearing impaired citizens in Kansas, filings with the FCC, billing standards, quality of service, consumer complaints, staff training and over one hundred docketed regulatory matters per year. Mr. Ostrander was the lead witness on all major telecommunications matters.

Chief Auditor

Directed rate cases of gas, electric and telecom companies prior to promotion to Chief of Telecommunications.

Mize, Houser, Mehlinger and Kimes:

Auditor – CPA firm

Performed auditing, tax and special projects for various industries.

Deloitte, Haskins and Sells – (International CPA/Audit Firm):

Auditor – CPA firm

Performed auditing, tax and special projects in industries such as utilities, savings and loan, manufacturing, retail, construction, real estate, insurance, banking and not-for-profit.

Education:

University of Kansas - B.S. Business Administration with a Major in Accounting, 1978.

Affiliations:

- Member - American Institute of CPAs (AICPA)
- Member - Kansas Society of CPAs (KSCPA)

Bion Ostrander - List of Regulatory Cases

Utility	State	Client/Agency	Docket/Case	Product	Summary of Issues
Washington Gas Light Company Renewable Energy Plan	DC Barbados	Office of the People's Counsel Fair Trading Commission	Formal Case 1162 N/A	Testimony Formal Report	Revenue requirement, policy issues, CAM, and merger Prepare levelized cost of electricity (LCOE) models to propose feed-in tariffs for all renewable energy options (solar centr. and distributed, wind on-shore, wind off-shore, WTE) and determine the potential impact on customer rates
Liberty Utilities	MD	New Hampshire OCA	Docket No. DE 19-064	In progress	Revenue requirement
Washington Gas Light Company	MD	Maryland Commission Staff	Case No. 9481	Testimony	Revenue requirement
Potomac Electric Power Co.	MD	Maryland Commission Staff	Case No. 9418	Testimony	Revenue requirement, rate base and operating expenses
None - operational audit	OK	Oklahoma Commission Staff	No docket	Report	Operational audit of Oklahoma Universal Service Fund
Carbon Emery Tel. Co.	UT	Utah Office of Consumer Services	Dkt. No. 15-2302-01	Testimony	Revenue requirement/CAM
Emery Tel. Co.	UT	Utah Office of Consumer Services	Dkt. No. 15-042-01	Testimony	Revenue requirement/CAM - case settled
Strata Tel. Co.	UT	Utah Office of Consumer Services	Dkt. No. 15-053-01	Testimony	Revenue requirement/CAM - case settled
Beehive Tel. Co.	UT	Utah Office of Consumer Services	Dkt. No. 14-051-01	Testimony	Revenue requirement/CAM - case withdrawn
FairPoint Comm., Inc.	MN	Maine Office of Public Advocate	2013-00340	Testimony	Revenue requirement/CAM
Bangor Gas Company	MN	Maine Office of Public Advocate	2012-00598	Testimony	Revenue requirement/CAM and evaluate a new Alt. Reg.
Potomac Electric Power Co.	MD	Montgomery County	Case No. 9336	Testimony	Revenue requirement, rate base and operating expenses
Hanksville Telecom, Inc.	UT	Utah Office of Consumer Services	Dkt. No. 14-2303-01	Consultation	Request for Univ. Service Funding, revenue requirement/CAM
Big Rivers Electric Corp.	KY	Kentucky Office of Attorney General	CN 2013-00199	Testimony	TIER rev. req., operating expenses, payroll and policy This rate case was filed while the prior rate case was still pending.
Atmos Energy Corp.	KY	Kentucky Office of Attorney General	CN 2013-00148	Testimony	Revenue requirement/rate case
Manti Telephone Company	UT	Utah Office of Consumer Services	Dkt. No. 13-046-01	Consultation	Phase II issues, revenue requirement/CAM
Delmarva Power & Light Co.	MD	Maryland Office of People's Counsel	Case No. 9317	Multiple testimonies	Revenue requirement, rate base, and operating expenses
Century Link	KS	Citizen's Utility Ratepayer Board	13-GIMT-473-MIS	Assist with negotiation	Review of price cap plan renewal and CAM
Generic	KS	Citizen's Utility Ratepayer Board	13-GIMT-597-GIT	Comments	Address Kansas Lifeline issues
Big Rivers Electric Corp.	KY	Kentucky Office of Attorney General	CN 2012-00535	Testimony	TIER rev. req., operating expenses, payroll and policy
Potomac Electric Power Co.	MD	Montgomery County	Case No. 9311	Multiple testimonies	Revenue requirement, rate base and operating expenses
Cable & Wireless - Caribbean	Note 1	Eastern Caribbean Telecomm. Authority	not applicable	Report	Review EAM/CAM telecom cost study and evaluate profitability by service and revise EAM allocations
Baltimore Gas & Electric Co.	MD	Maryland Office of People's Counsel	Case No. 9299	Multiple testimonies	Revenue requirement, rate base, and operating expenses
Annual Ks. USF review	KS	Citizen's Utility Ratepayer Board	13-GIMT-130-GIT	Review/monitor	Annual review of Ks. USF funding and assessment. Mr. Ostrander has reviewed these filings for the past 15 years of the Ks. USF existence
Manti Telephone Company	UT	Utah Office of Consumer Services	Dkt. No. 08-046-01	Testimony	Revenue requirements/CAM and and policy on universal service fund.
Generic review	UT	Utah Office of Consumer Services	No docket	Report	Review and assessment of Utah telephone companies
Potomac Electric Power Co.	MD	Maryland Office of People's Counsel	Case No. 9286	Multiple testimonies	Overall revenue requirement and operating expenses
Delmarva Power & Light Co.	MD	Maryland Office of People's Counsel	Case No. 9285	Multiple testimonies	Overall revenue requirement and operating expenses
Annual Ks. USF review	KS	Citizen's Utility Ratepayer Board	12-GIMT-168-GIT	Review/monitor	Annual review of Ks. USF funding, assessment, policies
Telecom industry	KS	Citizen's Utility Ratepayer Board	12-GIMT-170-GIT	Comments and Reply Comments	Address implications of FCC changes/policy regarding ICC, Broadband, FUSF policies and other upon changes to policy for Ks. USF and carriers
PacifiCorp - Pacific Power	WA	Washington Attorney General - Public Counsel Section	Dkt. UE-111190	Testimony	Rate case - rate base, revenues, expenses, affiliate transactions, MEHC affiliate management fee, outsourcing of services to Adecco,
Washington Gas Light	MD	Maryland Office of People's Counsel	Case No. 9267	Multiple testimonies	Rate case - rate base, revenues, expenses, affiliate transactions, complex issues regarding outsourcing of services to Accenture, compensation issues, other
Telecom industry	KS	Citizen's Utility Ratepayer Board	11-GIMT-420-GIT	Client advice/review No testimony schedule released yet	General proceeding to address changes in policy and review of cost studies/CAM to determine cost-based Ks. Univ. Service Fund support for price capped telcos.
Washington Elec. Coop.	VT	Vermont Department of Public Service	Dkt. No. 7691	Draft testimony & negotiate settlement	Rate case - rate base, revenues, expenses, affiliate transactions, other matters.

Bion Ostrander - List of Regulatory Cases

Telecom industry	KS	Citizen's Utility Ratepayer Board	11-GIMT-842-GIT	Client advice/review	Method to identify and report prepaid wireless revenue for Ks. USF.
Cable & Wireless	Note 1	Eastern Caribbean Telecom Authority (ECTEL)	There is no Docket No.	Reports & Consultation Papers	Review earnings, EAM/CAM, competition, cost studies, assessment of duopoly market, implement new price caps plan.
Pioneer Tel. Assoc.	KS	Citizen's Utility Ratepayer Board	Dkt. 11-PNRT-315-KSF	Review/monitor	Monitored this case regarding Pioneer's request for increased Ks. USF support, reviewed rate case issues and monitored settlement of issues.
Telecom industry	KS	Citizen's Utility Ratepayer Board	08-GIMT-1023-GIT	Testimony	Address Sprint's petition to reduce access charges of CenturyLink, statute issues, policy and calculations.
Rural Telcos	KS	Citizen's Utility Ratepayer Board	10-GIMT-188-GIT	Review - no hearings held	Review update of rural telco update of intrastate access charges requires every 2 years by statute
Annual Ks. USF review	KS	Citizen's Utility Ratepayer Board	11-GIMT-201-GIT	Review/monitor	Annual review of Ks. USF funding, assessment, policies and carrier data
Telecom industry	Armenia	USAID and AED - Armenia assessment not applicable of Dept. of Public Services Armenia		Report	Telecom sector strategic analysis - legal/regulatory assessment, human & institutional capacity, govt. plan for IT sector development, market structure, performance gaps, telecom law, and other universal service and compliance.
Kansas City Power & Light	KS	Citizen's Utility Ratepayer Board	09-KCPE-246-RTS	Review	How to treat common plant costs for CWIP for major upgrades to coal-fired energy plant
Annual Ks. USF review	KS	Citizen's Utility Ratepayer Board	09-GIMT-272-GIT	Review/monitor	Annual review of Ks. USF funding, assessment, policies and carrier data
Michigan - Verizon	MI	Michigan Attorney General	Dkt. 15210	Testimony	Address TSLRIC & TELRIC cost studies of Verizon
Maryland - Verizon	MD	Maryland Office of People's Counsel	Case No. 9133	Testimony	Address price caps, competition, and service quality
Maryland - Verizon	MD	Maryland Office of People's Counsel	Case No. 9121	Open	Address expanded local calling for Verizon customers
Cable & Wireless	Note 2	Fair Trading Commission of Barbados	No docket	Consulting	Address C&W EAM/CAM costs/profits for regulated & deregulated services, and address 2nd price caps plan
Generic	KS	Citizen's Utility Ratepayer Board	Dkt. No. 07-GIMT-1353	Comments	Address Lifeline hold harmless plan
Generic	KS	Citizen's Utility Ratepayer Board	Dkt. 06-SCCC-200-MIS	Consulting	Address on-going compliance of Embarq with requirements of spin-off stipulation
Annual Ks. USF review	KS	Citizen's Utility Ratepayer Board	08-GIMT-315-GIT	Review/monitor	Annual review of Ks. USF funding, assessment, policies and carrier data
Virginia - Verizon	VA	CWA	PUC-2007-0008	Testimony	Competition/deregulation/detariffing
Embarq - Nevada	NV	BCP of Attorney General - Nevada	Dkt. 06-11016	Stipulated	Address UNEs and competition related to Embarq
Embarq - Nevada	NV	BCP of Attorney General - Nevada	Dkt. 06-11016	Consulting	Competition/deregulation/flexibility legislation
Embarq - Ks. & AT&T - Kansas	KS	Citizens' Utility Ratepayers Board	Dkt. 07-GIMT-782-MIS	Stipulated	Address price cap factors and CAM
Verizon - Michigan	MI	Michigan Attorney General	Dkt. 15312	Consulting	Address reasonableness of Verizon local rates
Generic	KS	Citizen's Utility Ratepayer Board	Dkt. 08-GIMT-315-GIT	Consulting	12th Year assessment Ks. Universal Serv. Fund
AT&T	KS	Citizens' Utility Ratepayers Board	not docketed	Consulting	Assist with advice on 2007 legislative session
Generic	KS	Citizen's Utility Ratepayer Board		Consulting	11th Year assessment Ks. Universal Serv. Fund
Generic	KS	Citizen's Utility Ratepayer Board	Dkt. 06-GIMT-332-GIT	Consulting	10th Year assessment Ks. Universal Serv. Fund
Generic	KS	Citizen's Utility Ratepayer Board	Dkt. 06-GIMT-446-GIT	Comments	Addressing requirements for ETCs
AT&T	KS	Citizen's Utility Ratepayer Board	Dkt. 07-SWBT-277-MIS	Consulting	AT&T/SWBT annual price cap filing
Generic	KS	Citizen's Utility Ratepayer Board	Dkt. 06-GIMT-332-GIT	Consulting	10th Year assessment Ks. Universal Serv. Fund
Generic	KS	Citizen's Utility Ratepayer Board	Dkt. 06-GIMT-390-GIT	Consulting	Ks. Univ. Service neutrality issues
Rural Tel. - Kansas	KS	Citizen's Utility Ratepayer Board	Dkt. 06-RRLT-963-COC	Stipulation	Rural Tel. purchase of exchanges from Embarq
Embarq - Kansas	KS	Citizen's Utility Ratepayer Board	Dkt. 06-SCCC-200-MIS	Consulting	Monitor dividends and EQ spin-off
Embarq - Kansas	KS	Citizen's Utility Ratepayer Board	Dkt. 06-UTDT-962-CCS	Stipulation	Embarq sale of exchanges to Rural Tel.
Generic	KS	Citizen's Utility Ratepayers Board	Dkt. 06-GIMT-943-GIT	Consulting	
Maine - Verizon	ME	AARP	Dkt. 2005-155	Testimony	Yellow Pages, affiliate transactions, AFOR
Sprint - Nevada	NV	Bureau of Consumer Protection	Dkt. 05-8032	Settlement	Sprint/Nextel change of control/LTD spin-off
Sprint - Kansas	KS	Citizen's Utility Ratepayer Board	Dkt. 06-SCCC-200-MIS	In progress	Sprint/Nextel change of control/LTD spin-off

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SWBT-Kansas	KS	Citizen's Utility Ratepayer Board	Dkt. 05-SWBT-907-PDR	Consulting	SWBT application for deregulation
Sprint - Kansas	KS	Citizen's Utility Ratepayer Board	06-UTDT-115-CCS	Stipulation	Sprint/United sale of exchanges to Twin Valley
Twin Valley - Kansas	KS	Citizen's Utility Ratepayer Board	06-TWVT-116-COC	Stipulation	Sprint/United sale of exchanges to Twin Valley
Saudi Telecom	Saudi Arabia	Saudi Arabia Communications & Information Technology Commission	No docket	Report	Report on Accounting Separation and recommendations for changes to CAM
SWBT-Ks.	KS	Citizens' Utility Ratepayer Board	01-SWBT-1099-IAT	Comments	Address SWBT/Sage interconn. Agreement
Sprint/United & Blue Valley	KS	Citizens' Utility Ratepayer Board	04-UTDT-781-CCS 04-BVTT-780-COC	Stipulation	Sale of exchanges from Sprint/United to Blue Valley Tel.
Generic	KS	Citizens' Utility Ratepayer Board	04-GIMT-653-GIT	Comments	Address lifeline payment policy
Generic	KS	Citizens' Utility Ratepayer Board	04-GIMT-1080-GIT	Comments	Policy on KUSF audits/tariff filings
Verizon, Bell South & Sprint	FL	Florida Office of Public Counsel	Dockets 030867-TL, 030869-TL, 030961-TL	Testimony	Impact of access rate rebalancing, rate design, and universal service
SWBT-Ks.	KS	Citizens' Utility Ratepayer Board	98-SWBT-677-GIT	Testimony	SWBT's failure to comply with provision of DSL
Generic	KS	Citizens' Utility Ratepayer Board	03-GIMT-932-GIT	Comments	Ks. Universal Service Fund policies
Kansas - generic	KS	Citizens' Utility Ratepayer Board	03-GIMT-284-GIT	Testimony	Review KUSF assessment
Maryland Verizon	MD	Maryland People's Counsel	Case No. 8918	Testimony	Review of earnings, price cap & deregulation issues.
Verizon Maine	ME	Maine Office of Public Advoc.	2000-849	Testimony	Verizon's 271 filing
Ameritech	MI	Michigan Attorney General	Case No. 12320	Comments	Ameritech's 271 filing
Verizon Vermont	VT	Dept. of Public Service	Docket 6533	Testimony	Verizon's 271 filing
Sprint Nevada	NV	Nevada Attorney General	Docket 01-12047	Testimony	Review of earnings, rate design and affiliate issues
Western/KP&L	KS	Citizens' Utility Ratepayer Board	01-WSRE-436-RTS	Testimony	Review allocation of costs between regulated & nonregulated operations/CAM, review of aircraft logs, and analysis of compensation benefits.
Southern Ks.	KS	Citizens' Utility Ratepayer Board	02-SNKT-1014-EAS	Testimony	Review of Southern Ks. EAS applic.
SWBT, Sprint/United	KS	Citizens' Utility Ratepayer Board	02-GIMT-272-MIS	Testimony	Price cap formula of LECs
Gen. Invest.	KS	Citizens' Utility Ratepayer Board	01-GIMT-082-GIT	Testimony	Access charges, afford. rates and misc.
Verizon	MI	Michigan Attorney General	U-12682	Comments	Review earnings, CAM, universal service regarding Verizon's request to restructure basic local rates
Ks. Rural LECs	KS	Citizens' Utility Ratepayer Board	02-GIMT-068-KSF	Testimony	Rural LECs KUSF, affordable rates & access
Ameritech	MI	Michigan Attorney General	U-12622	Briefs	Review policy for use of shared transport for intraLATA toll traffic over AM's network
Generic	KS	Citizens' Utility Ratepayer Board	00-GIMT-910-GIT	Comments	Methods to improve Lifeline
Ameritech	MI	Michigan Attorney General	U-12598	Testimony	Evaluate Ameritech's service quality problems, service quality standards and customer credits to be paid to customers
Ameritech & Verizon	MI	Michigan Attorney General	U-12528	Testimony	Evaluate earnings of Ameritech and Verizon in regards to expanded local calling and removal
Bell Atlantic	VT	Vermont Department of Public Service	Docket No. 6167	Testimony	Addressing earnings of Bell Atlantic, CAM, rate design and alternative regulation plan
Sprint	NV	Nevada Attorney General - Bureau of Consumer Protection	Docket No. 99-2024	Testimony	Address earnings of Sprint Nevada and related policy issues
Ameritech	MI	Michigan Attorney General	U-12287	Testimony	Review of Ameritech's earnings and CAM in regards to addressing access charges and in-state EUCL
Verizon	MI	Michigan Attorney General	U-12321	Testimony	Review of Verizon's earnings and CAM in regards to addressing access charges and in-state EUCL
Generic	KS	Citizens' Utility Ratepayer Board	99-GIMT-326-GIT	Filed comments and testimony	Address generic universal service costing methods, adjustment of Kansas Universal Service Fund, geographic deaveraging, etc.
GTE	MI	Michigan Attorney General	U-11759	Comments/ Testimony	Address GTE's request for intrastate PCCC charge and address related cost study issues
Southwestern Bell Telephone	KS	Citizens' Utility Ratepayer Board	98-SWBT-677-GIT	Testimony on Stipulation	Address SWBT's cost of local service, KUSF levels and policy issues, plus CAM review
ILEC's	MI	Michigan Attorney General	U-11899	Briefs	Universal Service Fund Address universal service fund for ILECs

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Ameritech	MI	Michigan Attorney General	U-11660	Comments/ Testimony	Address Ameritech's request for intrastate PICC charge and related cost study issues
Generic Investigation	KS	Citizens' Utility Ratepayer Board	94-GIMT-478-GIT	Testimony/ Comments	Performed the first audit of the KUSF, reviewing first two years of actual operations and third year projections, addressing cellular issues, excessive assessment and per line charges
Ameritech UNEs	MI	Michigan Attorney General	U-11635	Comments briefs	Address Ameritech cost studies for deaveraging issues
Generic Investigation	KS	Citizens' Utility Ratepayer Board	96-LEGT-670-LEG	Comments	Address increased Lifeline Support measures
Generic Investigation Ameritech	KS MI	Citizens' Utility Ratepayer Board Michigan Attorney General	194, 734-U U-11743	Comments Testimony	Address industry billing standards Address problems with Ameritech's position on intraLATA dialing parity and 55% access discount and previous Court case
Southwestern Bell	KS	Citizens' Utility Ratepayer Board	98-SWBT-380-MIS	Comments	Address problems with SWBT's price cap plan and various components/calculations
Southwestern Bell	KS	Citizens' Utility Ratepayer Board	97-SCCC-411-GIT	Testimony	Address SWBT's 271 application in Kansas and level of competition, Track A and B, long distance rates, joint marketing, FCC issues
BellSouth	GA	Georgia Public Service Commission	7061-U	Assistance on case	Address BellSouth and Hatfield cost studies for unbundled elements and policy issues
Generic Investigation	KS	Citizens' Utility Ratepayer Board	194,734-U	Comments	Deregulation/detariffing of CLECs/LECs
Generic Investigation	KS	Citizens' Utility Ratepayer Board	97-SCCC-149-GIT	Testimony, along with comments	Review of cost study methodology of Hatfield, BCPM (Sprint) and Southwestern Bell for unbundled elements
AT&T, Sprint & U S WEST Rulemaking into Interconnection & Unbundling SWBT/Generic	ND WY KS	North Dakota Public Service Comm. Wyoming Public Service Commission Citizens' Utility Ratepayer Board	PU-453-96-82 and PU-987-96-389 Gen. Order No. 76 Cases before Ks. Court of Appeals & Supreme Court	Case assistance Comments Assistance	Address proposed deregulation of AT&T, Sprint and U S WEST Comments supporting proposed rules for interconnection, dialing parity, pricing, privacy and other competition issues Address issues regarding non-cost basis of Kansas Universal Service Fund and problems with revenue neutrality end user charges
Ameritech	MI	Michigan Attorney General	Case No. U-11155, U-11156 and U-11280	Comments and assistance	Review retail/wholesale cost studies of Ameritech
GTE	MI	Michigan Attorney General	Case No. U-11207	Comments and assistance	Review cost studies of GTE
Generic Rulemakings	GA	Georgia Public Service Commission	Various dockets	Assistance and analysis	Assisted GPSC with various rulemakings on competition, universal service and conducted workshop for number portability
General Investigation into Competition General Presentation	KS N/A	Citizens' Utility Ratepayer Board Russian/Ukrainian Regulatory Agency and Utilities	190,492-U 94-GIMT-478-GIT Misc.	Testimony Presentations/ analysis	Address SWBT retail cost study for local service, universal service fund, universal service policy issues, alternative regulation and other matters Provide presentations and analysis for Russian/ Ukrainian executives in Moscow and Kansas
U S WEST	WY	Wyoming Consumer Advocate Staff	70000-TR-95-238	Testimony	Address USW's rate/price plan, competition issues, rate design for access charges, and CAM
Generic Invest. into Access Charges	KS	Citizens' Utility Ratepayer Board	190,383-U	Testimony	Address access charge plan for Kansas and related issues
General Investigation into Competition	KS	Citizens' Utility Ratepayer Board	190,492-U 94-GIMT-478-GIT	Testimony, Suppl. and Rebuttal	Address competition issues, alternative regulation, universal service issues, costing methods and related issues
United Tel. of	KS	Citizens' Utility Ratepayer Board	189-150-U	Testimony/	Review quality of service via show-

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Kansas				report	cause and address service standards, modernization schedule and customer complaints
U S WEST	MN	Minnesota Dept. of Public Service	P421/EI-89-860	Address revenue req. for alternative reg. plan for period 1990 - 1993	Key issues include management salaries, fringe benefits, short/long-term incentive compensation plans, work force reduction issues, space-utilization, Bellcore expenses, software expense, CAM, rent expense and affiliate transactions
Southwestern Bell Tel.	KS	Citizen's Utility Ratepayer Board (CURB)	183,522-U	Testimony	FASB 106 and issues related to alternative rate plan
Michigan Northern States Power Company	MI	Michigan Dept. of Attorney General	U-10138	Testimony	IntraLATA equal access competition
U.S. WEST	ND	North Dakota Public Service Commission	PU-400-92-399	Oversight and Review	Compensation issues (salaries, wages and incentive compensation)
	MN	Minnesota Dept. of Public Service	P421/DI-92-168	Formal report on various regulatory issues	Management salaries, fringe benefits, CAM, force reduction and costs, pensions, training, maintenance expense, leasing and affiliate relations
Southwestern Bell Telephone	KS	Kansas Counties/Cities - Harvey, Douglas, Butler, Riley, Crawford, Dodge City, Jackson and Pottawatomie	92-SWBT-143-TAR	Comments	911 service issues - recurring and nonrecurring rates for trunk/circuit and ALL/ANI, data base unbundling, cost studies and dedicated/public provision
Michigan LECs and IXCs	MI	Michigan Dept. of Attorney General	U-10063	Comments	Establishment of quality of service standards for LECs/IXCs
Michigan LECs and IXCs	MI	Michigan Dept. of Attorney General	U-10064	Comments	Establishment of the procedures and format for the filing of tariffs
Southwestern Bell Telephone	KS	City of Wichita - subcontracting with law firm of Woodard, Blaylock Hernandez, Pilgreen & Roth	90-1342-C U.S. District Court for the District of Ks.	Affidavit	Lawsuit by City of Wichita vs. SWBT regarding violation of franchise agreement
U.S. WEST	AZ	Arizona Corporation Commission	E-1051-91-004	Rate case subcontract	Toll/access revenues, income taxes and misc., plus CAM
Indiana Bell Telephone	IN	Indiana Utility Consumer Counselor	Cause No. 39017	Rate case subcontract	Rate base, operations, affiliate transactions & misc.
Southwestern Bell Telephone	OK	Oklahoma Attorney General	PUD 000662	Rate case subcontract	Royalty fee, affiliate transactions and misc.
JBN Telephone Co., Inc.	KS	Kansas Corporation Commission	171,826-U	Rate case	Rate base, operations, capital structure acquisition issues and rate design
AT&T Comm. of the Southwest	KS	Citizens' Utility Ratepayers Board	91-AT&T-90	Comments	Directory assistance rates and call allowances, costs studies and misc.
Kansas LECs and IXCs	KS #	Kansas Corporation Commission	127,140-U	Testimony - Access policy witness	Generic investigation into access charges-access charge policy, rate design and revenue requirements
Kansas LECs and IXCs	KS #	Kansas Corporation Commission	148,200-U	Formal recomm. to Comm.	Initiated generic investigation into affiliated transactions and established policies
Kansas LECs and IXCs	KS #	Kansas Corporation Commission	168,334-U	Formal recomm. to Comm.	Initiated generic docket and established policies to implement Dual Party Relay Service for persons whom are hearing and speech impaired. The Center opened in 1990.
AT&T Comm. of the Southwest	KS #	Kansas Corporation Commission	167,493-U	Testimony - Chief witness	Rate case/regulatory flexibility - Competition, policy, regulatory flexibility, rate design and CAM
Southwestern Bell Telephone	KS #	Kansas Corporation Commission	166,856-U	Testimony - Chief witness	Rate case/regulatory flexibility - Rate base, operations, capital structure, CAM,

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Pioneer Tel. Co.	KS #	Kansas Corporation Commission	89-PNRT-350-CON	Formal recomm. to Comm.	rate design, policy, regulatory flexibility, affiliated transactions, modernization issues, depreciation and misc. Promoted introduction of two-way interactive video services in rural areas by introduction of economic develop. rates
United Telephone Company	KS #	Kansas Corporation Commission	162,044-U	Testimony - Chief witness	Rate case - Yellow pages, royalty fee, rate base, CAM, operations, capital structure, rate design, policy, penalties, affiliated transactions revenue adjustments, misc.
United Telephone Long Distance	OH #	Office of the Consumers' Counsel	86-2173-TP-ACE	Testimony	Royalty fee, Part X, affiliate transactions, cross-subsidization
Continental Tel. Co.	KS #	Kansas Corporation Commission	157,053-U	Formal recomm. to Comm.	Reserve deficiency - settled reserve deficiency issue with protections for local ratepayers
Continental Tel. Co.	KS #	Kansas Corporation Commission	157,052-U	Formal recomm. to Comm.	Tax Reform Act - Reduced rates permanently and collected refunds
AT&T Comm. of the Southwest	KS #	Kansas Corporation Commission	156,655-U	Formal recomm. to Comm.	Tax Reform Act - Obtained rate reductions and rate refunds
Southwestern Bell Telephone	KS #	Kansas Corporation Commission	156,655-U	Formal recomm. to Comm.	Tax Reform Act - Obtained rate refunds. Offset Comm. approved dollar shift to local rates from access charges with TRA savings to avoid increases in local rates
United Telephone Long Distance	KS #	Kansas Corporation Commission	154,728-U	Formal recomm. to Comm.	UTLD/United required to make a formal request for affiliate loan per statutes per findings in Docket 153,655-U
United Tel. Co.	KS #	Kansas Corporation Commission	154,610-U	Formal recomm. to Comm.	Reserve deficiency - set precedent requiring deficiencies resulting from uneconomic plant placement go below the line
United Tel. Co.	KS #	Kansas Corporation Commission	153,662-U	Formal recomm. to Comm.	Request by United to deregulate billing and collection is denied upon recommendation
United Tel. Long Distance	KS #	Kansas Corporation Commission	153, 655-U	Testimony - Chief witness	Royalty fee, affiliate transactions, cross-subsidization and affiliate loans
Southwestern Bell Telephone	KS #	Kansas Corporation Commission	151,488-U	Formal recomm. to Comm.	Reserve deficiency - settled deficiency with protections for local ratepayers
Kansas Gas & Electric Company	KS #	Kansas Corporation Commission	142,098-U	Testimony - Chief witness	Company Regulatory Plan - Gross-of-tax/net-of-tax deferred carrying costs analysis, FAS 71 and 90 - impact on imprudence disallowance and physical/ economic excess capacity, life insurance financing and policy issues
Kansas Electric Power Coop, Inc.	KS #	Kansas Corporation Commission	151,191-U	Testimony - Chief witness	Rate case - deferred carrying charges, present value depreciation, FAS 71 implications, operations and misc.
United Tel. Co.	KS #	Kansas Corporation Commission	149,685-U	Motion - Chief auditor	Rate case - United withdrew rate case as a result of findings regarding significant overstatement of payroll expenses and understatement of lease revenues due from other affiliates
Kansas State Tel. Co. of Ks.	KS #	Kansas Corporation Commission	147,585-U	Testimony	Rate case - excess plant capacity, rate base, operations, capital structure and misc.
AT&T Comm. of the Southwest	KS #	Kansas Corporation Commission	145,718-U	Testimony	Rate case - rate base and operations
Elkhart Tel. Co.	KS #	Kansas Corporation Commission	144,087-U	Testimony	Rate case - rate base, operations,

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Continental Tel. Co. of Ks.	KS #	Kansas Corporation Commission	143,565-U	Testimony	capital structure and loans Rate case - rate base, operations and capital structure
Kansas LECs and IXCs	KS #	Kansas Corporation Commission	144,299-U	Testimony	General investigation - intraLATA operator services, duplication of services and misc.
Kansas Power & Light Co.	KS #	Kansas Corporation Commission	140,015-U	Testimony	Rate case - revenue/sales annualization, purchased gas cost, nonrecurring expenses unfunded deferred taxes and misc.
United Tel. Co. Greyhound Lines, Inc.	KS #	Kansas Corporation Commission	138,500-U	Testimony	Rate case - rate base and operations, plus CAM
Southwestern Bell Telephone	KS #	Kansas Corporation Commission	137,873-U	Testimony	Rate case - rate base and operations
The Gas Service Co.	KS #	Kansas Corporation Commission	137,534-U	Testimony	Rate case - rate base and operating income
Kansas Power & Light Co.	KS #	Kansas Corporation Commission	136,850-U	Testimony	Rate case - revenue annualization/weather normalization, purchased gas cost, rate base, operations and capital structure
DS&O Rural Electr. Coop	KS #	Kansas Corporation Commission	136,381-U	Testimony	Rate case - review of Jeffrey Energy #3 construction costs and contracts, rate base and misc.
	KS #	Kansas Corporation Commission	136,249-U	Testimony	Rate case - rate base, operations and capital structure

Work performed while employed by the Kansas Corporation Commission.

Note 1: ECTEL - Performed for island nations of St. Lucia, Dominica, St. Kitts & Nevis, Grenada, and St. Vincent & the Grenadines.

EXHIBIT __ (BCO-2)

Exhibit_ (BCO-2.1)

Delta Natural Gas Company, Inc.
Summary of AG Adjusted Revenue Requirement
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022
(\$ Millions)

	Ostrander	Revenue
	<u>Exhibit</u>	<u>Change</u>
Base Rate Increase Requested by Company		9.135
AG Rate Base Adjustments		
Utilize Rate Base Instead of Capitalization to Reflect Return for Base Rates	BCO-2.2	(0.143)
Remove Portion of 2021 Forecasted Plant (net of Accum. Deprec. & ADIT)	BCO-2.6K	(0.254)
Remove all of 2021 Forecasted Plant (net of Accum. Deprec. & ADIT)	BCO-2.6K	(0.252)
Adjust Excess ADIT per Delta's Correction	BCO-2.6L	0.021
Remove Accounts Payable from Prepaids and CWIP	BCO-2.6M	(0.009)
Set Cash Working Capital in Rate Base to \$0	BCO-2.6N	(0.131)
AG Operating Income Adjustments		
Remove SERP-Related Expense per Delta's Correction	BCO-2.6A	(0.238)
Reduce Pension Expense per Delta's Correction	BCO-2.6B	(0.378)
Reduce Federal Income Tax Expense per TCJA per Delta's Correction	BCO-2.6C	(0.738)
Reduce State Income Tax Expense per TCJA per Delta's Correction	BCO-2.6C	(0.040)
Amortize Rate Case Expense Over Five Years	BCO-2.6D	(0.084)
Reduce Payroll Expense Related to Excessive Expense Ratio	BCO-2.6E	(0.359)
Revise Payroll Tax Expense for Impact of Prior Adjustment	BCO-2.6E	(0.028)
Reduce Incentive Expense	BCO-2.6F	(0.019)
Reduce Affiliate Charges to Delta	BCO-2.6G	(0.952)
Remove Part of Medical Benefit Cost per Commission Threshold	BCO-2.6H	(0.303)
Reduce Dues and Lobbying Expense	BCO-2.6I	(0.085)
Reduce Deprec. Expense for Forecasted Plant Removal	BCO-2.6J	(0.714)
AG ROE and Capital Structure Changes		
Reduce Return on Equity and Change in Capital Structure	BCO-2.4	<u>(1.399)</u>
Total AG Adjustments		<u>(6.105)</u>
Maximum Net Increase After AG Adjustments		<u><u>3.030</u></u>

Delta Natural Gas Company, Inc.
Summary of AG Rate Base Adjustments
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.2)

Ln	A Description	B Exhibits	C AG Rate Base Adjustments	D Pre-Tax GRCF Factor	E AG ROR	F AG Revenue Requirement
1	Delta Capitalized Amount		\$ 138,921,565	1.00		
2	Capitalization difference between Delta rate base		\$ (2,185,575)	1.00	6.55%	\$ (143,155)
3	Delta's Adjusted Rate Base		\$ 136,735,990			
4						
5	Remove part of April 1, 2021 to December 31, 2021 forecasted plant	BCO-2.6K	\$ (5,827,055)	1.00	6.55%	\$ (381,672)
6	Revise accumulated depreciation related to 2021 forecasted plant removal	BCO-2.6K	\$ 1,838,949	1.00	6.55%	\$ 120,451
7	Revise ADIT related to 2021 forecasted plant removal	BCO-2.6K	\$ 108,543	1.00	6.55%	\$ 7,110
8	Remove all of 2022 forecasted plant	BCO-2.6K	\$ (7,783,091)	1.00	6.55%	\$ (509,792)
9	Revise accumulated depreciation related to 2022 forecasted plant removal	BCO-2.6K	\$ 3,921,264	1.00	6.55%	\$ 256,843
10	Revise ADIT related to 2022 forecasted plant removal	BCO-2.6K	\$ 8,023	1.00	6.55%	\$ 526
11	Decrease excess ADIT per Delta correction	BCO-2.6L	\$ 315,256	1.00	6.55%	\$ 20,649
12	Remove accounts payable from prepaids and CWIP	BCO-2.6M	\$ (131,383)	1.00	6.55%	\$ (8,606)
13	Remove Delta CWC and set to zero	BCO-2.6N	\$ (2,000,869)	1.00	6.55%	\$ (131,057)
14	Total AG Rate Base Adjustments		\$ (9,550,362)			\$ (625,549)
15	AG Adjusted Rate Base		\$ 127,185,628			

Delta Natural Gas Company, Inc.
Summary of AG Operating Income Adjustments
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.3)

A	B	C	D	E	
Ln	Description	Exhibit	AG Operating Income Adjustments	Pre-Tax GRCF	AG Revenue Requirement
1	Remove SERP-related expense per Delta's correction	BCO-2.6A	\$ (237,779)	1.00	\$ (237,779)
2	Reduce pension expense per Delta's correction	BCO-2.6B	\$ (377,670)	1.00	\$ (377,670)
3	Reduce federal income tax expense per TCJA per Delta's correction	BCO-2.6C	\$ (738,174)	1.00	\$ (738,174)
4	Reduce state income tax expense per TCJA per Delta's correction	BCO-2.6C	\$ (39,600)	1.00	\$ (39,600)
5	Amortize rate case expense over five years (versus Delta's three-year)	BCO-2.6D	\$ (84,000)	1.00	\$ (84,000)
6	Reduce payroll expense related to excessive expense ratio	BCO-2.6E	\$ (359,396)	1.00	\$ (359,396)
7	Revised payroll tax calculation for impact of payroll adjustment	BCO-2.6E	\$ (28,012)	1.00	\$ (28,012)
8	Revise incentive expenses using revised payroll expense ratio	BCO-2.6F	\$ (19,382)	1.00	\$ (19,382)
9	Reduce affiliate charges from Essential and PNG	BCO-2.6G	\$ (952,040)	1.00	\$ (952,040)
10	Remove portion of medical cost increases per Commission criteria	BCO-2.6H	\$ (302,612)	1.00	\$ (302,612)
11	Reduce dues and lobbying	BCO-2.6I	\$ (84,842)	1.00	\$ (84,842)
12	Reduce depreciation expense related to removing forecasted plant	BCO-2.6J	\$ (713,607)	1.00	\$ (713,607)
13	AG Total Operating Income Adjustments		<u>\$ (3,937,114)</u>		<u>\$ (3,937,114)</u>

Delta Natural Gas Company, Inc.

Exhibit_ (BCO-2.4)

AG Cost of Capital

Case No. 2021-00185

For the Forecasted Test Year Ended December 31, 2022

	A	B	C	D	E	F	G
Ln	Delta Capitalization and Cost of Capital					No Pre-Tax GRCF	
		Delta Per Book Capitalization	Capital Ratio	Component Costs	Weighted Avg Cost	Note 1 Pre-Tax GRCF	Grossed Up Cost
1	Short Term Debt	\$ -	0.00%	0.00%	0.000%	1.00	0.000%
2	Long Term Debt	\$ 67,017,890	48.24%	4.109%	1.982%	1.00	1.982%
3							
4	Common Equity	\$ 71,903,674	51.76%	10.95%	5.668%	1.00	5.668%
5							
6	Total Capital	\$ 138,921,564	100.00%		7.650%		7.650%
7							
8	Source: FR 10(6)(h) Tab 27, Sch. 8						
9	Note 1: Per Delta FR 10(6)(h) Tab 27, Sch. 7.1, Delta does not include a bad debts/uncollectible or PSC fee						
10	component in its pre-tax GRCF calculation, so the Pre-Tax GRCF is 1.0.						
11							
12	AG Capitalization and Cost of Capital						
13							
14		Delta Per Book Capitalization	Capital Ratio	Component Costs	Weighted Avg Cost	Note 1 Pre-Tax GRCF	Grossed Up Cost
15							
16							
17							
18	Short Term Debt		1.76%	1.00%	0.018%	1.00	0.018%
19	Long Term Debt		48.24%	4.109%	1.982%	1.00	1.982%
20							
21	Common Equity		50.00%	9.10%	4.550%	1.00	4.550%
22							
23	Total Capital		100.00%		6.550%		6.550%
24							
25							
26	Change in Grossed Up Cost of Capital with Capital Structure Changes						-1.10%
27	Rate Base Recommended by AG						\$ 127,185,628
28	AG Change in Revenue Requirement Due to ROR						\$ (1,399,061)

Pre-Tax GRCF

Case No. 2021-00185

For the Forecasted Test Year Ended December 31, 2022

	A	B
Ln	Description	GRCF
1	Assume pre-tax income of	100
2	State income tax rate of	<u>5.00%</u>
3	State income tax	<u>5.00</u>
4	Taxable income for Federal income tax computation	95.00
5	Federal income tax rate	<u>21.00%</u>
6	Federal income tax	<u>19.95</u>
7	Total state and federal income tax	<u>24.95</u>
8	Therefore, the composite rate is	<u>24.95%</u>
9	Federal	19.95%
10	State	<u>5.00%</u>
11	Total	<u>24.95%</u>
12	Tax expansion rate	<u>1.332445</u>
13		
14	Source: Delta's Tab 61	
15	Note 1 - Because Delta's GRCF calculation above does not include any bad deb/uncollectible	
16	or public service commission fees components prior to incorporating the state or	
17	federal income taxes, the "pre-tax" GRCF used by the AG is 1.0	

Delta Natural Gas Company, Inc.
Remove SERP-Related Expense
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.6A)

Ln	A Description	B AG Adjustment
1	Remove SERP-related expense	\$ (237,779)
2	Pre-Tax GRCF	1.0
3	AG Revenue Requirement Impact	\$ (237,779)
5	Source: AG DR 1-59	
6	Note 1 - Delta agreed to remove this expense in its	
7	updated filing, there are no supporting calculations.	

Delta Natural Gas Company, Inc.
Reduce Pension Expense
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.6B)

Ln	A Description	B AG Adjustment
1	Reduce pension expense	\$ (377,670)
2	Pre-Tax GRCF	1.0
3	AG Revenue Requirement Impact	<u>\$ (377,670)</u>
4		
5	Source: AG DR 1-83 and Staff DR 2-40	
6	Note 1 - Delta agreed to remove this expense in its	
7	updated filing, there are no supporting calculations.	

Delta Natural Gas Company, Inc.
Reduce Income Tax Expense for TCJA Impact
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.6C)

Ln	A Description	B AG Adjustment	C Pre-Tax GRCF	D AG Rev. Req. Impact
1	Reduce Federal income tax - TCJA	\$ (738,174)	1.0	\$ (738,174)
2	Reduce State income tax - TCJA	<u>\$ (39,600)</u>	1.0	<u>\$ (39,600)</u>
3	AG Revenue Requirement Impact	\$ (777,774)		\$ (777,774)
4				
5	Source: AG DR 1-88(d) and Staff DR 1-14			
6	TCJA - Tax Cuts and Jobs Act			
7	Note 1 - Delta agreed to remove this expense in its			
8	updated filing, there are no supporting calculations.			
9	Note 2 - See related adjustment to TCJA excess ADIT			
10	at Exhibit_(BCO-2.6L).			

Delta Natural Gas Company, Inc.
Amortize Rate Case Expense Over Five Years
Case No. 2021-00185

Exhibit_ (BCO-2.6D)

For the Forecasted Test Year Ended December 31, 2022

Ln	A Description	B AG Adjustment	C	D
1	Delta rate case amortization (3 years)	\$ 210,000		
2	AG rate case amortization (5 years)	\$ 126,000		
3	Reduce amortization expense	\$ (84,000)		
4	Pre-Tax GRCF	1.0		
5	AG Revenue Requirement Impact	\$ (84,000)		
6				AG
7		Delta	AG	Adjustment
8	Total rate case expense	\$ 630,000	\$630,000	
9	Amortization period/years	3	5	
10	Amortization expense and adjustment	\$ 210,000	\$126,000	\$ (84,000)
11				
12	Source: Delta's rate case expense amortization calculation			
13	is at Tab 57 - Schedule D-2.9.			

Delta Natural Gas Company, Inc.
Reduce Payroll Tax Expense for Overstated Expense Ratio
Case No. 2021-000185
For the Forecasted Test Year Ended December 31, 2022

	A	B	C	D
Ln	Description	Delta	AG	AG Adjustment
1	Increase in Straight-time expens	\$ 931,304	\$ 583,420	\$ (347,884)
2	Increase in Overtime expense	\$ 19,017	\$ 7,506	\$ (11,512)
3	Total increase in payroll expens	\$ 950,321	\$ 590,926	\$ (359,396)
4	Pre-tax GRCF			1.0
5	AG Revenue Requirement Impact			<u>\$ (359,396)</u>

6

7 Source: The source for amounts included for the base period at lines 19 to 22, columns B and D,
8 is AG DR 2-17 and AG DR 1-33 (Revised Staff DR 1-36).
9 The source for amounts included for the forecasted test period at lines 29 to 32, columns B and D,
10 is Staff DR 1-54.
11 The base period and forecasted test period amounts at lines 19 to 22 , and lines 29 to 32, at columns B and D,
12 agree to Delta's payroll adjustment at Tab 57- Schedule 2.6

	A	B	C	D	E	F	G
Ln	Description	Total Costs	Percent	Expensed	Percent	AG Adjusted	AG
		Exp. & Capital.	Expensed	Only	Expensed	Expense	Adjustment
		Delta	Delta	Delta	Delta	AG	AG
BASE PERIOD							
19	Straight time	\$ 8,867,159	75.89%	\$ 6,728,929	75.89%	\$ 6,728,929	
20	Overtime	\$ 308,973	75.89%	\$ 234,467	75.886%	\$ 234,467	
21	Incentives	\$ 1,043,031	100.00%	\$ 1,043,031	100.00%	\$ 1,043,031	
22	Total (Delta adj. at Sch. D-2.6)	<u>\$ 10,219,163</u>	<u>78.3472%</u>	<u>\$ 8,006,427</u>		<u>\$ 8,006,427</u>	
23	Straight/OT increase	<u>\$ 9,176,132</u>		<u>\$ 6,963,396</u>		<u>\$ 6,963,396</u>	
24	Straight/OT % Exp.		<u>75.89%</u>		<u>75.89%</u>		
AG 3-Year Avg. Avg.Exp. Ratio							
FORECASTED PERIOD							
29	Straight-time	\$ 9,813,284	78.06%	\$ 7,660,233	74.51%	\$ 7,312,349	
30	Overtime	\$ 324,731	78.06%	\$ 253,484	74.51%	\$ 241,973	
31	Incentives	\$ 545,959	78.06%	\$ 426,175	78.06%	\$ 426,175	
32	Total (Delta adj. at Sch. D-2.6)	<u>\$ 10,683,974</u>	<u>78.06%</u>	<u>\$ 8,339,892</u>		<u>\$ 7,980,496</u>	
33	Straight/OT increase	<u>\$ 10,138,015</u>		<u>\$ 7,913,717</u>		<u>\$ 7,554,322</u>	
34	Straight/ OT % Exp.		<u>78.06%</u>		<u>74.51%</u>		
ADJUSTED							
		Delta		Delta		AG	AG
38	Straight-time	\$ 946,125		\$ 931,304		\$ 583,420	\$ (347,884)
39	Overtime	\$ 15,758		\$ 19,017		\$ 7,506	\$ (11,512)
40	Incentives	\$ (497,072)		\$ (616,856)		\$ (616,856)	
41	Total Increase	<u>\$ 464,811</u>		<u>\$ 333,465</u>		<u>\$ (25,931)</u>	
42	AG Adjustment - Straight/OT	<u>\$ 961,883</u>		<u>\$ 950,321</u>	<u>\$ -</u>	<u>\$ 590,926</u>	<u>\$ (359,396)</u>

Delta Natural Gas Company, Inc.
Adjust Payroll Tax per Payroll Adjustment at BCO-2.6D
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.6E)
Page 2 of 2

Ln	A	B	C	D
Ln	Description	Adjustment		
1	Delta payroll tax expense	\$ 615,985		
2	AG adjusted payroll tax expense	\$ 587,973		
3	Reduction in payroll tax	\$ (28,012)		
4	Pre-tax GRCF	1.0		
5	AG Revenue Requirement Impact	\$ (28,012)		
6				
7	Note 1 - To adjust payroll taxes consistent with AG adjustment to payroll expense at			
8	Exhibit_(BCO-2.6E), page 1 of 2.			
9				
10		Delta		
11		Payroll Tax Adj.		AG
12	Description	Sch. D-2.6	AG	AG Adjusted
13	Total adjusted payroll tax	\$ 789,119		
14	Totall adjusted payroll	\$ 10,683,974		
15	Ratio of above	7.39%	7.39%	
16	Expense ratio	78.06%	74.510%	
17	Combined ratio of above	5.766%	5.503%	
18				
19	AG adjusted payroll taxes	\$ 10,683,974	5.503%	\$ 587,973
20				
21	Delta payroll tax per books	\$ 579,323		
22	Delta payroll tax adjusted	\$ 615,985	\$ 615,985	615985
23	Delta payroll tax adjustment	\$ 36,662		
24				
25	AG adjusted payroll tax			\$ (28,012)
26				
27	Note: AG adjusted expense ratio above (line 16, column C) of 74.510%			
28	is from Exhibit_(BCO-2.6E), page 1 of 2,column E, line 29.			

Delta Natural Gas Company, Inc.
Adjust Incentive Expense per AG Expense Ratio
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.6F)

Ln	A	B	AG	AG
Description	Delta	Payroll	Adj. per	Adjustment
	Sch. D-2.6			
1	Total incentive cost	\$ 545,959	\$ 545,959	
2	Payroll expense ratio	78.06%	74.51%	
3		\$ 426,176	\$ 406,794	\$ (19,382)
4	Pre-Tax GRCF		1.0	1.0
5	AG Revenue Requirement Impact			\$ (19,382)
6				
7	Note 1 - To adjust incentive expense using the same AG revised expense ratio from			
8	the AG's payroll adjustment at Exhibit_(BCO-2.6E).			

Delta Natural Gas Company, Inc.
Reduce Affiliate Charges to Delta from Essential/PNG
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.6G)

Ln	A Description	B Delta Payroll Adj. per Sch. D-2.6
1	Essential charges to Delta - forecasted period	\$ 1,107,762
2	AG reduce affiliate charges by 50%	50%
3	Essential charges adjusted per AG	\$ (553,881)
4		
5	PNG capital cost allocations to Delta - forecasted period	\$ (398,159)
6	Total AG adjustment to affiliate charges	\$ (952,040)
7	Pre-Tax GRCF	1.0
8	AG Revenue Requirement Impact	<u>\$ (952,040)</u>
9		
10	Source: AG DR 1-46 Excel file "Attachment_to_AG_1-46_-_OAG_Attachment_3_	
11	Expensed_and_Capitalized_Amounts_Allocated_to_Delta_and_PKY."	
12	Also, see Table BCO-3 of Ostrander Direct Testimony, line 9, column G for	
13	\$1,107,762 of Essential charges to Delta, and see line 4, column G for	
14	\$398,159 of PNG capital cost charges to Delta.	

Delta Natural Gas Company, Inc.
Reduce Medical Benefit Costs per Commission Threshold
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.6H)

A	B	
Ln	Description	Adjustment
1	Delta proposed increase in Medical costs	\$ 523,276
2	Delta proposed increase in Dental costs	\$ 81,948
3	Total benefit costs	\$ 605,224
4	Reduce benefit costs 50%	50%
5	AG adjustment	\$ (302,612)
6	Pre-tax GRCF	1.0
7	AG Revenue Requirement Impact	\$ (302,612)
8		
9	Source: Delta's medical cost adjustment at Schedule D-2.5.	

Delta Natural Gas Company, Inc.
Reduce Dues and Lobbying Expense
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.6I)

Ln	A	B	C
	Description	Adjustment	Source
1	AGA dues - remove all (Note 1)	\$ (23,006)	AG DR 2-15
2	KOGA dues - remove all	\$ (1,311)	Tab 59, page 2
3	KGA dues - remove all	\$ (6,775)	Tab 59, page 2
4	SGA dues - remove all	\$ (13,507)	Tab 59, page 2
5	Kentucky Chamber - remove 15% (Note 2)	\$ (643)	Tab 59, page 2
6	KAED dues - removal 7.2% (Note 3)	\$ (18)	Tab 59, page 2
7	CLS Consulting - remove remaining costs (Note 4)	\$ (34,650)	AG DR 2-17
8	VP Regulatory & Legis. Affairs - remove 50% (Note 5)	\$ (4,933)	AG DR 2-18
9	AG adjustment	\$ (84,842)	
10	Pre-tax GRCF	1.0	
11	AG Revenue Requirement Impact	<u>\$ (84,842)</u>	

12

13

14 Source -

15 Note 1 - Total dues of \$25,006 less 6.8% (\$1,700) already recorded below-the-line.

16 by Delta

17 Note 2 - Kentucky Chamber dues, remove 15% of total dues of \$4,286.

18 Note 3 - KAED dues, remove 7.2% of total dues of \$250.

19 Note 4 - Delta removed \$7,350 of costs (about 20%), remove remaining balance of \$34,660
20 (total consulting fees were \$42,000).

21 Note 5 - Total VP costs allocated to Delta is \$9,865, remove 50%, equal to \$4,933.

Delta Natural Gas Company, Inc.
Reduce Depreciation Expense for the Impact of Removing Forecasted Plan
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.6J)

Ln	A Description	B AG Adjustment
1	Reduced depreciation expense related to removing part of 2021 forecasted plant	\$ (339,771)
2	Reduced depreciation expense related to removing all of 2022 forecasted plant	\$ (373,836)
3	Total depreciation removed	\$ (713,607)
4	Pre-tax GRCF	1.0
5	AG Revenue Requirement Impact	\$ (713,607)
6		
7	Source: Tab 27, Schedule 4	
8	Note 1 - The calculations supporting this adjustment are included in workpapers.	

Delta Natural Gas Company, Inc.
Delta Natural Gas Company, Inc.
Remove Unsupported Forecasted Plant
Case No. 2021-00185

Exhibit_ (BCO-2.6K)

For the Forecasted Test Year Ended December 31, 2022

	A	B	C	D
Ln	Description	AG Adjustment	AG ROR	AG Revenue Requirement
1	Remove part of forecasted 2021 plant additions	\$ (5,827,055)	6.55%	\$ (381,672)
2	Remove all of forecasted 2021 plant additions	\$ (7,783,091)	6.55%	\$ (509,792)
3	Total plant removed	\$ (13,610,146)		\$ (891,465)
4				
5	Remove accum. depreciation - forecasted 2021 plant	\$ 1,838,949	6.55%	\$ 120,451
6	Remove ADIT - forecasted 2021 plant	\$ 108,543	6.55%	\$ 7,110
7	Remove accum. depreciation - forecasted 2022 plant	\$ 3,921,264	6.55%	\$ 256,843
8	Remove ADIT - forecasted 2021 plant	\$ 8,023	6.55%	\$ 526
9	Total revisions for accum. deprec. & ADIT	\$ 5,876,779		\$ 384,929
10				
11	Net impact of removing forecasted plant	\$ (7,733,367)		\$ (506,536)
12	Pre-tax GRCF	1.0		1.0
13	AG Revenue Requirement Impact	\$ (7,733,367)		\$ (506,536)
14				
15	Capitalization difference to rate base (Exh._(BCO-2.5)	\$ (2,185,575)	6.55%	\$ (143,155)
16				
17	Note 1 - Calculations supporting revised balances for accumulated depreciation and ADIT are at workpapers.			

	A	B	C	D
Ln	Description	Forecasted Not Actual April 1 - Dec. 31, 2021 2021	Forecasted Period Jan. 1 - Dec. 31, 2022 2022	Total
18	Delta CapEx Budget Tab 19	\$ 18,508,300	\$ 17,583,802	
19				
20	AG Plant Adjustment:			
21	CWIP		\$ 5,508,659	
22				
23	Forecasted plant	\$ 16,981,899	\$ 17,612,234	
24	Forecasted retirements	\$ (1,154,844)	\$ (1,539,786)	
25	Total Forecasted Plant	\$ 15,827,055	\$ 16,072,448	
26				
27	Forecasted plant in rate base	\$ 15,827,055		\$ 15,827,055
28	Forecasted plant - 13 mo. avg. 2022		\$ 7,901,546	
29	Forecasted retirements - 13 mo. avg. 2022		\$ (118,455)	
30			\$ 7,783,091	\$ 7,783,091
31	Delta's proposed plant in rate base			\$ 23,610,146
32				
33				
34	AG allowed in rate base	\$ 10,000,000	-	\$ 10,000,000
35	AG adjustment to remove forecasted plant	\$ (5,827,055)	\$ (7,783,091)	\$ (13,610,146)

Delta Natural Gas Company, Inc.
Revise Excess ADIT for TCJA Impact
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.6L)

Ln	A Description	B AG Adjustment
1	Reduce excess ADIT - TCJA - correction by Delta	\$ 361,134
2	Increase excess ADIT - TCJA - correction by Delta	\$ (45,878)
3	Total impact	<u>\$ 315,256</u>
4	ROR	<u>6.55%</u>
5		<u>\$ 23,654</u>
6	Pre-tax GRCF	<u>1</u>
7	AG Revenue Requirement Impact	<u>\$ 23,654</u>
8		
9	Source: AG DR 1-88(d)	
10	TCJA - Tax Cuts and Jobs Act	
11	Note 1 - Delta agreed to adjust the excess ADIT	
12	in its updated filing, there are no supporting calculations.	

Delta Natural Gas Company, Inc.
Remove Accounts Payable from Prepaids and CWIP
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.6M)

Ln	A Description	B AG Adjustment
1	Remove accounts payable from prepaids	\$ (117,048)
2	Remove accounts payable from CWIP	\$ (14,335)
3	Total adjustment	\$ (131,383)
4	ROR	6.55%
5		\$ (8,606)
6	Pre-tax GRCF	1
7	AG Revenue Requirement Impact	\$ (8,606)
8		
9	Source: Staff DR 1-5.	

Delta Natural Gas Company, Inc.
Remove Delta CWC and Set to Zero
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022

Exhibit_ (BCO-2.6N)

Ln	A Description	B AG Adjustment
1	Remove Delta CWC	\$ (2,000,869)
2	ROR	6.55%
3		\$ (131,057)
4	Pre-tax GRCF	1
5	AG Revenue Requirement Impact	\$ (131,057)
6		
7	Source: Staff DR 3-29	

EXHIBIT __ (BCO-3)

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

FIRST ATTORNEY GENERAL DATA REQUEST
DATED JULY 14, 2021

67. **Economies of Scale Related to Ownership Change.** Witness Brown's direct testimony (page 3, lines 14 – 16) states that the various acquisitions (and change in ownership) have allowed Delta to have access to technologies, economies of scale, and expertise beyond what was practicable as a standalone utility. Address the following:
- a. Please identify and provide supporting documentation and calculations for each of the various types and amounts of "economies of scale" for Delta, and explain how this translates to actual tangible cost savings for each appropriate calendar or fiscal year from 2017 through the most recent period available (by account number, functional cost, or other categories).
 - b. Regarding (a) above, provide both the economies of scale and actual tangible cost saving lease that are reflected in the revenue requirements of this rate case for the base period and the forecasted test period (by account number, functional cost, or other categories).

Response:

- a. The benefits of having economies of scale are reflected throughout the revenue requirement. By being part of a family of utilities, Delta has been able to implement SAP for a lower cost than if Delta implemented it on a stand-alone basis, as Delta was able to share in the costs, which are reflected in the revenue requirement in this proceeding. Moreover, Delta has had access to favorable capital costs, which are also reflected in the revenue requirement, as compared to the interest rates it obtained as a standalone utility. Other examples include the cost of insurance and medical premiums, which are likewise reflected in the case.
- b. See the response to subpart a.

Sponsoring Witness: John B. Brown

EXHIBIT __ (BCO-4)

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

FIRST ATTORNEY GENERAL DATA REQUEST
DATED JULY 14, 2021

68. **Best-In-Class Comparison.** Witness Brown’s direct testimony (page 4, lines 5 – 6) states that Essential (Delta’s ultimate parent) is one of the largest, best-in-class, publicly regulated water, wastewater, and natural gas utilities in the United States, with operations dating back to 1886. Address the following:
- a. Provide supporting documentation, studies, and comparison to other utilities (and explain if the data was prepared by the Company or a third party) that was relied upon to support the Company’s claims above, and provide this information for each of the years 2010 through 2021.
 - b. Regarding (a) above, identify those companies that Essential was compared to, and provide the rank order comparison of Essential and all applicable companies for each specific operating, financial, service quality, and other statistic that the Company relied upon in reaching a conclusion that Essential was one of the largest, best-in-class water, wastewater, and natural gas utilities.
 - c. Regarding (a) and (b) above, explain if the “natural gas utility” operations of PNG and Delta Gas operations specifically, were compared (or can be compared) to the stand-alone natural gas operations of other utilities (and provide this rank order comparison for all statistics), or explain if the comparison is only available for the combined water, wastewater, and natural gas utility operations of these utility companies. Provide a specific comparison for just “natural gas” utility operations if this information is available on a stand-alone basis for PNG (Kentucky, Pennsylvania, and Kentucky) and on a stand-alone basis for Delta Gas (Kentucky).

Response:

- a. Essential Utilities is one of the largest, publicly-regulated water, wastewater and natural gas utilities in the United States, serving approximately 5 million customers. The water and wastewater utilities serve customers in an 8 state area, and the gas utilities have customers throughout 3 states. Essential recognizes the importance that water and natural gas play in everyday life and is proud to deliver safe, reliable, services for the greater good of the communities that are served throughout the 10-state territory. Integrity, respect and excellence are the core values that guide Essential,

EXHIBIT __ (BCO-5)

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

FIRST ATTORNEY GENERAL DATA REQUEST
DATED JULY 14, 2021

59. **Supplemental Executive Retirement Plan (“SERP”).** Provide the amount of SERP expenses (by account number) for each of the calendar years 2018, 2019, 2020, and for each of the months of the Base Period ending August 31, 2021 (provide actual severance and separation costs through the most recent months available in 2021), and for the Forecasted test period December 31, 2022, per the following:
- a. Provide all SERP expenses for each of the years and periods above (by account number).
 - b. Provide a copy of the Company’s SERP plan, and explain when and why it was first implemented for Delta.
 - c. Regarding (a) above, for each of the years and periods, provide the number of employees/executives eligible for SERP and the number of employees/executives included in the SERP expenses.
 - d. Explain why SERP costs should be included in the revenue requirement.

Response:

There is not a SERP currently being funded by the company. The only expense related to a SERP was the recording of \$237,779 of investment gains during the base year in the Rabbi Trust for the benefit of retired CEO Glenn R. Jennings that is being paid out to him at the rate of \$100,000 per year until the Rabbi Trust is depleted.

This \$237,779 debit was erroneously recorded above the line in account 5301090. The Company will reclass this amount below the line in the test year via the adjustment to retirement benefits. This reclass will increase the adjustment being made to reduce retirement benefits during the test year and thus decrease the Revenue Requirement.

Sponsoring Witness: John B. Brown

EXHIBIT __ (BCO-6)

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

SECOND PSC DATA REQUEST
DATED JULY 12, 2021

40. Refer to the Packer Testimony, page 15. Confirm that current employees do not participate in both a defined benefit plan and 401(k) matching. If this cannot be confirmed, provide the test-year amount of 401(k) matching contributions provided to employees who participate in a defined benefit plan.

Response:

Confirmed.

Only employees hired prior to May 2008 ever accrued benefits under the defined benefit plan. Employees hired after May 2008 have participated solely in the defined contribution plan. Delta froze accruals in its defined benefits plan effective as of May 2021. As such, as those employees who participated in the defined benefit plan retire, only their service through May 2021 and their 2021 salary is considered in calculating their retirement benefit from the defined benefit plan.

Therefore currently, and throughout the test year, the only retirement benefit accruing to any employee is 401(k) matching.

The Company noted in PSC-1 Question 33 that the test year should include (\$880,000) of pension income due to Essential freezing the defined benefit plan during 2021 which would have required Delta to reduce test year pension expense by an additional \$511,670. Subsequent to the filing of that response, Willis Towers Watson issued a new Essential Utilities, Inc. Estimated 5-Year ASC 715-30 Accounting Cost Forecast-Pension that reduced the estimate of pension income to (\$746,000). This new estimate changes the additional pension expense adjustment from

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

SECOND PSC DATA REQUEST
DATED JULY 12, 2021

\$511,670 as previously disclosed to \$377,670. The Company will reflect the accompanying reduction in revenue requirement in its base period update.

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

EXHIBIT __ (BCO-7)

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

FIRST ATTORNEY GENERAL DATA REQUEST
DATED JULY 14, 2021

88. **Excess Deferred Income Tax Amortization.** Address the following regarding the impact of the excess deferred income tax amortization under the Tax Cuts and Jobs Act as approved by the Commission (or explain if this impact for Delta has not been reviewed by the Commission):
- a. Provide the financial impact on all income statement and balance sheet accounts (by account number) for calendar years 2018, 2019, 2020, the Base Period, and the Forecasted Test Period related to the amortization of excess deferred income taxes on all categories of impacted plant assets with deferred taxes.
 - b. Explain if the Commission has approved the amount of excess deferred taxes to be amortized for each plant category and the amortization period/years, and provide these amounts (and a citation and reconciliation to the related Commission Order).
 - c. Show these impacts upon all deferred tax accounts (by account number), showing the beginning excess deferred balance for each category, the amortization amount for each year for each excess deferred balance category, and the ending unamortized excess deferred balance by category for the years noted above. Explain if any of the excess deferred tax balances will be fully amortized by December 31, 2022.
 - d. Explain the impact of excess deferred tax amortization on this rate case, including deferred tax balances, income tax expense, and all other account balances.

Response:

- a. Please see the attachment for the financial impact of the amortization of excess deferred income taxes.
- b. The Commission has approved the treatment and the orders for Delta's excess deferred tax amortization in Case No. 2018-00040. The order authorizes the amortization of protected excess ADIT using a reverse South Georgia Methodology over 21 years resulting in an income tax expense reduction of \$673,579 per year, and the amortization of unprotected excess ADIT using an amortization period over 15 years resulting in an income tax expense reduction of \$60,567 per year. Peoples Gas of Kentucky ("PGKY") is amortizing protected excess ADIT using the Average Rate Assumption method. There was no TCJA proceeding for PGKY. Because the unprotected excess ADIT is unregulated, those balances were written off to the income statement.
- c. Please see Attachment for the beginning and ending balances for each category as well as the amortization amounts for each year. No excess deferred tax balances will be fully amortized by December 31, 2022.

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- d. The impact of the excess deferred income tax amortization on the deferred balances under the Tax Cuts and Jobs Act of 2017 (“TCJA”) has been included as a reduction to rate base in this case in the amount of \$12,300,624. While preparing this response, the Company discovered that the balance of excess deferred taxes included \$361,134 of non-rate base excess deferred taxes as shown on line 34, column (B) of the Attachment for deferred gas costs 1.242.13, bad debt reserve 1.242.14, medical reserve 1.242.18, professional fees 1.242.19, accrued vacation 1.242.22, pension plan 1.282.02, annual leave plan 1.282.06 and the supplemental retirement plan 1.283.03. These excess deferred balances should not be included as a reduction to rate base. The balance of excess deferred taxes also excluded \$45,878 of rate base excess deferred taxes for PGKY as shown on line 34, column (D) of the Attachment. The corrected amount of the unamortized TCJA deferred balances is \$11,985,368 as shown in line 34, column (E) of the Attachment ($\$11,939,490 = \$12,300,624 - \$361,134 + \$45,878$) which represents a net increase to rate base of \$315,256 ($\$315,256 = 12,300,624 - 11,985,368$).

The impacts of the TCJA excess deferred income tax amortization in cost of service (as a reduction to income tax expense) were not included in the original filing. Subsequent to the original filing the Company discovered that it had inadvertently omitted the amortization of excess ADIT and included an explanation with the amounts in the response to PSC DR 1-14. The update results in a reduction to income tax expense of \$734,146 for Delta Gas, which is the total of Delta’s amortization of protected and unprotected excess as stated in the response to question b above, and \$4,028 for PGKY’s TCJA amortization of protected excess, which is the estimated annual amount for the forecasted test year.

Sponsoring Witness: William C. Packer

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14. Provide the amount of excess deferred federal income taxes resulting from the reductions in the corporate tax rate in 1986 and 2018, as of the end of the most recent calendar year. Show the amounts associated with each reduction separately.

Response:

There are no excess deferred federal income taxes resulting from the corporate tax rate reduction in 1986 remaining. In 2018, the Company recorded excess deferred federal income taxes resulting from the Tax Cuts and Jobs Act of 2017 (“TCJA”) tax rate reduction in the amount of \$15,053,674. The remaining balance of the TCJA excess deferred federal income taxes at December 31, 2020 is \$13,454,029.

In the course of preparing this response, the Company discovered that the balance of the TCJA excess deferred federal income taxes at March 31, 2021 and December 31, 2022 previously reflected in the filing was inadvertently misstated as \$12,963,541 and \$11,702,934 respectively. The correct amounts are \$13,269,320 and \$11,976,352 respectively. The Company will make this correction in its base period update. This correction has no impact on the revenue requirement.

The amortization of the TCJA excess is currently being returned to customers in the surcredit. As stated in Mr. Packer’s Direct Testimony on Page 9, Lines 23-24, the Company is proposing to eliminate the surcredit. The amortization of the TCJA excess will instead be included in base rates. The annual amortization at proposed rates is \$738,775 as shown in Tab 58e, Line 17. This includes amortization approved in PSC Case No. 2018-00040 using the Reverse South Georgia methodology in the amount of \$734,146 per year. There is also additional amortization of \$4,692 per year using the Average Rate Assumption Method for TCJA excess associated with Peoples Gas of Kentucky excess deferred taxes. Including this in the Company’s base period update at the current level would decrease the revenue requirement by \$984,377. The Company will also be updating the revenue requirement for the amortization of the Kentucky state income tax rate decrease from 6% to 5% in its base period update. The amortization was not included in the original filing. The annual amortization of the state excess is \$39,600 as shown in Tab 58e, Line 20 results in a decrease to the revenue requirement by \$52,765.

The Company believes that it would be prudent to review the amortization amount in the event of a tax rate increase. Under the current administration, federal tax reform, which includes an increase in the corporate federal income tax rate, is highly likely. The White House issued a statement on March 31, 2021 titled “Fact Sheet: The American Jobs Plan,” which outlines the proposals for significant government spending to invest and rebuild the

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U.S. infrastructure. As part of this plan, the White House has proposed an increase in the corporate tax rate from 21% to 28% to help pay for the additional government spending. Adjusting the amount of excess amortization in this case would help to mitigate future increases to customer rates if the federal rate is increased.

Sponsoring Witness:

William Packer

EXHIBIT __ (BCO-8)

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12. Provide the following information concerning the costs for the preparation of this case:
- a. A detailed schedule of expenses incurred to date for the following categories:
 - (1) Accounting;
 - (2) Engineering;
 - (3) Legal;
 - (4) Consultants; and
 - (5) Other Expenses (Identify separately).
 - b. For each category identified in Item 12.a., the schedule should include the date of each transaction, check number or other document reference, the vendor, the hours worked, the rates per hour, amount, a description of the services performed, and the account number in which the expenditure was recorded. Provide copies of contracts or other documentation that support charges incurred in the preparation of this case. Identify any costs incurred for this case that occurred during the base period.
 - c. An itemized estimate of the total cost to be incurred for this case. Expenses should be broken down into the same categories as identified in Item 12.a., with an estimate of the hours to be worked and the rates per hour. Include a detailed explanation of how the estimate was determined, along with all supporting workpapers and calculations.
 - d. Provide monthly updates of the actual costs incurred in conjunction with this rate case, reported in the manner requested in Items 12.a. and 12.b., and a cumulative total of cost incurred to date for each category. Updates will be due when the utility files its monthly financial statements with the Commission, through the month of the public hearing.

Response:

- a. See attached.
- b. See attached.
- c. See attached. Delta's estimates are based on historical data and discussions with

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the service providers and consultants.

d. Delta will provide monthly updates as requested.

Sponsoring Witness:

John B. Brown

August 12, 2021 Supplemental Response:

d. See attached for actual rate case expenses received as of this filing. The attachment is provided in PDF and Excel format for ease of reference. While preparing the Supplemental Response, Delta found it inadvertently included an invoice for Outside Legal Services that was not related to the rate case and some errors in amounts included for two Outside Consultant groups. All issues have been corrected and footnoted in the attached. The cumulative result is a reduction of \$1,190.09 to the actual rate case expenses previously filed.

Consistent with the Commission's Order in Case No. 2010-00116, Delta confirms its request for authority to establish a regulatory asset for its rate case expense and to amortize the expense over a three-year period. As noted on page 38 of the attached, the Total Estimated Expense amount of \$630,000 and the estimate to be amortized over three years, \$210,000, has remained unchanged. This adjustment is also found at Filing Requirements Tab 57, Schedule D, Adjustment 2.9. Delta also confirms that its request is applicable to the actual rate case expenses incurred for this proceeding.

EXHIBIT __ (BCO-9)

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

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

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

Response:

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

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- f. See the schedules attached to 27(a) for the amounts broken out as requested. The previously filed schedules were accurate, with capitalized labor appearing all on one line. The attachment to this response breaks down the capitalized labor per the OAG's request.

- g. Three executives left Delta in 2018 causing the decline in payroll from 2018 to 2019. Payroll returned to a more normal level in 2020 with promotions and replacements. The Base Period included 4 months of 2020 so should be relatively close. The Projected Period is \$9.8 million, as shown on the schedule at 27(a) above, not \$10.7 million as stated in the question. \$10.7 million is total including overtime and incentives for the Projected Period. \$9.8 million is a 4.3% increase from the Base Period, which is reasonable due to the fact that the Projected Period is greater than 12 months past the Base Period and the Base Period is somewhat lower due to vacancies that Delta is attempting to backfill.

Sponsoring Witness: John B. Brown

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Description	Payroll Expensed	Payroll Capitalized	Total Payroll	Source Document
<i>Regulated:</i>				
Straight time	6,696,245	1,958,480	8,654,725	
Overtime	205,483	60,098	265,581	
Incentives	526,365		526,365	
Other Bonuses and Awards (Describe)				
Holiday				
Illness and Leave				
Paid Time Off				
Severance and Separation Pay				
Other Regulated (Affiliates)				
Other Regulated (Describe)	(882)	(258)	(1,140)	
Capitalized in Construction Accounts				
Capitalized in Deferred Accounts				
Total Regulated Payroll	7,427,211	2,018,320	9,445,531	
<i>Non-Regulated and Below-the Line:</i>				
Non-Regulated/Below-the-Line (Describe)				
Other (Affiliates)	12,426		12,426	
Other (Describe)	11,434		11,434	
Total Non-Regulated/Below-the Line Payroll	23,860		23,860	
Grand Total Payroll	7,451,071	2,018,320	9,469,391	
Percent Payroll Expensed 2017	78.7%			
Percent Payroll Capitalized 2017		21.3%		

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Description	Payroll Expensed	Payroll Capitalized	Total Payroll	Source Document
<i>Regulated:</i>				
Straight time	6,729,208	1,959,737	8,688,945	
Overtime	270,249	78,704	348,953	
Incentives	84,415		84,415	
Other Bonuses and Awards (Describe)	1,000		1,000	
Holiday				
Illness and Leave				
Paid Time Off				
Severance and Separation Pay	2,969		2,969	
Other Regulated (Affiliates)				
Other Regulated (Describe)	4,815	1,403	6,218	
Capitalized in Construction Accounts				
Capitalized in Deferred Accounts				
Total Regulated Payroll	7,092,656	2,039,844	9,132,500	
<i>Non-Regulated and Below-the Line:</i>				
Non-Regulated/Below-the-Line (Describe)				
Other (Affiliates)	14,201		14,201	
Other (Describe)	11,742		11,742	
Total Non-Regulated/Below-the Line Payroll	25,943		25,943	
Grand Total Payroll	7,118,599	2,039,844	9,158,443	
Percent Payroll Expensed 2018	77.7%			
Percent Payroll Capitalized 2018		22.3%		

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Description	Payroll Expensed	Payroll Capitalized	Total Payroll	Source Document
<i>Regulated:</i>				
Straight time	6,384,053	2,118,892	8,502,945	
Overtime	261,884	86,920	348,804	
Incentives	596,723		596,723	
Other Bonuses and Awards (Describe)	1,750		1,750	
Holiday				
Illness and Leave				
Paid Time Off				
Severance and Separation Pay				
Other Regulated (Affiliates)				
Other Regulated (Describe)	(15,548)	(5,160)	(20,708)	
Capitalized in Construction Accounts				
Capitalized in Deferred Accounts				
Total Regulated Payroll	7,228,862	2,200,652	9,429,514	
<i>Non-Regulated and Below-the Line:</i>				
Non-Regulated/Below-the-Line (Describe)				
Other (Affiliates)	78,356		78,356	
Other (Describe)	8,951		8,951	
Total Non-Regulated/Below-the Line Payroll	87,307		87,307	
Grand Total Payroll	7,316,169	2,200,652	9,516,821	
Percent Payroll Expensed 2019	76.9%			
Percent Payroll Capitalized 2019		23.1%		

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Description	Payroll Expensed	Payroll Capitalized	Total Payroll	Source Document
<i>Regulated:</i>				
Straight time	6,683,943	2,520,129	9,204,072	
Overtime	197,954	74,637	272,591	
Incentives	1,145,623		1,145,623	
Other Bonuses and Awards (Describe)	1,250		1,250	
Holiday				
Illness and Leave				
Paid Time Off				
Severance and Separation Pay	660		660	
Other Regulated (Affiliates)				
Other Regulated (Describe)	(93,047)	(35,083)	(128,130)	
Capitalized in Construction Accounts				
Capitalized in Deferred Accounts				
Total Regulated Payroll	7,936,383	2,559,683	10,496,066	
<i>Non-Regulated and Below-the Line:</i>				
Non-Regulated/Below-the-Line (Describe)				
Other (Affiliates)	46,719		46,719	
Other (Describe)	5,973		5,973	
Total Non-Regulated/Below-the Line Payroll	52,692		52,692	
Grand Total Payroll	7,989,075	2,559,683	10,548,758	
Percent Payroll Expensed 2020	75.7%			
Percent Payroll Capitalized 2020		24.3%		

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Description	Payroll Expensed	Payroll Capitalized	Total Payroll	Source Document
<i>Regulated:</i>				
Straight time	7,112,299	2,260,052	9,372,351	
Overtime	234,467	74,506	308,973	
Incentives	1,041,121		1,041,121	
Other Bonuses and Awards (Describe)	1,250		1,250	
Holiday				
Illness and Leave				
Paid Time Off				
Severance and Separation Pay	660		660	
Other Regulated (Affiliates)				
Other Regulated (Describe)	(383,370)	(121,822)	(505,192)	
Capitalized in Construction Accounts				
Capitalized in Deferred Accounts				
Total Regulated Payroll	8,006,427	2,212,736	10,219,163	
<i>Non-Regulated and Below-the Line:</i>				
Non-Regulated/Below-the-Line (Describe) *				
Other (Affiliates)				
Other (Describe)				
Total Non-Regulated/Below-the Line Payroll	0		0	
Grand Total Payroll	8,006,427	2,212,736	10,219,163	
Percent Payroll Expensed (Base Period)	78.35%			
Percent Payroll Capitalized (Base Period)		21.7%		

*Base figures derived from Delta and PKY Regulated Above-the-Line accounts.
No Below-the-Line expenses included.

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Description	Payroll Expensed	Payroll Capitalized	Total Payroll	Source Document
Regulated:				
Straight time	7,544,221	2,268,979	9,813,200	
Overtime	249,712	75,103	324,815	
Incentives	545,959		545,959	
Other Bonuses and Awards (Describe)				
Holiday				
Illness and Leave				
Paid Time Off				
Severance and Separation Pay				
Other Regulated (Affiliates)				
Other Regulated (Describe)				
Capitalized in Construction Accounts				
Capitalized in Deferred Accounts				
Total Regulated Payroll	8,339,892	2,344,082	10,683,974	
Non-Regulated and Below-the Line:				
Non-Regulated/Below-the-Line (Describe) *				
Other (Affiliates)				
Other (Describe)				
Total Non-Regulated/Below-the Line Payroll	0		0	
Grand Total Payroll	8,339,892	2,344,082	10,683,974	
Percent Payroll Expensed (Forecasted Period)	78.1%			
Percent Payroll Capitalized (Forecasted Period)		21.9%		

*Base figures derived from Delta and PKY Regulated Above-the-Line accounts.
No Below-the-Line expenses included.

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33. **Provide Staff DR 1-36 With Additional Information.** Delta's response to Staff Data Request First Series, question 36 (Staff DR 1-36), provides a comparison of budget to actual payroll for calendar years 2018, 2019, 2020, plus budget payroll for the base period and actual payroll for the first seven months of the base period (September 2020 to March 2021). However, Delta's response states that the Actual payroll includes both expensed and capitalized payroll, but Budget payroll only includes expensed payroll (and excludes capitalized payroll). Therefore, the Actual and Budget payroll are not on an apples-to-apples comparison basis, and it is difficult to reach any conclusions about the accuracy of the Budget payroll compared to Actual payroll. And because Budget payroll is always understated (because it does not include capitalized payroll), this bias makes it appear that Budget payroll is always less than Actual payroll for each period (which may not be necessarily accurate). Address the following:
- a. Provide a revised response to Staff DR 1-36 that gives the additional following information:
 - i) Budget payroll - Provide the total Budget payroll that includes both expensed and capitalized payroll for each year in the same format as Staff DR 1-36. Otherwise, explain why Delta cannot provide the Budget portion of capitalized payroll.
 - ii) Actual payroll – Provide separately the “expensed” and “capitalized” amounts of Actual payroll for each year in the same format as Staff DR 1-36. At the minimum, this will allow “expensed” Actual payroll to be compared to “expensed” Budget payroll, although an analysis comparing total (expensed and capitalized) Actual to total Budget payroll provides the best information. Otherwise, explain why Delta's accounting system is unable to identify capitalized payroll for each of these years, especially if such information is available in reports provided to the Commission and other sources.

Response:

- a. Delta is providing a revised response to Staff DR 1-36 as requested. Upon further analysis, the Company has determined that the treatment of capitalized labor was not the only item presented inconsistently between the budget and actual columns. The actual numbers contained allocations and accruals not included in the budgeted numbers. Refer to i) below for further discussion of the changes to the budget columns and to ii) below for discussion of the changes to the actual columns. The revised Staff DR 1-36 is attached as 33(a).
 - i. As noted on the original response, while the budgeted figures provided for the historical periods tied to the income statement budgets, they did not include capitalized labor. The budgeted figures also did not include PKY.

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For comparability, the schedules have been revised to include both of these budgeted costs for all periods presented.

- ii. Delta has also revised the Actual numbers in this response to aid in comparability. While the originally filed Actual figures did contain both capital and PKY and tied to the general ledger, they also included allocations and accruals that made this comparison to budget less meaningful. We have presented actual direct wages paid on a cash basis which more closely aligns with how the budget was developed. The company agrees that analysis comparing total (expensed and capitalized) Actual to total Budgeted payroll provides the best information and has presented the revised schedules in that format.

Sponsoring Witness: William C. Packer

Delta Natural Gas Company, Inc.
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Monthly Payroll Variance Analysis
As of December 31,2018

Workpaper Reference No.(s):

Month	Employee Group	Number of Full-Time Employees		Number of Part-Time Employees		Monthly Budget			Monthly Actual			Variance Percent		
		Budgeted	Actual (A)	Budgeted	Actual (A)	Reg.	OT	Total	Reg.	OT	Total	Reg.	OT (B)	Total
Jan	Salary	159	155			739,971	28,935	768,906	699,847	56,245	756,092	-6%	49%	-2%
Jan	Hourly			19	4	13,167	-	13,167	3,555	-	3,555	-270%	-	-270%
Feb	Salary	159	155			733,562	22,974	756,536	703,965	30,549	734,515	-4%	25%	-3%
Feb	Hourly			19	4	13,167	-	13,167	3,292	-	3,292	-300%	-	-300%
Mar	Salary	159	155			739,245	27,988	767,233	706,216	16,787	723,003	-5%	-67%	-6%
Mar	Hourly			19	5	13,167	-	13,167	3,364	-	3,364	-291%	-	-291%
Apr	Salary	159	154			737,044	18,026	755,070	695,937	19,363	715,300	-6%	7%	-6%
Apr	Hourly			19	5	13,167	-	13,167	3,922	-	3,922	-236%	-	-236%
May	Salary	159	156			741,446	20,472	761,918	697,486	22,125	719,612	-6%	7%	-6%
May	Hourly			19	5	13,167	-	13,167	4,268	-	4,268	-208%	-	-208%
Jun	Salary	159	154			737,044	19,816	756,860	691,146	28,414	719,560	-7%	30%	-5%
Jun	Hourly			19	16	13,167	-	13,167	18,410	-	18,410	28%	-	28%
Jul	Salary	156	153			748,632	32,441	781,073	709,227	23,636	732,864	-6%	-37%	-7%
Jul	Hourly			18	15	11,840	-	11,840	18,738	15	18,753	37%	100%	37%
Aug	Salary	156	154			750,833	32,415	783,248	731,367	30,939	762,306	-3%	-5%	-3%
Aug	Hourly			18	14	11,840	-	11,840	19,105	45	19,150	38%	100%	38%
Sep	Salary	156	154			744,231	31,350	775,581	684,768	23,604	708,372	-9%	-33%	-9%
Sep	Hourly			18	11	11,840	-	11,840	12,305	15	12,320	4%	100%	4%
Oct	Salary	156	151			750,986	34,010	784,996	648,030	29,294	677,325	-16%	-16%	-16%
Oct	Hourly			18	12	11,840	-	11,840	12,802	-	12,802	8%	-	8%
Nov	Salary	156	150			748,785	33,832	782,617	643,762	36,015	679,777	-16%	6%	-15%
Nov	Hourly			18	9	11,840	-	11,840	8,228	60	8,288	-44%	100%	-43%
Dec	Salary	156	151			748,586	41,379	789,965	634,139	38,735	672,874	-18%	-7%	-17%
Dec	Hourly			18	6	11,840	-	11,840	6,154	45	6,199	-92%	100%	-91%
Total:						9,070,405	343,640	9,414,045	8,360,035	355,887	8,715,922	-8% (C)	3%	-8%
Average employee		158	154											

(A) The last pay period of each month was used for the actual employee headcount number.

(B) Overtime was higher than budget. Overtime is a function of unexpected emergencies/ projects and is difficult to accurately predict.

(C)

Actual payroll was consistently lower than budget because several executives left after the budget was prepared. One left in late 2017 earning \$17,250/month. Another earning \$13,500 per month left in June, and two earning \$57,167 per month left in late September. These changes explain \$419,000 of the \$698,123 budget to actual variance for the year

Delta Natural Gas Company, Inc.
Case No. 2021-00185

Monthly Payroll Variance Analysis
As of December 31,2019

Workpaper Reference No.(s):

Month	Employee Group	Number of Full-Time Employees		Number of Part-Time Employees		Monthly Budget			Monthly Actual			Variance Percent		
		Budgeted	Actual (A)	Budgeted	Actual (A)	Reg.	OT	Total	Reg.	OT	Total	Reg.	OT (B)	Total
Jan	Salary	156	153			336,152	13,501	349,653	302,272	34,312	336,584	-10%	154%	-4%
Jan	Hourly			18	3	5,600	-	5,600	2,094	-	2,094	-63%	0%	-63%
Feb	Salary	156	154			672,303	27,002	699,306	613,533	48,523	662,056	-9%	80%	-5%
Feb	Hourly			18	3	11,200	-	11,200	2,034	-	2,034	-82%	0%	-82%
Mar	Salary	156	157			1,008,455	40,504	1,048,958	941,591	48,354	989,945	-7%	19%	-6%
Mar	Hourly			18	4	16,800	-	16,800	3,410	-	3,410	-80%	0%	-80%
Apr	Salary	156	155			672,303	27,002	699,306	635,056	21,592	656,648	-6%	-20%	-6%
Apr	Hourly			18	3	11,200	-	11,200	1,244	-	1,244	-89%	0%	-89%
May	Salary	156	153			672,303	27,002	699,306	629,810	20,248	650,058	-6%	-25%	-7%
May	Hourly			18	5	11,200	-	11,200	2,363	-	2,363	-79%	0%	-79%
Jun	Salary	156	156			672,303	27,002	699,306	632,732	16,016	648,748	-6%	-41%	-7%
Jun	Hourly			18	13	11,200	-	11,200	9,438	-	9,438	-16%	0%	-16%
Jul	Salary	156	159			672,303	27,002	699,306	646,625	19,309	665,934	-4%	-28%	-5%
Jul	Hourly			14	12	11,200	-	11,200	14,650	-	14,650	31%	0%	31%
Aug	Salary	156	153			1,008,455	40,504	1,048,958	947,283	32,083	979,365	-6%	-21%	-7%
Aug	Hourly			14	10	16,800	-	16,800	20,450	-	20,450	22%	0%	22%
Sep	Salary	156	156			672,303	27,002	699,306	633,467	28,326	661,794	-6%	5%	-5%
Sep	Hourly			14	9	11,200	-	11,200	10,265	-	10,265	-8%	0%	-8%
Oct	Salary	156	157			672,303	27,002	699,306	640,024	37,076	677,100	-5%	37%	-3%
Oct	Hourly			14	8	11,200	-	11,200	9,430	-	9,430	-16%	0%	-16%
Nov	Salary	156	157			672,303	27,002	699,306	640,381	38,789	679,170	-5%	44%	-3%
Nov	Hourly			14	8	11,200	-	11,200	8,268	-	8,268	-26%	0%	-26%
Dec	Salary	156	158			672,303	27,002	699,306	639,778	25,391	665,170	-5%	-6%	-5%
Dec	Hourly			14	5	11,200	-	11,200	5,270	-	5,270	-53%	0%	-53%
				Total:		8,543,791	337,530	8,881,321	7,991,468	370,020	8,361,489	-6%	10%	-6%
Average employee		156	156									(C)		

- (A) The last pay period of each month was used for the actual employee headcount number.
- (B) Overtime is a function of unexpected emergencies/ projects and is difficult to accurately predict.
- (C) Actual was relatively consistently close to the average of 6% under budget for the entire year.

Delta Natural Gas Company, Inc.
Case No. 2021-00185

Monthly Payroll Variance Analysis
As of December 31,2020

Workpaper Reference No.(s):

Month	Employee Group	Number of Full-Time Employees		Number of Part-Time Employees		Monthly Budget			Monthly Actual			Variance Percent		
		Budgeted	Actual (A)	Budgeted	Actual (A)	Reg.	OT	Total	Reg.	OT	Total	Reg.	OT (B)	Total
Jan	Salary	161	157			965,135	46,143	1,011,278	967,410	34,032	1,001,443	0%	-26%	-1%
Jan	Hourly			14	3	15,556	-	15,556	4,680	-	4,680	-70%	-	-70%
Feb	Salary	161	158			643,423	30,762	674,185	643,380	28,051	671,431	0%	-9%	0%
Feb	Hourly			14	3	10,370	-	10,370	2,280	-	2,280	-78%	-	-78%
Mar	Salary	161	157			643,423	30,762	674,185	674,001	19,830	693,831	5%	-36%	3%
Mar	Hourly			14	4	10,370	-	10,370	1,840	-	1,840	-82%	-	-82%
Apr	Salary	161	158			643,423	30,762	674,185	675,747	17,439	693,186	5%	-43%	3%
Apr	Hourly			14	1	10,370	-	10,370	250	-	250	-98%	-	-98%
May	Salary	161	157			643,423	30,762	674,185	672,900	16,605	689,505	5%	-46%	2%
May	Hourly			14	1	10,370	-	10,370	910	-	910	-91%	-	-91%
Jun	Salary	161	157			643,423	30,762	674,185	671,862	19,984	691,847	4%	-35%	3%
Jun	Hourly			14	1	10,370	-	10,370	420	-	420	-96%	-	-96%
Jul	Salary	161	155			965,135	46,143	1,011,278	1,001,153	26,790	1,027,943	4%	-42%	2%
Jul	Hourly			14	1	15,556	-	15,556	1,136	-	1,136	-93%	-	-93%
Aug	Salary	161	156			643,423	30,762	674,185	668,662	20,859	689,521	4%	-32%	2%
Aug	Hourly			14	8	10,370	-	10,370	7,040	-	7,040	-32%	-	-32%
Sep	Salary	161	155			643,423	30,762	674,185	664,955	30,178	695,133	3%	-2%	3%
Sep	Hourly			14	8	10,370	-	10,370	10,440	-	10,440	1%	-	1%
Oct	Salary	161	158			643,423	30,762	674,185	670,735	28,319	699,054	4%	-8%	4%
Oct	Hourly			14	9	10,370	-	10,370	12,160	-	12,160	17%	-	17%
Nov	Salary	161	156			643,423	30,762	674,185	668,678	19,030	687,708	4%	-38%	2%
Nov	Hourly			14	9	10,370	-	10,370	10,810	-	10,810	4%	-	4%
Dec	Salary	161	154			965,135	46,143	1,011,278	990,801	38,875	1,029,676	3%	-16%	2%
Dec	Hourly			14	2	15,556	-	15,556	6,080	-	6,080	-61%	-	-61%
				Total:										
Average employee		161	157			8,826,213	415,287	9,241,500	9,028,331	299,992	9,328,323	2%	-28%	1%

(A) The last pay period of each month was used for the actual employee headcount number.

(B) Overtime is a function of unexpected emergencies/ projects and is difficult to accurately predict.

Delta Natural Gas Company, Inc.
Case No. 2021-00185

Base Period
As of August 31,2021

Workpaper Reference No.(s):

Month	Employee Group	Number of Full-Time Employees		Number of Part-Time Employees		Base Year Assumption Budget			Monthly Actual			Variance Percent		
		Budgeted	Actual (A)	Budgeted	Actual (A)	Reg.	OT	Total	Reg.(C)	OT	Total	Reg.	OT (B)	Total
Sep-20	Salary	161	155			639,818	25,997	665,815	664,955	30,178	695,133	3.9%	16.1%	4.4%
Sep-20	Hourly			14	8		-	-	10,440	-	10,440	-	-	#DIV/0!
Oct-20	Salary	161	158			639,818	25,997	665,815	670,735	28,319	699,054	4.8%	8.9%	5.0%
Oct-20	Hourly			14	9		-	-	12,160	-	12,160	-	-	#DIV/0!
Nov-20	Salary	161	156			639,818	25,997	665,815	668,678	19,030	687,708	4.5%	-26.8%	3.3%
Nov-20	Hourly			14	9		-	-	10,810	-	10,810	-	-	#DIV/0!
Dec-20	Salary	161	154			959,727	38,995	998,723	990,801	38,875	1,029,676	3.2%	-0.3%	3.1%
Dec-20	Hourly			14	2		-	-	6,080	-	6,080	-	-	#DIV/0!
Jan-21	Salary	161	151			639,818	25,997	665,815	642,577	26,476	669,052	0.4%	1.8%	0.5%
Jan-21	Hourly			0	1		-	-	960	-	960	-	-	0.0%
Feb-21	Salary	161	151			639,818	25,997	665,815	633,093	39,296	672,390	-1.1%	51.2%	1.0%
Feb-21	Hourly			0	1		-	-	480	-	480	-	-	0.0%
Mar-21	Salary	161	149			639,818	25,997	665,815	625,859	28,411	654,270	-2.2%	9.3%	-1.7%
Mar-21	Hourly			0	1		-	-	200	-	200			
Apr-21	Salary	161				739,731	20,954	760,685						
Apr-21	Hourly			0			-	-						
May-21	Salary	161				739,731	20,954	760,685						
May-21	Hourly			0			-	-						
Jun-21	Salary	161				739,731	20,954	760,685						
Jun-21	Hourly			0			-	-						
Jul-21	Salary	161				1,109,597	31,431	1,141,028						
Jul-21	Hourly			0			-	-						
Aug-21	Salary	161				739,731	20,954	760,685						
Aug-21	Hourly			0			-	-						
Average employee		161	153			8,867,159	310,223	9,177,382	4,937,827	210,585	5,148,412			
Actual Period Total						4,798,637	194,977	4,993,614	4,937,827	210,585	5,148,412	2.9%	8.0%	3.1%

(A) The last pay period of each month was used for the actual employee headcount number.

(B) Overtime is a function of unexpected emergencies/ projects and is difficult to accurately predict.

(C) Drop in actual payroll January 2021 resulted from several retirements/resignations at yearend and having difficulty backfilling positions in a timely manner.

Delta Natural Gas Company, Inc.
Case No. 2021-00185

Forecasted Test Period
As of December 31,2022

Workpaper Reference No.(s):

Month	Employee Grade	Number of Full-Time		Number of Part-Time		Test Year Assumption			Monthly Actual			Variance Percent		
		Budgeted	Actual	Budgeted	Actual	Reg.	OT	Total	Reg.	OT	Total	Reg.	OT	Total
Jan-22	Salary	162				817,774	27,061	844,835						
Jan-22	Hourly			0				-						
Feb-22	Salary	162				817,774	27,061	844,835						
Feb-22	Hourly			0				-						
Mar-22	Salary	162				817,774	27,061	844,835						
Mar-22	Hourly			0				-						
Apr-22	Salary	162				817,774	27,061	844,835						
Apr-22	Hourly			0				-						
May-22	Salary	162				817,774	27,061	844,835						
May-22	Hourly			0				-						
Jun-22	Salary	162				817,774	27,061	844,835						
Jun-22	Hourly			0				-						
Jul-22	Salary	162				817,774	27,061	844,835						
Jul-22	Hourly			0				-						
Aug-22	Salary	162				817,774	27,061	844,835						
Aug-22	Hourly			0				-						
Sep-22	Salary	162				817,774	27,061	844,835						
Sep-22	Hourly			0				-						
Oct-22	Salary	162				817,774	27,061	844,835						
Oct-22	Hourly			0				-						
Nov-22	Salary	162				817,774	27,061	844,835						
Nov-22	Hourly			0				-						
Dec-22	Salary	162				817,774	27,061	844,835						
Dec-22	Hourly			0				-						
						9,813,284	324,731	10,138,015						

Note: We do not break out of hourly vs. salary at that level of detail.

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 2021-00185

SECOND ATTORNEY GENERAL DATA REQUEST

DATED AUGUST 25, 2021

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

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

Response:

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

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

SECOND ATTORNEY GENERAL DATA REQUEST
DATED AUGUST 25, 2021

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

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

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

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

d. Please see the response to subpart a.

e. Please see the response to subpart c.

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

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

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

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

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

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

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 2021-00185

FIRST ATTORNEY GENERAL DATA REQUEST

DATED JULY 14, 2021

37. **Payroll Fluctuations per Staff DR 1-36.** Delta's response to Staff's First Series of Data Requests, question 36 (Staff DR 1-36) provides budgeted and actual regular and overtime payroll costs, and budgeted and actual full-time and part-time employee headcount, on a monthly basis for the calendar years 2018, 2019, 2020, and the Base Period August 31, 2021 (this same information was requested for the Forecasted 2022 period, but was not provided by Delta). Explain the reasons and provide supporting documentation for the following monthly changes in actual payroll costs and payroll trends for the related periods:
- a. Explain why the Budgeted number of employees exceeds the Actual number of employees for almost every month and every year from January 2018 to March 2021, and explain why this makes the Budgeted number of employees a reliable estimate of Actual number of employees.
 - b. Witness Andrea Schroeder's direct testimony (page 4, lines 4 – 6), states that the Delta forecasted employees for years 2021 through 2024 stays constant at 162 employees, based on 153 employees for Delta and 9 transferred from PKY to Delta (which occurred in April 2021).
 - i) Explain why Delta was budgeting 161 employees (almost as many as the 162 employees after the PKY transfer in April 2021) as early as January 2020, and explain if this was intended to anticipate the transfer of 9 PKY employees in April 2021.
 - ii) Explain why Staff DR 1-36 shows Budgeted employees of 161 as late as August 2021, instead of the 162 employees cited by Witness Schroeder after the PKY transfer in April 2021. Explain why Actual employee headcounts do not reflect the impact of the PKY transfer after April 2021.
 - iii) Provide the missing "Forecasted" 2022 test period data requested in Staff Data Request 1-36, and explain if this includes the PKY transferred employees in the monthly Budgeted headcount of 162.
 - iv) Explain if Budgeted or Actual payroll costs for the Base Period include payroll costs related to the 9 employees related to the PKY transfer in April 2021, and separately identify these Budgeted and Actual payroll costs included in the Base Period (and provide all supporting documentation and calculations).
 - c. Explain why the Actual number of employees has declined over time, from an average of 154 in 2018, 156 in 2019, 156.5 in 2020, 153 for the Base Period, and an Actual level of 149 employees at March 2021. Explain how this on-going decline and attrition of employees supports the increase of Forecasted 2022 level of 162 employees in this rate case (even if 9 employees are included from the PKY transfer).

DELTA NATURAL GAS COMPANY, INC.
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FIRST ATTORNEY GENERAL DATA REQUEST
DATED JULY 14, 2021

- d. Explain why the month of December 2019 shows a significantly lower amount of “Regular” payroll costs of \$574,378 with a higher number of Actual full-time employees of 158, compared to almost all other months in December that show greater payroll costs but with fewer full-time employees (compared to December 2019). Explain why Regular payroll cost at December 2019 is lower than any other month of 2019.
- e. Explain why Delta is projecting an increase in payroll costs for Forecasted 2022 (based on its payroll adjustment), when the three most recent months of Actual Regular payroll costs included in the Base Period for January 2021, February 2021, and March 2021 have declined when compared to the same months in 2020.
- f. Explain why Delta is projecting an increase in payroll costs for Forecasted 2022 (based on its payroll adjustment), when actual Regular monthly payroll costs have declined every month of the Base Period from October 2020 to March 2021. Explain the reasons for the decline in these Regular payroll costs and provide related supporting documentation.
- g. Explain why March 2021 actual Regular payroll cost of \$349,890 is significantly lower than any single month of payroll cost going back to January 2018 (the oldest data provided in this data request response), and provide related supporting documentation.

Response:

- a. The budgeted number of employees exceeds the actual number of employees because it includes open positions which are actively being recruited. Employee staff fluctuations are expected as the workforce ages and employees are becoming more mobile. These positions are budgeted and have been approved for fill. The issue is in locating employees with the right skills to fill the positions so that the organization is at full staff as well as minimizing the time to fill. If the actual number of employees is being used, it would underestimate the labor costs.
- b.
 - i. Budget and actual data for Delta and PKY is reflected as combined for all periods presented.
 - ii. See part b(i).
 - iii. The “Forecasted” 2022 test period data requested in Staff Data Request 1-36 is attached to response 15 of this Request. As stated in part b(i), all budget and actual data for Delta and PKY is reflected as combined for all periods presented. Therefore, this data does include the PKY transferred employees.

DELTA NATURAL GAS COMPANY, INC.
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FIRST ATTORNEY GENERAL DATA REQUEST
DATED JULY 14, 2021

- iv. Yes the Budgeted and Actual payroll costs for the Base Period include payroll costs related to the 9 employees related to the PKY transfer. Separate Base Period calculations for Delta and PKY are filed in Response 43(a) of this Request.
- c. The employee count has not declined over time as the question suggests. The number of employees has actually increased steadily from 2018 through October 2020, averaging 154 in 2018, 156 in 2019, and 156.5 in 2020. As recently as October 2020 (only 9 months ago), the combined companies had 158 employees when the decline began. Delta had several retirements at the end of 2020 and the trend of high turnover has continued into 2021. The first half of 2021 has been a very difficult time to recruit and fill positions even though Delta is actively attempting to get all openings filled.
- d. Please refer to the updated schedules from DR-1 36 attached to Question 33 of this Response. The changes made, described in Response 33, to present the actual and budget numbers on the same basis made the December 2019 variance much more reasonable. December regular pay was 5% under budget, compared to the entire year being 6% under budget.
- e. As described in c., the most recent months of actual payroll costs reflect the non-recurring situation of being under-staffed.
- f. See the response to subpart c. for a discussion of the open positions since October 2020.
- g. Please refer to the updated schedules from DR-1 36 attached to Question 33 of this Response. The changes made, described in Response 33, to present the actual and budget numbers on the same basis made the March 2021 variance much more reasonable.

Sponsoring Witness: Andrea Schroeder / William C. Packer

EXHIBIT ___(BCO-10)

DELTA NATURAL GAS COMPANY, INC.

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39. **Affiliate Allocations OAG 1-52.** Delta's response to OAG 1-52 provides the amount and percent of services allocated by PNG to PKY, Delta, and all affiliates. For many services, Delta is allocated 1% or less of total PNG allocated costs. However, in 2021 Delta was allocated 10.30% of total IT costs of PNG, whereas as recent as 2019 Delta was only allocated 1.80% of these IT costs. Also, in 2021 Delta was allocated 7.27% of total Billing Services costs of PNG, whereas as recent as 2020 Delta was not allocated any Billing Services costs. Address the following:

- a. Explain why Delta's percent of allocated IT costs increased from 1.80% in 2019 to 10.30% in 2021 (and 10.94% in 2020).
- b. Explain the events, changes in operations, and other changes that occurred in 2020 and 2021 that resulted in Delta being allocated significantly more IT costs, and which also resulted in other affiliates that previously incurred significant IT costs to see a reduction in the allocation of IT costs. Explain if it was more events/changes that occurred for Delta that drove this change, or events/changes that occurred with other affiliates that drove this change. Provide supporting documentation and calculations.
- c. Regarding (b) above, explain how changes in allocation factor formulas (or significant changes in the inputs of allocation factor formulas) that caused the significant increase in the IT allocation percentage for Delta in 2020 and 2021. And provide and show the calculations of these factors and underlying inputs that caused this change.
- d. Explain why Delta's operations would become more IT intensive in 2020 and 2021, compared to prior years, and provide specific examples of why Delta's operations demand significantly more IT time and costs.
- e. Explain why Delta's percent of allocated Billing Services costs increased from zero in 2020 and prior years to 7.27% in 2021.
- f. Explain the events, changes in operations, and other changes that occurred in 2021 that resulted in Delta being allocated significantly more Billing Services costs, and which also resulted in other affiliates that previously incurred significant Billing Services costs to see a reduction in the allocation of these costs. Explain if it was more events/changes that occurred for Delta that drove this change, or events/changes that occurred with other affiliates that drove this change. Provide supporting documentation and calculations.

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- g. Regarding (f) above, explain how changes in allocation factor formulas (or significant changes in the inputs of allocation factor formulas) that caused the significant increase in the Billing Services allocation percentage for Delta in 2021. And provide and show the calculations of these factors and underlying inputs that caused this change.
- h. Explain why Delta's operations would become more Billing Service intensive in 2021, compared to prior years, and provide specific examples of why Delta's operations demand significantly more Billing Services time and costs.
- i. Identify all new and different types of Billing Services for Delta that have been implemented in the 2021 time frame and has caused this increase in allocation factors, and explain why other affiliates did not incur these similar new and different types of Billing Services.
- j. If Delta revenues and customer growth is stagnant or not increasing significantly, explain why this would cause an increase in Billing Services costs allocated to Delta.

Response:

a. - b.: Delta's customer billing system was replaced in January 2021. IT support to implement the change began in 2020 for system configuration and requirements for Delta and continued into 2021 for implementation, conversion and continued post conversion support which raised the total percentage of IT costs allocated to Delta.

See response to Item No. 35(b), (f), and (h) for further explanation of changes in IT services and Billing Services.

c: The Delta percentage of total IT charges reflects the increased support needed as noted in subparts a and b above for Delta's move to the new billing system. The percentage of IT costs for non-billing system support remained consistent with prior years. See file "OAG2-39_c_g-Attachment-Allocation Percent Calculations.xlsx" for the changes from year to year and split between expense vs. capital.

Also, see response to Item No. 35(b), (f), and (h) for explanation of changes in IT services and Billing Services.

See files "Attachment to AG 2-35 - 1600 PNG Allocations Updated.xlsx" for changes in IT Services and Billing Services and shows the calculated split between Expense and Capital. The

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increased capital charges are due to the Customer Billing & Receivables SAP module implementation, while the expense allocations remain consistent.

d: See response to Item No. 35(b), (f), and (h) for explanation of changes in IT services and Billing Services.

e: Prior to 2021, Delta maintained its own billing system and received no support from affiliates for that system. With implementation in January 2021 of the new billing system referenced in b-d above, Delta began to receive support from PNG Companies LLC for implementation, training and ongoing support in using the billing system.

See response to Item No. 35(b), (f), and (h) for explanation of changes in IT services and Billing Services.

f: Implementation and use of the new billing system referenced in the responses above generated costs to Delta from PNG Companies LLC for support that were not provided for the previous system. Please see the response to AG 1-77 regarding the benefits of the new system.

See response to Item No. 35(b), (f), and (h) for explanation of changes in IT services and Billing Services.

g: The allocation of billing services was new in 2021 in support of Delta's use of the new system referenced in the responses above. See file "OAG2-39_c_g-Attachment-Allocation Percent Calculations.xlsx" for the changes from year to year and split between expense vs. capital.

h: See previous answers above regarding customer billing system project.

i: See previous answers above regarding customer billing system project.

j: See previous answers above regarding customer billing system project.

Sponsoring Witness: William C. Packer

AG1-52-2021
Company Code 1600

	CAPITAL	CAPITAL	EXPENSE	EXPENSE
	ONE MONTH	ONE MONTH	ONE MONTH	ONE MONTH
4 MONTHS 2020	\$0.00		\$0.00	
3 MONTHS 2021	\$45,755.78		\$3,128.95	
	\$45,755.78	\$ 6,536.54	\$3,128.95	\$ 446.99

Sum of Amount	Assignment	Service	Allocation Method	Capital vs Expense	Delta	Total to All Affiliates	2021/01	2021/02	2021/03	2021/04	2021/05	2021/06	2021/07	2021/08	2021/09	2021/10	2021/11	2021/12
BILL.ALLOC2	Billing Services	Customers	Customers	Capital	\$104,584.64	\$1,536,807.63	6.81%	\$15,515.36	\$23,228.94	\$7,011.48	\$6,536.54	\$6,536.54	\$6,536.54	\$6,536.54	\$6,536.54	\$6,536.54	\$6,536.54	\$6,536.54
BILL.ALLOC2	Billing Services	Customers	Customers	Expense	\$7,151.89	\$1,536,807.63	0.47%	\$2.15	\$0.94	\$3,125.86	\$446.99	\$446.99	\$446.99	\$446.99	\$446.99	\$446.99	\$446.99	\$446.99
BILL.ALLOC2 Total					\$111,736.53	\$1,536,807.63	7.27%	\$15,517.51	\$23,229.88	\$10,137.34	\$6,983.53	\$6,983.53	\$6,983.53	\$6,983.53	\$6,983.53	\$6,983.53	\$6,983.53	\$6,983.53

				Year 2020	Values 2020
				Sum of Amount	%
BILL.ALLOC2	Billing Services	Customers	1000	\$1,357,518.28	88.95%
BILL.ALLOC2	Billing Services	Customers	1200	\$27,622.50	1.81%
BILL.ALLOC2	Billing Services	Customers	1300	\$6,358.61	0.42%
BILL.ALLOC2	Billing Services	Customers	1600	\$0.00	0.00%
BILL.ALLOC2	Billing Services	Customers	3100	\$134,602.13	8.82%
BILL.ALLOC2 Total				\$1,526,101.52	100.00%

				Year 2021	Values 2021
				Sum of Amount	%
BILL.ALLOC2	Billing Services	Customers	1000	\$1,267,709.70	82.49%
BILL.ALLOC2	Billing Services	Customers	1200	\$25,805.67	1.68%
BILL.ALLOC2	Billing Services	Customers	1300	\$5,857.06	0.38%
BILL.ALLOC2	Billing Services	Customers	1600	\$111,736.53	7.27%
BILL.ALLOC2	Billing Services	Customers	3100	\$125,698.67	8.18%
BILL.ALLOC2 Total				\$1,536,807.63	100.00%

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35. **Affiliate Cost – OAG 1-46.** Please address the following regarding Delta’s response to OAG 1-46(a), Attachment “Attachment to AG 1-46 – OAG _Attachment_3_-_Expensed_and_Capitalized_Amounts_Allocated_to_Delta_and_PKY”, that shows allocated expenses and capital costs from PNG and Essential to Delta and PKY for periods 2017 through Base Period and Forecasted Period.

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

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

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

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

- k. Regarding (j) above, if the Essential G&A surcharge is included in expenses allocated by Essential to Delta and PKY, provide the amount of G&A charges included in expenses allocated to each of Delta and PKY for the period ending December 31, 2019, December 31, 2020, and Base Period, and reconcile to the allocated expenses at OAG 1-46(a), Attachment “Attachment to AG 1-46 – OAG Attachment_3_Expensed_and_Capitalized_Amounts_Allocated_to_Delta_and_PKY”.
- l. Regarding (k) above, if the Essential G&A surcharge is included in only capitalized amounts allocated by Essential to Delta and PKY, reconcile and provide the amount of G&A surcharge included in Capital Costs allocated to Delta and PKY by Essential (and PNG if applicable) for 2019, 2020, and the Base Period at OAG 1-46(a), Attachment “Attachment to AG 1-46 – OAG Attachment_3_Expensed_and_Capitalized_Amounts_Allocated_to_Delta_and_PKY”. Given that the above Excel Spreadsheet does not show any Capital Costs allocated from Essential to Delta and PNG, then explain how the Essential G&A surcharge is applied to capital projects for Delta and PNG.
- m. Regarding (j) above, provide detailed calculations for the Essential G&A surcharge amount allocated to Delta and PKY for the April 2020 to March 2021 amount of \$8.9 m for General Accounting, \$10.9 m for Executive, \$5.6 m for Human Resources, and \$8.1 m for Budgets and Financial Strategy (for 1300 PKY) and the same services for 1600 Delta (and including the additional services of Community Relations, and Legal). Explain and show the G&A surcharge formula components, all inputs, and the related calculation of these G&A surcharge amounts.
- n. Regarding (j) and (l) above, show how this amount of \$46 m for April 2020 to March 2021 (for the Essential G&A surcharge) are included in each of the Base Period and Forecasted capital projects for Delta and PKY. In addition, provide all other projected and actual Essential G&A amounts that have been included in Base Period and Forecasted capital projects (capex) in this rate case. Explain and show the G&A surcharge formula components, all inputs, and the related calculation of these G&A surcharge amounts.
- o. Regarding “Attachment to AG-1-46 - 1600 Essential Allocations, explain why there are no allocated costs for many of the months April 2020 to September 2020, and then a significant increase in December 2020 amount, and then a significant reduction in monthly amounts from January to March 2021, provide supporting documentation and calculations.

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

Response:

A:

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

B:

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

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

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The amounts allocated in 2021 are more generally reflective of the allocations to be received in 2022 than the historical 2020 data. To achieve operational efficiencies, PNG is providing increased services related to Delta's SAP Customer Relationship and Billing System, implemented in January 2021. With the continued harmonization of human resources policy, benefits, and compensation of Delta with the Essential organization, increased services in those areas will be provided by Essential in 2021 compared to 2020. In addition, due to Delta's Director-Treasury (Denisa King) retirement in October 2020, PNG/Essential completed the transition of handling Delta's customer assistance programs, insurance, and most treasury functions by January 2021.

The average monthly allocation from PNG/Essential year-to-date July 2021 has been \$117,674, or \$1,412,090 annualized. This recent experience indicates that the Test Period estimate of \$1,107,763 for 2022 corporate allocations is understated by \$304,326.

C:

Expenses allocated from PNG to PKY decreased from \$272,238 in 2017 to \$227,739 in 2018 due to service company structural changes from 2017 to 2018. In 2017, Peoples Service Company allocations to PKY were 1.3% of the total allocations to all PNG affiliates. In 2018, PNG Cos LLC (restructured service company with greater number of employees and costs being allocated) allocations to PKY were 0.42% of the total allocations to all PNG affiliates. This change in the percentage of allocated costs is not materially different considering the total costs allocated among all PNG subsidiaries.

In 2019, total costs allocated from PNG to all subsidiaries was \$55.7 Million, with PKY receiving \$242,878 expense and capital (0.44% of the total). This change in the percentage of allocated costs from 2018 is not materially different considering the total costs allocated among all PNG subsidiaries.

In 2020, total costs allocated from PNG to all subsidiaries were \$51.6 Million, with PKY receiving \$210,062 expense and capital (0.41% of the total). This change in the percentage of allocated costs from 2019 is not materially different considering the total costs allocated among all PNG subsidiaries.

For the Base Period and Forecasted Period, total amounts expected to be allocated from PNG to all subsidiaries were \$51.4 Million, with PKY receiving \$188,099 (0.36% of the total). This change in the percentage of allocated costs from 2020 is not materially different considering the total costs allocated among all PNG subsidiaries.

D:

Please see the response to subpart b. The increase is primarily due to Essential allocations not starting until April 2020 as Essential did not acquire PNG and Delta until March 2020.

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Expenses allocated from Essential to Delta increased from \$489,244 in 2020 to \$1,107,763 in the Base and Forecasted Periods due to 2020 only including 8 months of allocations from Essential as well as due to the nature of how the Base Period and Forecasted Period were calculated.

2020 only included allocations from April through December (8 months actual) compared to a full 12 months projected for the Base Period and Forecasted Period. The Base Period and Forecasted Period was projected using 7 months of actual allocations (September 2020-March 2021) and adding 5 months of projected allocations (the sum of September 2020 – March 2021 divided by 7 multiplied by 5).

When annualizing April – December 2020 actual allocations (sum of April – December 2020 divided by 8 multiplied by 12, the result is \$733,866, which is more comparable to the Base Period and Forecasted Period. Also, Delta began receiving allocations for most services in October 2020, which increases the Base Period and Forecasted Period compared to 2020 due to projecting April – August 2021 based on the 7 months of actuals. See file “Attachment to AG 2-35 - 1600 Essential Allocations Updated.xlsx” for calculations.

E:

There were no non-recurring or one-time costs in 2020 or in the projected base period for PKY.

F:

As described in the responses to B and C, allocations from PNG to PKY did not materially fluctuate from 2018 to 2019 to 2020 and to the Base Period as the amounts allocated were approximately 1% or less each year of the total amounts allocated by PNG to its affiliates. Regarding Essential allocations to PKY, approximately \$34 thousand actual in 2020 and the Base Period and Forecasted Period projected amounts of \$34 thousand projected are comparable.

Allocations from PNG to Delta increased from \$113,472 in 2019 to \$435,725 in 2020 mainly due to increased IT project costs, which were allocated directly to Delta and capitalized (no other PNG affiliate received an allocation for these projects as they were Delta specific projects). The main project which was directly allocated to Delta and accounted for the majority of the capitalized costs was the Customer Billing & Receivables SAP module implementation (project SW.DELTA.CRB.2) in addition to other software implementations. See file “Attachment to AG 2-35 - PNG Allocations to Delta Capital Items.xlsx” showing the capital projects by year and amount. The allocated expense amounts on Delta (not considering the capital items) are consistent from month to month demonstrating this. See file “Attachment to AG 2-35 - 1600 PNG Allocations Updated.xlsx.” These services are important to provide to Delta in order to enhance the enterprise resource systems and bring efficiencies from software applications.

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Allocations in the Base Period increased due to new services being provided to Delta in 2021 including Billing Services, Customer Relations Services, and Executive Services. These services are important to provide to Delta to increase customer support and administer the low income customer assistance program and provide executive support services. The Executive Services increases was due to the acquisition by Essential and all companies under PNG received these services/allocations in order to support the additional requirements under a publicly traded company. Regarding Essential allocations to Delta, as described in D, expenses allocated from Essential to Delta increased from \$489,244 in 2020 to \$1,107,763 in the Base and Forecasted Periods due to 2020 only including 8 months of allocations from Essential as well as due to the nature of how the Base Period and Forecasted Period were calculated. (Essential acquired PNG/Delta in March 2020, and allocations began in April 2020). Additionally, Delta began receiving allocations for most services in October 2020, which increases the Base Period and Forecasted Period compared to 2020 due to projecting April – August 2021 based on the 7 months of actuals.

G:

As described in the responses above, the expenses allocated to PKY by both PNG and Essential did not materially change from year to year. There were no materially significant change in services, allocation formulas, or types of costs.

The expenses allocated to Delta from PNG changed as a result of increased support services for IT projects (mostly capitalized), Customer Billing and Relations, and Executive Support to improve the overall business operations as described above.

The allocation methodologies for all services (from PNG and Essential) did not change from year to year. Each year, the various statistics that drive the allocation of service costs for PNG affiliates are updated based on the various allocation basis for each service.

H:

As described in Response F, increased IT project costs, which were allocated directly to Delta and capitalized accounted for the increased allocations in 2020.

New services provided in 2021 such as Billing Services, Customer Relations Services, and Executive Services, accounted for the increased allocations in 2021. The majority of the Billing Services allocations were capitalized as part of the Customer Billing & Receivables SAP module implementation (project SW.DELTA.CRB.2). See file “Attachment to AG 2-35 - PNG Allocations to Delta Capital Items.xlsx” showing the capital projects by year and amount.

For the new allocations for Billing Services, Customer Relations Services, and Executive Services, the underling inputs that changed were that Delta portion of the statistics that drive to allocation

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of the total PNG costs of these services were now being included in the allocation methods they were not previously.

For example, in January 2021, Delta began receiving a 12.54% share of the Billing Services allocation due to newly being included in the overall PNG allocation. See file “Attachment to AG 2-35 - BILL.ALLOC2 PERCENTAGE ALLOCATION.xlsx” for the calculation of the percentage.

Also, in January 2021, Delta began receiving a 1.25% share of the Customer Relations Services allocation due to their Residential customer count being included in the overall PNG allocation. See file “Attachment to AG 2-35 - CUSTRELAT.ALLOC2 PERCENTAGE ALLOCATION” for the calculation of the percentage. The increase was due to two employees providing customer support and administering the low-income customer assistance program.

Finally, in January 2021, Delta began receiving a roughly 1.33% share of the Executive Services allocation due to their O&M less purchased gas expense; capex being included in the overall PNG allocation. See file “Attachment to AG 2-35 - EXECUTIVE.ALLOC1 PERCENTAGE ALLOCATION” for the calculation of the percentage. The increases were due to the acquisition by Essential and all companies under PNG received these services in order to support the additional requirements under a publicly traded company.

I:

There are no G&A Surcharge amounts allocated from Essential/PNG to Delta or PKY. The allocated expenses from Essential/PNG to Delta and PKY along with Delta’s and PKY’s regular expenses (non-allocated expenses) incurred are subject to G&A Surcharges calculated and capitalized on the Delta and PKY legal entities.

There are no G&A Surcharge amounts allocated from Essential/PNG to Delta and PKY in “Attachment to AG 1-46 – 1300 Essential Allocations.xls” to PKY and “Attachment to AG 1-46 – 1600 Essential Allocations.xls” for April 2020 to March 2021.

J:

See answer in I.

K:

See answer in I.

L:

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See answer in I.

M:

See answer in I.

N:

See answer in I.

O:

Please see the response to subpart b. Regarding “Attachment _to_AG-1-46_-_1600 Essential Allocations,” there are no allocated costs for many of the months April 2020 to September 2020 and then a significant increase in December 2020 amount, and then a significant reduction in monthly amounts from January to March 2021 because from April through September 2020, Delta was not receiving the accurate amount of allocations based on the services being received, so a one-time true up was done in December 2020. January through March 2021 reflect the accurate amount of allocations based on the services being received and are in line with October-November 2020.

See file “Attachment to AG 2-35 - 1600 Essential Allocations Updated.xlsx” showing the one-time true up booked in December and analysis showing Delta’s monthly allocations are consistently 5-6% of total Essential allocations for all PNG affiliates.

P:

See answer in I.

Q:

See answer in I.

Sponsoring Witness: William C. Packer

Essential Allocations by Service by Company by Month/Year

* Original Base Period

* All allocations from Essential were expense (no capital) but were subject to indirect capitalization through G&A surcharge

* All allocations from Essential posted to Account 9923000 Adm & Gen-Outsd Svcs

Company Code 1300

Sum of Amount Assignment	Service	Allocation Method	Year/Month							
			2020/04	2020/05	2020/06	2020/07	2020/08	2020/09	2020/10	2020/11
ACCTGSVC.ALLOC1.E	General Accounting	O&M less purchased gas expense	\$698.85	\$787.08	\$882.52	\$722.29	\$1,155.28	\$716.26	\$685.61	\$745.79
APPLIC.ALLOC2.E	Information Technology A	Customers and Users (50/50)	\$113.16	\$132.79	\$120.47	\$126.11	\$175.57	\$114.66	\$97.57	\$78.00
COMREL.ALLOC2.E	Community Relations	Customers		\$57.00	\$99.47	\$26.75	\$57.00	\$33.98	\$21.22	\$54.19
EXECUTIVE.ALLOC1.E	Executive	O&M less purchased gas expense; cap	\$2,238.91	\$2,218.49	\$2,150.72	\$1,591.63	\$2,815.96	\$909.14	\$897.10	\$899.43
FIXASSETS.ALLOC2.E	Fixed Assets	Fixed Assets added, retired or transferred					\$7.65			
FLEET.ALLOC2.E	Fleet	Vehicles	\$103.01	\$119.05	\$119.08	\$89.02	\$199.09	\$83.28	\$78.70	\$80.42
HUMANRSRCS.ALLOC2.	Human Resources	Employees	\$389.65	\$411.31	\$363.06	\$976.60	\$625.34	\$497.09	\$487.20	\$434.32
INTAUDIT.ALLOC1.E	Internal Auditing	O&M less purchased gas expense; cap	\$97.73	\$92.35	\$83.01	\$78.53	\$131.73	\$170.08	\$165.62	\$150.58
LEGALSVC.ALLOC1.E	Legal	O&M less purchased gas expense; cap	\$216.62	\$212.47	\$240.09	\$256.65	\$249.58	\$272.98	\$124.60	\$213.77
LETTER.CREDIT.FEES	Budgets and Financial Str	O&M less purchased gas expense; capex					\$104.77			
PLANBUDG.ALLOC1.E	Budgets and Financial Str	O&M less purchased gas expense; cap	\$942.25	\$770.30	\$507.00	\$753.50	\$635.64	\$680.29	\$726.32	\$401.23
REGLEGAL.ALLOC2.E	Regulatory and Legal	Regulated Revenue	\$36.48	\$36.42	\$33.12	\$31.71	\$52.91	\$27.76	\$33.98	\$33.69
SAFETY.ALLOC2.E	Safety & Training	Field Union Employees	\$224.08	\$204.22	\$167.93	\$151.18	\$243.60	\$166.04	\$170.45	\$162.97
SUPCHAIN.ALLOC2.E	Supply Chain	\$ value of PO purchases	\$12.55	\$12.57	\$10.68	\$10.68	\$13.82	\$6.46	\$7.18	\$7.11
TAXSVC.ALLOC1.E	Tax Accounting	Income and deductions per tax return	\$58.84	\$50.40	\$37.51	\$39.01	\$64.23	\$39.23	\$43.04	\$39.86
Grand Total			\$5,132.13	\$5,104.45	\$4,814.66	\$4,853.66	\$6,532.17	\$3,717.25	\$3,538.59	\$3,301.36

2020/12	2021/01	2021/02	2021/03	Grand Total	2020 Total	5 months Projected 2021/04 - 2021/08	Total Base Period 2020/09-2021/08	Forecasted Period Total	2020 Annualized Total
\$80.08	\$968.56	\$708.69	\$699.43	\$8,850.44	\$6,473.76	\$3,288.87	\$7,893.29	\$7,893.29	\$9,710.64
\$73.48	\$139.75	\$190.86	\$158.80	\$1,521.22	\$1,031.81	\$609.37	\$1,462.49	\$1,462.49	\$1,547.72
\$1,816.49	\$39.03	\$95.68	\$87.94	\$2,388.75	\$2,166.10	\$1,534.66	\$3,683.19	\$3,683.19	\$3,249.15
(\$5,552.73)	\$1,058.59	\$950.30	\$754.81	\$10,932.35	\$8,168.65	(\$59.54)	(\$142.90)	(\$142.90)	\$12,252.98
(\$7.65)				\$0.00	\$0.00	(\$5.46)	(\$13.11)	(\$13.11)	\$0.00
(\$161.05)	\$110.81	\$90.45	\$79.14	\$991.00	\$710.60	\$258.39	\$620.14	\$620.14	\$1,065.90
\$357.52	\$408.51	\$327.00	\$348.58	\$5,626.18	\$4,542.09	\$2,043.01	\$4,903.23	\$4,903.23	\$6,813.14
\$109.22	\$124.49	\$129.86	\$179.43	\$1,512.63	\$1,078.85	\$735.20	\$1,764.48	\$1,764.48	\$1,618.28
\$310.78	\$261.40	\$374.88	\$320.17	\$3,053.99	\$2,097.54	\$1,341.84	\$3,220.42	\$3,220.42	\$3,146.31
				\$104.77	\$104.77	\$0.00	\$0.00	\$0.00	\$157.16
\$178.23	\$810.92	\$455.32	\$1,274.33	\$8,135.33	\$5,594.76	\$3,233.31	\$7,759.95	\$7,759.95	\$8,392.14
\$38.00	\$50.56	\$37.93	\$38.56	\$451.12	\$324.07	\$186.06	\$446.54	\$446.54	\$486.11
\$12.79	\$251.37	\$186.91	\$176.40	\$2,117.94	\$1,503.26	\$804.95	\$1,931.88	\$1,931.88	\$2,254.89
(\$21.55)	\$9.74	\$7.45	\$7.31	\$84.00	\$59.50	\$16.93	\$40.63	\$40.63	\$89.25
\$67.32	\$40.69	\$34.69	\$48.06	\$562.88	\$439.44	\$223.49	\$536.38	\$536.38	\$659.16
(\$2,699.07)	\$4,274.42	\$3,590.02	\$4,172.96	\$46,332.60	\$34,295.20	\$14,211.09	\$34,106.62	\$34,106.62	\$51,442.80

Essential Allocations by Service by Company by Month/Year

* Original Base Period

* All allocations from Essential were expense (no capital) but were subject to indirect capitalization through G&A surcharge

* All allocations from Essential posted to Account 9923000 Adm & Gen-Outsd Svcs

Company Code			1600						
Sum of Amount Assignment	Service	Allocation Method	Year/Month						
			2020/04	2020/05	2020/06	2020/07	2020/08	2020/09	2020/10
ACCTGSVC.ALLOC1.E	General Accounting	O&M less purchased gas expense	\$1,173.38	\$1,321.50	\$1,481.76	\$1,212.76	\$1,939.73	\$726.21	\$5,777.31
APPLIC.ALLOC2.E	Information Technology Applications	Customers and Users (50/50)	\$76.05	\$89.24	\$80.97	\$84.78	\$118.01	\$214.03	\$1,208.38
COMREL.ALLOC2.E	Community Relations	Customers							\$262.79
EXECUTIVE.ALLOC1.E	Executive	O&M less purchased gas expense; capex							\$14,570.96
FLEET.ALLOC2.E	Fleet	Vehicles							\$1,615.89
HUMANRSRCS.ALLOC2.	Human Resources	Employees							\$6,827.52
INTAUDIT.ALLOC1.E	Internal Auditing	O&M less purchased gas expense; capex						\$1,805.77	\$2,690.05
LEGALSVC.ALLOC1.E	Legal	O&M less purchased gas expense; capex							\$2,023.96
PIPEREPL.ALLOC2.E	Operations	Budgeted Pipe Replacement							
PLANBUDG.ALLOC1.E	Budgets and Financial Strategy	O&M less purchased gas expense; capex							\$11,797.07
REGLEGAL.ALLOC2.E	Regulatory and Legal	Regulated Revenue							\$919.10
SAFETY.ALLOC2.E	Safety & Training	Field Union Employees							
SUPCHAIN.ALLOC2.E	Supply Chain	\$ value of PO purchases							\$543.99
TAXSVC.ALLOC1.E	Tax Accounting	Income and deductions per tax return	\$456.59	\$391.04	\$291.08	\$302.78	\$498.43	\$841.14	\$922.87
Grand Total			\$1,706.02	\$1,801.78	\$1,853.81	\$1,600.32	\$2,556.17	\$3,587.15	\$49,159.89
									December
Original Allocations			\$1,706.02	\$1,801.78	\$1,853.81	\$1,600.32	\$2,556.17	\$3,587.15	\$49,159.89
One-time true up booked in December			\$ 49,277.76	\$ 49,277.76	\$ 49,277.76	\$ 49,277.76	\$ 49,277.76	\$ 49,277.76	
Corrected Allocations			\$50,983.78	\$51,079.54	\$51,131.57	\$50,878.08	\$51,833.93	\$52,864.91	\$49,159.89
Total Essential Allocations to all entities			\$ 884,510.89	\$ 864,468.77	\$ 787,287.86	\$ 814,946.73	\$ 1,065,448.45	\$ 895,599.35	\$ 915,870.13
Delta % of Total Essential Allocations			5.76%	5.91%	6.49%	6.24%	4.86%	5.90%	5.37%

2020/11	2020/12	2021/01	2021/02	2021/03	Grand Total	2020 Total	5 months Projected 2021/04 - 2021/08	Total Base Period 2020/09-2021/08	Future Test Year Total	2020 Annualized Total
\$6,284.29	\$34,633.94	\$8,161.52	\$5,971.85	\$5,893.74	\$74,577.99	\$54,550.88	\$48,177.76	\$115,626.62	\$115,626.62	\$81,826.32
\$966.01	\$10,706.12	\$1,730.77	\$2,363.67	\$1,966.70	\$19,604.73	\$13,543.59	\$13,682.63	\$32,838.31	\$32,838.31	\$20,315.39
\$671.11	\$25,892.44	\$483.39	\$1,185.00	\$1,089.16	\$29,583.89	\$26,826.34	\$21,131.35	\$50,715.24	\$50,715.24	\$40,239.51
\$14,608.96	\$103,498.72	\$17,194.06	\$15,435.15	\$12,259.92	\$177,567.77	\$132,678.64	\$126,834.12	\$304,401.89	\$304,401.89	\$199,017.96
\$1,651.08	\$11,323.05	\$2,275.22	\$1,857.21	\$1,625.01	\$20,347.46	\$14,590.02	\$14,533.90	\$34,881.36	\$34,881.36	\$21,885.03
\$6,086.41	\$50,737.40	\$5,724.74	\$4,582.38	\$4,884.98	\$78,843.43	\$63,651.33	\$56,316.74	\$135,160.17	\$135,160.17	\$95,477.00
\$2,445.75	\$10,581.52	\$2,022.04	\$2,109.17	\$2,914.32	\$24,568.62	\$17,523.09	\$17,549.01	\$42,117.63	\$42,117.63	\$26,284.64
\$3,472.19	\$28,573.35	\$4,245.73	\$6,088.96	\$5,200.23	\$49,604.42	\$34,069.50	\$35,431.73	\$85,036.15	\$85,036.15	\$51,104.25
	\$4,943.44				\$4,943.44	\$4,943.44	\$3,531.03	\$8,474.47	\$8,474.47	\$7,415.16
\$6,516.92	\$72,558.28	\$13,171.28	\$7,395.58	\$20,698.16	\$132,137.29	\$90,872.27	\$94,383.78	\$226,521.07	\$226,521.07	\$136,308.41
\$911.31	\$6,935.59	\$1,367.74	\$1,026.06	\$1,043.01	\$12,202.81	\$8,766.00	\$8,716.29	\$20,919.10	\$20,919.10	\$13,149.00
	\$12,651.78				\$12,651.78	\$12,651.78	\$9,036.99	\$21,688.77	\$21,688.77	\$18,977.67
\$538.56	\$3,424.79	\$737.63	\$564.45	\$553.50	\$6,362.92	\$4,507.34	\$4,544.94	\$10,907.86	\$10,907.86	\$6,761.01
\$854.78	\$5,510.92	\$872.30	\$743.77	\$1,030.56	\$12,716.26	\$10,069.63	\$7,697.39	\$18,473.73	\$18,473.73	\$15,104.45
\$45,007.37	\$381,971.34	\$57,986.42	\$49,323.25	\$59,159.29	\$655,712.81	\$489,243.85	\$461,567.65	\$ 1,107,762.36	\$ 1,107,762.36	\$733,865.78
One-Time True Up	\$ 295,666.55									
Divide by 6 months	/ 6									
Monthly Correction	\$ 49,277.76									
	\$45,007.37	\$86,304.79	\$57,986.42	\$49,323.25	\$59,159.29					
	\$45,007.37	\$86,304.79	\$57,986.42	\$49,323.25	\$59,159.29					
\$ 851,672.29	\$ 1,757,961.40	\$ 1,107,474.49	\$ 950,039.47	\$ 1,128,358.21						
5.28%	4.91%	5.24%	5.19%	5.24%						

PIPEREPL.ALLOC2.E	Operations	Budgeted Pipe Replacement	1000	\$17,270.15	96.10%	\$17,115.37	96.10%	\$16,242.33	96.10%	\$15,556.09	96.10%
PIPEREPL.ALLOC2.E	Operations	Budgeted Pipe Replacement	1200	\$17.97	0.10%	\$17.81	0.10%	\$16.90	0.10%	\$16.19	0.10%
PIPEREPL.ALLOC2.E	Operations	Budgeted Pipe Replacement	1600		0.00%		0.00%		0.00%		0.00%
PIPEREPL.ALLOC2.E	Operations	Budgeted Pipe Replacement	3100	\$682.90	3.80%	\$676.78	3.80%	\$642.26	3.80%	\$615.12	3.80%
PIPEREPL.ALLOC2.E Total				\$17,971.02	100.00%	\$17,809.96	100.00%	\$16,901.49	100.00%	\$16,187.40	100.00%
PLANBUDG.ALLOC1.E	Budgets and Financial Stra	O&M less purchased gas expense; capex	1000	\$211,618.64	88.14%	\$173,001.15	88.14%	\$113,865.66	88.14%	\$169,228.97	88.14%
PLANBUDG.ALLOC1.E	Budgets and Financial Stra	O&M less purchased gas expense; capex	1200	\$3,672.34	1.53%	\$3,002.18	1.53%	\$1,975.97	1.53%	\$2,936.73	1.53%
PLANBUDG.ALLOC1.E	Budgets and Financial Stra	O&M less purchased gas expense; capex	1300	\$942.25	0.39%	\$770.30	0.39%	\$507.00	0.39%	\$753.50	0.39%
PLANBUDG.ALLOC1.E	Budgets and Financial Stra	O&M less purchased gas expense; capex	1400	\$434.89	0.18%	\$355.52	0.18%	\$234.00	0.18%	\$347.77	0.18%
PLANBUDG.ALLOC1.E	Budgets and Financial Stra	O&M less purchased gas expense; capex	1500	\$289.92	0.12%	\$237.01	0.12%	\$155.99	0.12%	\$231.84	0.12%
PLANBUDG.ALLOC1.E	Budgets and Financial Stra	O&M less purchased gas expense; capex	1600		0.00%		0.00%		0.00%		0.00%
PLANBUDG.ALLOC1.E	Budgets and Financial Stra	O&M less purchased gas expense; capex	3100	\$23,145.41	9.64%	\$18,921.69	9.64%	\$12,453.85	9.64%	\$18,509.12	9.64%
PLANBUDG.ALLOC1.E Total				\$240,103.45	100.00%	\$196,287.85	100.00%	\$129,192.47	100.00%	\$192,007.93	100.00%
REGLEGAL.ALLOC2.E	Regulatory and Legal	Regulated Revenue	1000	\$15,080.53	86.83%	\$15,057.11	86.83%	\$13,692.68	86.83%	\$13,113.19	86.83%
REGLEGAL.ALLOC2.E	Regulatory and Legal	Regulated Revenue	1200	\$263.98	1.52%	\$263.58	1.52%	\$239.69	1.52%	\$229.56	1.52%
REGLEGAL.ALLOC2.E	Regulatory and Legal	Regulated Revenue	1300	\$36.48	0.21%	\$36.42	0.21%	\$33.12	0.21%	\$31.71	0.21%
REGLEGAL.ALLOC2.E	Regulatory and Legal	Regulated Revenue	1600		0.00%		0.00%		0.00%		0.00%
REGLEGAL.ALLOC2.E	Regulatory and Legal	Regulated Revenue	3100	\$1,986.89	11.44%	\$1,983.80	11.44%	\$1,804.04	11.44%	\$1,727.68	11.44%
REGLEGAL.ALLOC2.E Total				\$17,367.88	100.00%	\$17,340.91	100.00%	\$15,769.53	100.00%	\$15,102.14	100.00%
SAFETY.ALLOC2.E	Safety & Training	Field Union Employees	1000	\$20,636.84	86.57%	\$18,807.66	86.57%	\$15,466.30	86.57%	\$13,923.22	86.57%
SAFETY.ALLOC2.E	Safety & Training	Field Union Employees	1200	\$576.89	2.42%	\$525.75	2.42%	\$432.35	2.42%	\$389.21	2.42%
SAFETY.ALLOC2.E	Safety & Training	Field Union Employees	1300	\$224.08	0.94%	\$204.22	0.94%	\$167.93	0.94%	\$151.18	0.94%
SAFETY.ALLOC2.E	Safety & Training	Field Union Employees	1600		0.00%		0.00%		0.00%		0.00%
SAFETY.ALLOC2.E	Safety & Training	Field Union Employees	3100	\$2,400.52	10.07%	\$2,187.75	10.07%	\$1,799.07	10.07%	\$1,619.58	10.07%
SAFETY.ALLOC2.E Total				\$23,838.33	100.00%	\$21,725.38	100.00%	\$17,865.65	100.00%	\$16,083.19	100.00%
SUPCHAIN.ALLOC2.E	Supply Chain	\$ value of PO purchases	1000	\$16,039.74	89.43%	\$16,055.98	89.43%	\$13,647.57	89.43%	\$13,647.57	89.43%
SUPCHAIN.ALLOC2.E	Supply Chain	\$ value of PO purchases	1200	\$120.17	0.67%	\$120.28	0.67%	\$102.26	0.67%	\$102.26	0.67%
SUPCHAIN.ALLOC2.E	Supply Chain	\$ value of PO purchases	1300	\$12.55	0.07%	\$12.57	0.07%	\$10.68	0.07%	\$10.68	0.07%
SUPCHAIN.ALLOC2.E	Supply Chain	\$ value of PO purchases	1500	\$7.17	0.04%	\$7.18	0.04%	\$6.10	0.04%	\$6.10	0.04%
SUPCHAIN.ALLOC2.E	Supply Chain	\$ value of PO purchases	1600		0.00%		0.00%		0.00%		0.00%
SUPCHAIN.ALLOC2.E	Supply Chain	\$ value of PO purchases	3100	\$1,755.89	9.79%	\$1,757.67	9.79%	\$1,494.01	9.79%	\$1,494.01	9.79%
SUPCHAIN.ALLOC2.E Total				\$17,935.52	100.00%	\$17,953.68	100.00%	\$15,260.62	100.00%	\$15,260.62	100.00%
TAXSVC.ALLOC1.E	Tax Accounting	Income and deductions per tax return	1000	\$17,534.23	83.76%	\$15,017.43	83.76%	\$11,177.25	83.76%	\$11,626.81	83.76%
TAXSVC.ALLOC1.E	Tax Accounting	Income and deductions per tax return	1200	\$376.57	1.80%	\$322.53	1.80%	\$240.04	1.80%	\$249.70	1.80%
TAXSVC.ALLOC1.E	Tax Accounting	Income and deductions per tax return	1300	\$58.84	0.28%	\$50.40	0.28%	\$37.51	0.28%	\$39.01	0.28%
TAXSVC.ALLOC1.E	Tax Accounting	Income and deductions per tax return	1400	\$134.15	0.64%	\$114.90	0.64%	\$85.51	0.64%	\$88.96	0.64%
TAXSVC.ALLOC1.E	Tax Accounting	Income and deductions per tax return	1500	\$9.42	0.05%	\$8.07	0.05%	\$6.00	0.04%	\$6.24	0.04%
TAXSVC.ALLOC1.E	Tax Accounting	Income and deductions per tax return	1600	\$456.59	2.18%	\$391.04	2.18%	\$291.08	2.18%	\$302.78	2.18%
TAXSVC.ALLOC1.E	Tax Accounting	Income and deductions per tax return	3100	\$2,363.00	11.29%	\$2,023.82	11.29%	\$1,506.30	11.29%	\$1,566.89	11.29%
TAXSVC.ALLOC1.E Total				\$20,932.80	100.00%	\$17,928.19	100.00%	\$13,343.69	100.00%	\$13,880.39	100.00%
Grand Total				\$884,510.89		\$864,468.77		\$787,287.86		\$814,946.73	

\$21,057.22	96.10%	\$15,438.04	92.53%	\$15,428.66	92.53%	\$16,406.68	92.53%	\$16,159.21	62.39%	\$15,420.11	92.53%	\$13,347.77	92.53%
\$21.91	0.10%	\$30.03	0.18%	\$30.01	0.18%	\$31.91	0.18%	\$108.51	0.42%	\$30.00	0.18%	\$25.96	0.18%
	0.00%		0.00%		0.00%		0.00%	\$4,943.44	19.08%		0.00%		0.00%
\$832.65	3.80%	\$1,216.30	7.29%	\$1,215.55	7.29%	\$1,292.61	7.29%	\$4,691.15	18.11%	\$1,214.88	7.29%	\$1,051.61	7.29%
\$21,911.78	100.00%	\$16,684.37	100.00%	\$16,674.22	100.00%	\$17,731.20	100.00%	\$25,902.31	100.00%	\$16,664.99	100.00%	\$14,425.34	100.00%
\$142,759.20	88.14%	\$171,666.40	88.51%	\$183,977.14	83.77%	\$101,632.37	83.77%	\$149,417.33	62.95%	\$205,407.94	83.77%	\$115,335.41	83.77%
\$2,477.38	1.53%	\$3,032.15	1.56%	\$3,235.39	1.47%	\$1,787.29	1.47%	\$2,802.64	1.18%	\$3,612.27	1.47%	\$2,028.27	1.47%
\$635.64	0.39%	\$680.29	0.35%	\$726.32	0.33%	\$401.23	0.33%	\$178.23	0.08%	\$810.92	0.33%	\$455.32	0.33%
\$293.37	0.18%	\$233.24	0.12%	\$264.11	0.12%	\$145.90	0.12%	(\$274.35)	-0.12%	\$294.88	0.12%	\$165.58	0.12%
\$195.59	0.12%	\$408.18	0.21%	\$440.19	0.20%	\$243.17	0.20%	\$1,188.87	0.50%	\$491.46	0.20%	\$275.96	0.20%
	0.00%		0.00%	\$11,797.07	5.37%	\$6,516.92	5.37%	\$72,558.28	30.57%	\$13,171.28	5.37%	\$7,395.58	5.37%
\$15,614.03	9.64%	\$17,920.79	9.24%	\$19,192.26	8.74%	\$10,602.16	8.74%	\$11,477.70	4.84%	\$21,427.89	8.74%	\$12,031.64	8.74%
\$161,975.21	100.00%	\$193,941.05	100.00%	\$219,632.48	100.00%	\$121,329.04	100.00%	\$237,348.70	100.00%	\$245,216.64	100.00%	\$137,687.76	100.00%
\$21,876.94	86.83%	\$11,023.61	87.35%	\$14,038.13	82.63%	\$13,919.00	82.63%	\$16,087.09	64.86%	\$20,890.36	82.63%	\$15,671.54	82.63%
\$382.95	1.52%	\$184.25	1.46%	\$234.45	1.38%	\$232.46	1.38%	\$205.14	0.83%	\$348.89	1.38%	\$261.73	1.38%
\$52.91	0.21%	\$27.76	0.22%	\$33.98	0.20%	\$33.69	0.20%	\$38.00	0.15%	\$50.56	0.20%	\$37.93	0.20%
	0.00%		0.00%	\$919.10	5.41%	\$911.31	5.41%	\$6,935.59	27.96%	\$1,367.74	5.41%	\$1,026.06	5.41%
\$2,882.33	11.44%	\$1,384.42	10.97%	\$1,763.48	10.38%	\$1,748.51	10.38%	\$1,537.93	6.20%	\$2,624.25	10.38%	\$1,968.66	10.38%
\$25,195.13	100.00%	\$12,620.04	100.00%	\$16,989.14	100.00%	\$16,844.97	100.00%	\$24,803.75	100.00%	\$25,281.80	100.00%	\$18,965.92	100.00%
\$22,434.42	86.57%	\$15,372.26	84.25%	\$15,780.46	84.25%	\$15,087.90	84.25%	\$12,011.61	40.93%	\$23,273.11	84.25%	\$17,305.01	84.25%
\$627.13	2.42%	\$450.67	2.47%	\$462.65	2.47%	\$442.34	2.47%	\$183.90	0.63%	\$682.33	2.47%	\$507.36	2.47%
\$243.60	0.94%	\$166.04	0.91%	\$170.45	0.91%	\$162.97	0.91%	\$12.79	0.04%	\$251.37	0.91%	\$186.91	0.91%
	0.00%		0.00%		0.00%		0.00%	\$12,651.78	43.12%		0.00%		0.00%
\$2,609.62	10.07%	\$2,257.03	12.37%	\$2,316.96	12.37%	\$2,215.28	12.37%	\$4,484.04	15.28%	\$3,417.07	12.37%	\$2,540.80	12.37%
\$25,914.77	100.00%	\$18,246.00	100.00%	\$18,730.52	100.00%	\$17,908.49	100.00%	\$29,344.12	100.00%	\$27,623.88	100.00%	\$20,540.08	100.00%
\$17,661.58	89.43%	\$15,182.34	93.96%	\$16,357.60	91.11%	\$16,194.17	91.11%	\$10,746.10	100.32%	\$22,180.32	91.11%	\$16,972.59	91.11%
\$132.32	0.67%	\$145.43	0.90%	\$156.20	0.87%	\$154.64	0.87%	\$260.63	2.43%	\$211.80	0.87%	\$162.07	0.87%
\$13.82	0.07%	\$6.46	0.04%	\$7.18	0.04%	\$7.11	0.04%	(\$21.55)	-0.20%	\$9.74	0.04%	\$7.45	0.04%
\$7.90	0.04%	\$6.46	0.04%	\$7.18	0.04%	\$7.11	0.04%	\$4.30	0.04%	\$9.74	0.04%	\$7.45	0.04%
	0.00%		0.00%	\$543.99	3.03%	\$538.56	3.03%	\$3,424.79	31.97%	\$737.63	3.03%	\$564.45	3.03%
\$1,933.43	9.79%	\$817.61	5.06%	\$881.53	4.91%	\$872.72	4.91%	(\$3,702.89)	-34.57%	\$1,195.32	4.91%	\$914.67	4.91%
\$19,749.05	100.00%	\$16,158.30	100.00%	\$17,953.68	100.00%	\$17,774.31	100.00%	\$10,711.38	100.00%	\$24,344.55	100.00%	\$18,628.68	100.00%
\$19,141.43	83.76%	\$11,446.42	79.57%	\$12,558.47	79.57%	\$11,631.87	79.57%	\$17,581.62	64.00%	\$11,870.62	79.57%	\$10,121.64	79.57%
\$411.10	1.80%	\$240.10	1.67%	\$263.42	1.67%	\$243.99	1.67%	\$330.38	1.20%	\$249.00	1.67%	\$212.32	1.67%
\$64.23	0.28%	\$39.23	0.27%	\$43.04	0.27%	\$39.86	0.27%	\$67.32	0.25%	\$40.69	0.27%	\$34.69	0.27%
\$146.46	0.64%	\$72.19	0.50%	\$79.20	0.50%	\$73.36	0.50%	\$13.85	0.05%	\$74.87	0.50%	\$63.84	0.50%
\$10.28	0.04%	\$7.85	0.05%	\$8.61	0.05%	\$7.97	0.05%	\$23.45	0.09%	\$8.13	0.05%	\$6.93	0.05%
\$498.43	2.18%	\$841.14	5.85%	\$922.87	5.85%	\$854.78	5.85%	\$5,510.92	20.06%	\$872.30	5.85%	\$743.77	5.85%
\$2,579.60	11.29%	\$1,738.77	12.09%	\$1,907.70	12.09%	\$1,766.94	12.09%	\$3,942.28	14.35%	\$1,803.22	12.09%	\$1,537.54	12.09%
\$22,851.53	100.00%	\$14,385.70	100.00%	\$15,783.31	100.00%	\$14,618.77	100.00%	\$27,469.82	100.00%	\$14,918.83	100.00%	\$12,720.73	100.00%
\$1,065,448.45		\$895,599.35		\$915,870.13		\$851,672.29		\$1,757,961.40		\$1,107,474.49		\$950,039.47	

2021/03	2021/03	Total Sum of Amount	Total %	2020	2021	Base Period	Forecasted Period	2020	2021	Base Period	Forecasted Period
Sum of Amount	%			Total	Total	Total	Total	%	%	%	%
\$82,080.13	80.18%	\$1,038,625.03	80.18%	\$759,714.07	\$278,910.96	\$1,055,576.37	\$1,055,576.37	80.18%	80.18%	78.60%	78.60%
\$2,118.86	2.07%	\$26,811.64	2.07%	\$19,611.68	\$7,199.96	\$25,743.67	\$25,743.67	2.07%	2.07%	1.92%	1.92%
\$699.43	0.68%	\$8,850.44	0.68%	\$6,473.76	\$2,376.68	\$7,893.29	\$7,893.29	0.68%	0.68%	0.59%	0.59%
\$277.71	0.27%	\$3,514.14	0.27%	\$2,570.47	\$943.67	\$1,351.35	\$1,351.35	0.27%	0.27%	0.10%	0.10%
\$61.71	0.06%	\$780.93	0.06%	\$571.23	\$209.70	\$979.32	\$979.32	0.06%	0.06%	0.07%	0.07%
\$5,893.74	5.76%	\$74,577.99	5.76%	\$54,550.88	\$20,027.11	\$115,626.62	\$115,626.62	5.76%	5.76%	8.61%	8.61%
\$11,232.02	10.97%	\$142,127.62	10.97%	\$103,960.86	\$38,166.76	\$135,811.92	\$135,811.92	10.97%	10.97%	10.11%	10.11%
\$102,363.60	100.00%	\$1,295,287.79	100.00%	\$947,452.95	\$347,834.84	\$1,342,982.54	\$1,342,982.54	100.00%	100.00%	100.00%	100.00%
\$34,476.24	84.67%	\$277,178.33	82.99%	\$170,926.07	\$106,252.26	\$310,984.58	\$310,984.58	81.98%	84.67%	80.82%	80.82%
\$700.36	1.72%	\$5,924.69	1.77%	\$3,766.25	\$2,158.44	\$6,457.68	\$6,457.68	1.81%	1.72%	1.68%	1.68%
\$158.80	0.39%	\$1,521.22	0.46%	\$1,031.81	\$489.41	\$1,462.49	\$1,462.49	0.49%	0.39%	0.38%	0.38%
\$1,966.70	4.83%	\$19,604.73	5.87%	\$13,543.59	\$6,061.14	\$32,838.31	\$32,838.31	6.50%	4.83%	8.53%	8.53%
\$3,416.27	8.39%	\$29,758.11	8.91%	\$19,229.51	\$10,528.60	\$33,045.15	\$33,045.15	9.22%	8.39%	8.59%	8.59%
\$40,718.37	100.00%	\$333,987.08	100.00%	\$208,497.23	\$125,489.85	\$384,788.21	\$384,788.21	100.00%	100.00%	100.00%	100.00%
\$41,149.65	90.98%	\$495,998.61	88.88%	\$367,424.54	\$128,574.07	\$547,981.95	\$547,981.95	88.16%	90.98%	87.76%	87.76%
\$4,079.69	9.02%	\$62,078.73	11.12%	\$49,331.55	\$12,747.18	\$76,449.72	\$76,449.72	11.84%	9.02%	12.24%	12.24%
\$45,229.34	100.00%	\$558,077.34	100.00%	\$416,756.09	\$141,321.25	\$624,431.67	\$624,431.67	100.00%	100.00%	100.00%	100.00%
\$19,093.02	84.67%	\$518,606.38	84.67%	\$470,266.36	\$48,340.02	\$801,819.50	\$801,819.50	84.67%	84.67%	84.23%	84.23%
\$387.86	1.72%	\$10,535.05	1.72%	\$9,553.06	\$981.99	\$16,285.27	\$16,285.27	1.72%	1.72%	1.71%	1.71%
\$87.94	0.39%	\$2,388.75	0.39%	\$2,166.10	\$222.65	\$3,683.19	\$3,683.19	0.39%	0.39%	0.39%	0.39%
\$1,089.16	4.83%	\$29,583.89	4.83%	\$26,826.34	\$2,757.55	\$50,715.24	\$50,715.24	4.83%	4.83%	5.33%	5.33%
\$1,891.94	8.39%	\$51,388.99	8.39%	\$46,598.95	\$4,790.04	\$79,446.94	\$79,446.94	8.39%	8.39%	8.35%	8.35%
\$22,549.92	100.00%	\$612,503.06	100.00%	\$555,410.81	\$57,092.25	\$951,950.14	\$951,950.14	100.00%	100.00%	100.00%	100.00%
\$191,195.30	83.77%	\$2,769,196.11	83.77%	\$2,069,143.37	\$700,052.74	\$2,760,680.78	\$2,760,680.78	83.77%	83.77%	81.25%	81.25%
\$3,362.33	1.47%	\$48,698.63	1.47%	\$36,387.62	\$12,311.01	\$23,146.44	\$23,146.44	1.47%	1.47%	0.68%	0.68%
\$754.81	0.33%	\$10,932.35	0.33%	\$8,168.65	\$2,763.70	\$16,285.27	\$16,285.27	0.33%	0.33%	0.00%	0.00%
\$274.47	0.12%	\$3,975.39	0.12%	\$2,970.41	\$1,004.98	(\$3,317.95)	(\$3,317.95)	0.12%	0.12%	-0.10%	-0.10%
\$457.46	0.20%	\$6,625.67	0.20%	\$4,950.70	\$1,674.97	\$9,055.37	\$9,055.37	0.20%	0.20%	0.27%	0.27%
\$12,259.92	5.37%	\$177,567.77	5.37%	\$132,678.64	\$44,889.13	\$304,401.89	\$304,401.89	5.37%	5.37%	8.96%	8.96%
\$19,945.25	8.74%	\$288,878.94	8.74%	\$215,850.34	\$73,028.60	\$303,847.05	\$303,847.05	8.74%	8.74%	8.94%	8.94%
\$228,249.54	100.00%	\$3,305,874.86	100.00%	\$2,470,149.73	\$835,725.13	\$3,397,670.67	\$3,397,670.67	100.00%	100.00%	100.00%	100.00%
\$6,316.82	100.00%	\$56,229.24	100.00%	\$33,981.37	\$22,247.87	\$81,886.06	\$81,886.06	100.00%	100.00%	102.35%	102.35%
	0.00%	\$0.00	0.00%	\$0.00	\$0.00	(\$134.40)	(\$134.40)	0.00%	0.00%	-0.17%	-0.17%
	0.00%	\$0.00	0.00%	\$0.00	\$0.00	(\$13.11)	(\$13.11)	0.00%	0.00%	-0.02%	-0.02%
	0.00%	\$0.00	0.00%	\$0.00	\$0.00	(\$13.11)	(\$13.11)	0.00%	0.00%	-0.02%	-0.02%
	0.00%	\$0.00	0.00%	\$0.00	\$0.00	(\$1,722.60)	(\$1,722.60)	0.00%	0.00%	-2.15%	-2.15%
\$6,316.82	100.00%	\$56,229.24	100.00%	\$33,981.37	\$22,247.87	\$80,002.83	\$80,002.83	100.00%	100.00%	100.00%	100.00%
\$7,050.94	68.60%	\$88,288.20	68.60%	\$63,306.54	\$24,981.66	\$74,628.41	\$74,628.41	68.60%	68.60%	59.62%	59.62%
\$243.60	2.37%	\$3,050.19	2.37%	\$2,187.12	\$863.07	\$2,622.79	\$2,622.79	2.37%	2.37%	2.10%	2.10%
\$79.14	0.77%	\$991.00	0.77%	\$710.60	\$280.40	\$620.14	\$620.14	0.77%	0.77%	0.50%	0.50%
\$1,625.01	15.81%	\$20,347.46	15.81%	\$14,590.02	\$5,757.44	\$34,881.36	\$34,881.36	15.81%	15.81%	27.87%	27.87%
\$1,279.65	12.45%	\$16,023.15	12.45%	\$11,489.31	\$4,533.84	\$12,413.90	\$12,413.90	12.45%	12.45%	9.92%	9.92%
\$10,278.34	100.00%	\$128,700.00	100.00%	\$92,283.59	\$36,416.41	\$125,166.60	\$125,166.60	100.00%	100.00%	100.00%	100.00%
\$36,267.15	75.95%	\$585,352.83	75.95%	\$472,563.08	\$112,789.75	\$496,397.69	\$496,397.69	75.95%	75.95%	67.46%	67.46%
\$950.25	1.99%	\$15,337.11	1.99%	\$12,381.86	\$2,955.25	\$13,764.87	\$13,764.87	1.99%	1.99%	1.87%	1.87%
\$348.58	0.73%	\$5,626.18	0.73%	\$4,542.09	\$1,084.09	\$4,903.23	\$4,903.23	0.73%	0.73%	0.67%	0.67%
\$4,884.98	10.23%	\$78,843.43	10.23%	\$63,651.33	\$15,192.10	\$135,160.17	\$135,160.17	10.23%	10.23%	18.37%	18.37%
\$5,300.40	11.10%	\$85,548.59	11.10%	\$69,064.51	\$16,484.08	\$85,598.61	\$85,598.61	11.10%	11.10%	11.63%	11.63%
\$47,751.36	100.00%	\$770,708.14	100.00%	\$622,202.87	\$148,505.27	\$735,824.57	\$735,824.57	100.00%	100.00%	100.00%	100.00%
\$45,449.29	83.77%	\$383,151.38	83.77%	\$273,275.28	\$109,876.10	\$470,735.43	\$470,735.43	83.77%	83.77%	82.16%	82.16%
\$799.27	1.47%	\$6,738.05	1.47%	\$4,805.78	\$1,932.27	\$8,321.52	\$8,321.52	1.47%	1.47%	1.45%	1.45%
\$179.43	0.33%	\$1,512.63	0.33%	\$1,078.85	\$433.78	\$1,764.48	\$1,764.48	0.33%	0.33%	0.31%	0.31%
\$65.24	0.12%	\$550.03	0.12%	\$392.30	\$157.73	\$560.49	\$560.49	0.12%	0.12%	0.10%	0.10%
\$108.74	0.20%	\$916.74	0.20%	\$653.84	\$262.90	\$1,316.62	\$1,316.62	0.20%	0.20%	0.23%	0.23%
\$2,914.32	5.37%	\$24,568.62	5.37%	\$17,523.09	\$7,045.53	\$42,117.63	\$42,117.63	5.37%	5.37%	7.35%	7.35%
\$4,741.21	8.74%	\$39,969.84	8.74%	\$28,507.72	\$11,462.12	\$48,165.89	\$48,165.89	8.74%	8.74%	8.41%	8.41%
\$54,257.50	100.00%	\$457,407.29	100.00%	\$326,236.86	\$131,170.43	\$572,982.07	\$572,982.07	100.00%	100.00%	100.00%	100.00%
\$81,098.40	83.77%	\$773,587.77	83.77%	\$531,318.53	\$242,269.24	\$873,604.83	\$873,604.83	83.77%	83.77%	81.67%	81.67%
\$1,426.18	1.47%	\$13,604.17	1.47%	\$9,343.67	\$4,260.50	\$15,468.15	\$15,468.15	1.47%	1.47%	1.45%	1.45%
\$320.17	0.33%	\$3,053.99	0.33%	\$2,097.54	\$956.45	\$3,220.42	\$3,220.42	0.33%	0.33%	0.30%	0.30%
\$116.42	0.12%	\$1,110.54	0.12%	\$762.75	\$347.79	\$973.77	\$973.77	0.12%	0.12%	0.09%	0.09%
\$194.04	0.20%	\$1,850.90	0.20%	\$1,271.24	\$579.66	\$2,552.98	\$2,552.98	0.20%	0.20%	0.24%	0.24%
\$5,200.23	5.37%	\$49,604.42	5.37%	\$34,069.50	\$15,534.92	\$85,036.15	\$85,036.15	5.37%	5.37%	7.95%	7.95%
\$8,460.08	8.74%	\$80,699.67	8.74%	\$55,426.46	\$25,273.21	\$88,845.93	\$88,845.93	8.74%	8.74%	8.31%	8.31%
\$96,815.52	100.00%	\$923,511.46	100.00%	\$634,289.69	\$289,221.77	\$1,069,702.23	\$1,069,702.23	100.00%	100.00%	100.00%	100.00%
		\$7,451.46	80.37%	\$7,451.46	\$0.00	\$0.00	\$0.00	80.37%	#DIV/0!	#DIV/0!	#DIV/0!
		\$253.11	2.73%	\$253.11	\$0.00	\$0.00	\$0.00	2.73%	#DIV/0!	#DIV/0!	#DIV/0!
		\$104.77	1.13%	\$104.77	\$0.00	\$0.00	\$0.00	1.13%	#DIV/0!	#DIV/0!	#DIV/0!
		\$1,462.11	15.77%	\$1,462.11	\$0.00	\$0.00	\$0.00	15.77%	#DIV/0!	#DIV/0!	#DIV/0!
		\$9,271.45	100.00%	\$9,271.45	\$0.00	\$0.00	\$0.00	100.00%	#DIV/0!	#DIV/0!	#DIV/0!

\$12,882.49	92.53%	\$192,324.12	90.38%	\$150,673.75	\$41,650.37	\$180,142.22	\$180,142.22	89.81%	92.53%	86.13%	86.13%
\$25.06	0.18%	\$372.26	0.17%	\$291.24	\$81.02	\$482.54	\$482.54	0.17%	0.18%	0.23%	0.23%
	0.00%	\$4,943.44	2.32%	\$4,943.44	\$0.00	\$8,474.47	\$8,474.47	2.95%	0.00%	4.05%	4.05%
\$1,014.95	7.29%	\$15,146.76	7.12%	\$11,865.32	\$3,281.44	\$20,052.09	\$20,052.09	7.07%	7.29%	9.59%	9.59%
\$13,922.50	100.00%	\$212,786.58	100.00%	\$167,773.75	\$45,012.83	\$209,151.31	\$209,151.31	100.00%	100.00%	100.00%	100.00%
\$322,790.80	83.77%	\$2,060,701.01	83.77%	\$1,417,166.86	\$643,534.15	\$2,143,246.95	\$2,143,246.95	83.77%	83.77%	81.16%	81.16%
\$5,676.54	1.47%	\$36,239.15	1.47%	\$24,922.07	\$11,317.08	\$38,013.51	\$38,013.51	1.47%	1.47%	1.44%	1.44%
\$1,274.33	0.33%	\$8,135.33	0.33%	\$5,594.76	\$2,540.57	\$7,759.95	\$7,759.95	0.33%	0.33%	0.29%	0.29%
\$463.39	0.12%	\$2,958.30	0.12%	\$2,034.45	\$923.85	\$2,216.14	\$2,216.14	0.12%	0.12%	0.08%	0.08%
\$772.32	0.20%	\$4,930.50	0.20%	\$3,390.76	\$1,539.74	\$6,548.83	\$6,548.83	0.20%	0.20%	0.25%	0.25%
\$20,698.16	5.37%	\$132,137.29	5.37%	\$90,872.27	\$41,265.02	\$226,521.07	\$226,521.07	5.37%	5.37%	8.58%	8.58%
\$33,673.11	8.74%	\$214,969.65	8.74%	\$147,837.01	\$67,132.64	\$216,558.09	\$216,558.09	8.74%	8.74%	8.20%	8.20%
\$385,348.65	100.00%	\$2,460,071.23	100.00%	\$1,691,818.18	\$768,253.05	\$2,640,864.55	\$2,640,864.55	100.00%	100.00%	100.00%	100.00%
\$15,930.39	82.63%	\$186,380.57	82.63%	\$133,888.28	\$52,492.29	\$184,388.78	\$184,388.78	82.63%	82.63%	79.80%	79.80%
\$266.05	1.38%	\$3,112.73	1.38%	\$2,236.06	\$876.67	\$2,970.81	\$2,970.81	1.38%	1.38%	1.29%	1.29%
\$38.56	0.20%	\$451.12	0.20%	\$324.07	\$127.05	\$446.54	\$446.54	0.20%	0.20%	0.19%	0.19%
\$1,043.01	5.41%	\$12,202.81	5.41%	\$8,766.00	\$3,436.81	\$20,919.10	\$20,919.10	5.41%	5.41%	9.05%	9.05%
\$2,001.18	10.38%	\$23,413.17	10.38%	\$16,819.08	\$6,594.09	\$22,334.45	\$22,334.45	10.38%	10.38%	9.67%	9.67%
\$19,279.19	100.00%	\$225,560.40	100.00%	\$162,033.49	\$63,526.91	\$231,059.67	\$231,059.67	100.00%	100.00%	100.00%	100.00%
\$16,331.98	84.25%	\$206,430.77	80.26%	\$149,520.67	\$56,910.10	\$197,421.14	\$197,421.14	78.84%	84.25%	75.88%	75.88%
\$478.83	2.47%	\$5,759.41	2.24%	\$4,090.89	\$1,668.52	\$5,499.57	\$5,499.57	2.16%	2.47%	2.11%	2.11%
\$176.40	0.91%	\$2,117.94	0.82%	\$1,503.26	\$614.68	\$1,931.88	\$1,931.88	0.79%	0.91%	0.74%	0.74%
	0.00%	\$12,651.78	4.92%	\$12,651.78	\$0.00	\$21,688.77	\$21,688.77	6.67%	0.00%	8.34%	8.34%
\$2,397.94	12.37%	\$30,245.66	11.76%	\$21,889.85	\$8,355.81	\$33,649.92	\$33,649.92	11.54%	12.37%	12.93%	12.93%
\$19,385.15	100.00%	\$257,205.56	100.00%	\$189,656.45	\$67,549.11	\$260,191.27	\$260,191.27	100.00%	100.00%	100.00%	100.00%
\$16,643.28	91.11%	\$191,328.84	91.11%	\$135,532.65	\$55,796.19	\$195,902.40	\$195,902.40	91.11%	91.11%	92.28%	92.28%
\$158.92	0.87%	\$1,826.98	0.87%	\$1,294.19	\$532.79	\$2,142.33	\$2,142.33	0.87%	0.87%	1.01%	1.01%
\$7.31	0.04%	\$84.00	0.04%	\$59.50	\$24.50	\$40.63	\$40.63	0.04%	0.04%	0.02%	0.02%
\$7.31	0.04%	\$84.00	0.04%	\$59.50	\$24.50	\$84.94	\$84.94	0.04%	0.04%	0.04%	0.04%
\$553.50	3.03%	\$6,362.92	3.03%	\$4,507.34	\$1,855.58	\$10,907.86	\$10,907.86	3.03%	3.03%	5.14%	5.14%
\$896.92	4.91%	\$10,310.89	4.91%	\$7,303.98	\$3,006.91	\$3,215.79	\$3,215.79	4.91%	4.91%	1.51%	1.51%
\$18,267.24	100.00%	\$209,997.63	100.00%	\$148,757.16	\$61,240.47	\$212,293.95	\$212,293.95	100.00%	100.00%	100.00%	100.00%
\$14,024.00	79.57%	\$163,731.79	79.30%	\$127,715.53	\$36,016.26	\$152,973.67	\$152,973.67	79.23%	79.57%	75.93%	75.93%
\$294.17	1.67%	\$3,433.32	1.66%	\$2,677.83	\$755.49	\$3,142.94	\$3,142.94	1.66%	1.67%	1.56%	1.56%
\$48.06	0.27%	\$562.88	0.27%	\$439.44	\$123.44	\$536.38	\$536.38	0.27%	0.27%	0.27%	0.27%
\$88.44	0.50%	\$1,035.73	0.50%	\$808.58	\$227.15	\$798.43	\$798.43	0.50%	0.50%	0.40%	0.40%
\$9.61	0.05%	\$112.56	0.05%	\$87.89	\$24.67	\$124.37	\$124.37	0.05%	0.05%	0.06%	0.06%
\$1,030.56	5.85%	\$12,716.26	6.16%	\$10,069.63	\$2,646.63	\$18,473.73	\$18,473.73	6.25%	5.85%	9.17%	9.17%
\$2,130.33	12.09%	\$24,866.39	12.04%	\$19,395.30	\$5,471.09	\$25,417.34	\$25,417.34	12.03%	12.09%	12.62%	12.62%
\$17,625.17	100.00%	\$206,458.93	100.00%	\$161,194.20	\$45,264.73	\$201,466.85	\$201,466.85	100.00%	100.00%	100.00%	100.00%
\$1,128,358.21		\$12,023,638.04		\$8,837,765.87	\$3,185,872.17	\$13,040,529.15	\$13,040,529.15				

PNG Cos (2200) Allocations by Service by Month/Year

Excel file, "Attachment_to_AG-2-35_-_PNG_Allocations_to_Delta_Capital_Items."

Capital Items
Company Code 1600

Sum of Amount in Local Currency Service	Allocation Method	WBS Element	Full Year 2019	Full Year 2020	Jan-Mar 2021	Grand Total
Billing Services	Customers	SW.DELTA.CRB.2			\$45,755.78	\$45,755.78
Billing Services	Customers Total				\$45,755.78	\$45,755.78
Information Technology Applications	Customers and Users (50/50)	SW.DELTA.CRB.2	\$51,148.61	\$375,303.74	\$80,822.02	\$507,274.37
Information Technology Applications	Customers and Users (50/50)	SW.DELT.CPMS.PH4.2		\$4,641.16	\$27.52	\$4,668.68
Information Technology Applications	Customers and Users (50/50)	SW.DELT.CPMS.PH5.2			\$417.75	\$417.75
Information Technology Applications	Customers and Users (50/50)	SW.DELT.HANA.UPGRD.2		\$436.68		\$436.68
Information Technology Applications	Customers and Users (50/50)	SW.DELT.SCADA.3			\$442.12	\$442.12
Information Technology Applications	Customers and Users (50/50)	SW.DELT.WFO.PH5.2		\$3,697.33	\$10.47	\$3,707.80
Information Technology Applications	Customers and Users (50/50)	SW.DELT.WFO.PH6.2			\$1,254.08	\$1,254.08
Information Technology Applications	Customers and Users (50/50)	SW.DELTA.SAP.S4.HANA.2		\$54.53		\$54.53
Information Technology Applications	Customers and Users (50/50)	SW.SIP.DELT.CONT.MGT.2			\$8.14	\$8.14
Information Technology Applications	Customers and Users (50/50)	SW.SIP.DELT.EAM.REDSGN.2		\$741.89	\$508.82	\$1,250.71
Information Technology Applications	Customers and Users (50/50)	SW.SIP.DELT.PWRPLN.BLD.2			\$116.25	\$116.25
Information Technology Applications	Customers and Users (50/50)	SW.SIP.DELT.SAP.BPC.2			\$9.51	\$9.51
Information Technology Applications	Customers and Users (50/50)	SW.SIP.DELT.WORKDAY.2		\$31.99		\$31.99
Information Technology Applications	Customers and Users (50/50) Total		\$51,148.61	\$384,907.32	\$83,616.68	\$519,672.61
Grand Total			\$51,148.61	\$384,907.32	\$129,372.46	\$565,428.39

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46. **Reconcile Cost Allocations from Tab 51 to Tab 59 – See Attachment.** Both Tab 51 and Tab 59 appear to provide different amounts related to costs allocated from PNG and Essential to Delta and PKY for the Base Period, and OAG was unable to reconcile these costs using Delta’s response to Staff’s First Series of Data Requests, question 6 (Staff DR 1-6) related to professional services expense. Part or all of this difference may be due to amounts at Tab 51 consisting of both “expensed” and “capitalized” amounts allocated to Delta and PKY (Tab 51 does not show the account description or account number where amounts are recorded), whereas Tab 59 only shows the “expensed” amounts.

Tab 51, page 1 of Attachment, shows PNG/Essential costs allocated to Delta of \$1,592,544 for the Base Period, and page 2 of Attachment, shows PNG/Essential costs allocated to PKY of \$236,015 for the Base Period (total PNG/Essential costs allocated to Delta/PKY of \$1,141,869).

Tab 59, shows “professional services expense” for the Base Period that includes Essential Utilities expense of \$1,107,763 related to Delta operations (and \$34,107 related to PKY operations). Also, Tab 59 shows “professional service expense” for the Base Period that includes Peoples Natural Gas expense of \$0 related to Delta operations (and \$5,460 related to PKY’s operations).

Provide a reconciliation of these costs and address the following:

- a. Provide information in a same or similar working Excel spreadsheet format as “OAG Attachment 3 – Expensed and Capitalized Amounts Allocated to Delta and PKY by PNG and Essential”, showing amounts allocated by PNG and Essential that are expensed and capitalized on the books of Delta and PKY, and amounts should be shown by service (using those services identified at Tab 51, Attachment pages 1 and 2, along with any other services) and by account number. This information should be provided for the calendar years 2017 to 2020, plus the Base Period ending August 31, 2021 and Forecasted Test Period ending December 31, 2022. Also, provide a reconciliation of these allocated expensed and capitalized amounts for the Base Period, to the Base Period allocated amounts shown at Tab 51 and Tab 59 for Delta and PKY.
- b. Explain why Tab 51 PNG/Essential amounts allocated to Delta of \$1,592,544 for the Base Period exceeds (and does not reconcile to) the Tab 59 Essential expense related to Delta operations (for professional service expense) of \$1,107,763 for the Base Period by an amount of \$484,781. Also, explain why the only PNG related expenses included at Tab 59 (as professional service expense) related to Delta’s operations for the Base Period shows a \$0 balance, so this does not assist with reconciling the difference of \$484,781 noted above. Please explain and reconcile the difference in the amounts between Tab 51 and Tab 59, and use information from Delta’s response to Staff DR 1-6 if possible.

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- c. Explain why Tab 51 PNG/Essential amounts allocated to PKY of \$236,015 for the Base Period does not reconcile to the Tab 59 Essential expense related to PKY operations of \$34,107 for the Base Period. Explain why amounts allocated from PNG to Delta and PKY are not shown as a separate line item in the professional services accounts at Tab 59 (only a line item for “Essential” is shown, and the small amounts for the “PNG” line item do not appear to be allocated expenses from PNG). Please explain and reconcile the difference in the amounts between Tab 51 and Tab 59, and use information from Delta’s response to Staff DR 1-6 if possible.
- d. Explain if the Essential expenses shown on Delta’s books (\$1,107,763) and PKY’s books (\$34,107) from Tab 59 “professional service expenses”, along with the PNG expenses shown on Delta’s books (\$0) and PKY’s books (\$5,460) from Tab 59 “professional service expenses”, are not intended to reflect expenses allocated from Essential and PNG to Delta and PKY for the Base Period and Future Test Period. If these amounts are not allocated expenses, provide an explanation and supporting documentation for these amounts (including copies of related agreements/contracts and a copy of the 10 largest invoices from Essential and PNG). Also, reconcile these amounts to any supporting documents at Delta’s response to Staff DR 1-6 if possible.

Response:

A:

See file: “Attachment to AG 1-46 - OAG_Attachment_3_-_Expensed_and_Capitalized_Amounts_Allocated_to_Delta_and_PKY” for requested overview.

Essential Allocations:

All allocations from Essential are posted to account 9923000 Adm & Gen-Outsd Svcs and are expense (not capitalized) but are subject to indirect capitalization through General & Administrative (G&A) Surcharge. This surcharge is designed to capitalize a portion of Corporate or Administrative support costs, both labor and non-labor. The surcharge is applied to all capital expenses charged directly to a project.

See files “Attachment to AG 1-46 - 1300 Essential Allocations.xlsx” (PGKY) and “Attachment to AG 1-46 - 1600 Essential Allocations.xlsx” (Delta) for Essential Allocations that began in April 2020, which is when Essential became Delta’s indirect parent.

PNG Allocations:

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Allocations from PNG are posted to the following expense accounts:

- 9903000 Customer Accounts - Customer Records & Collections
- 9920000 Admin & General – Salaries
- 9921000 Admin & Gen-Off Supplies
- 9923000 Admin & General - Outside Services Employed
- 9926000 Admin & General - Employee Benefits
- 9930200 Admin & Gen-Misc Exp
- 9408100 Taxes Other than Income Taxes - Utility Operating

Capital items post to the account 9101000 Plant in Service once placed in service.

See files “Attachment to AG 1-46 - 1300 PNG Allocations.xlsx” and “Attachment to AG 1-46 - 1600 PNG Allocations.xlsx” for PNG Allocations that began in 2018 for PGKY (1300) and began in 2019 for Delta (1600). There were no allocations prior to these years.

See file “Attachment to AG 1-46 - 2017 Service Company Allocations.xlsx” for 2017 allocations to PGKY (1300).

Regarding Tab 51 and 59 Reconciliation:

All Essential allocations are posted to Outside Services Account 9923000 Adm & Gen-Outsd Svcs and all are expense. These amounts tie between Tab 51 (Allocations) and 59 (Outside Services).

PNG allocations are posted to the various accounts below. Because Tab 59 is only Outside Services, only account 9923000 Admin & General - Outside Services Employed expenses are on the schedule and thus why Tab 51 (All Allocations) and 59 (Outside Services) do not tie for PNG allocations.

Accounts for PNG Allocations:

- 9903000 Customer Accounts - Customer Records & Collections
- 9920000 Admin & General – Salaries
- 9921000 Admin & Gen-Off Suppl
- 9923000 Admin & General - Outside Services Employed
- 9926000 Admin & General - Employee Benefits
- 9930200 Admin & Gen-Misc Exp
- 9408100 Taxes Other than Income Taxes - Utility Operating

Capital items post to the account 9101000 Plant in Service once placed in service.

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See files “Attachment to AG 1-46 - 1300 Outside Services Base Period.xlsx”, “Attachment to AG 1-46 - 1600 Outside Services Base Period.xlsx”, “Attachment to AG 1-46 - 1300 Peoples KY Rate Case Allocated Expenses Base Period.xlsx”, and “Attachment to AG 1-46 - 1600 Peoples KY Rate Case Allocated Expenses Base Period.xlsx”, which shows the links between Tab 51 and 59.

B: See response in A regarding Tab 51 and 59 Reconciliation.

C: See response in A regarding Tab 51 and 59 Reconciliation.

D: The Essential expenses shown are intended to reflect expenses allocated from Essential and PNG to Delta and PKY for the Base Period and Future Test Period. See Response A for reconciling information/files.

Sponsoring Witness: William C. Packer

OAG Attachment 3 - Expensed and Capitalized Amounts Allocated to Delta and PKY by PNG and Essential

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
Line	Expensed and Capitalized Allocated Amounts	Acct. No.	2017 Delta	2017 PKY	2018 Delta	2018 PKY	2019 Delta	2019 PKY	2020 Delta	2020 PKY	As Filed Base Period Delta	As Filed Base Period PKY	Forecasted Test Period Dec. 2022 Delta	Forecasted Test Period Dec. 2022 PKY
1	Expenses Allocated by PNG:													
2	Shows amounts by each Service		See files referenced in Response doc for amounts by service											
3	Total		\$ -	\$ 272,238.48	\$ -	\$ 227,738.95	\$ 62,323.49	\$ 240,423.05	\$ 50,790.22	\$ 207,853.83	\$ 86,622.55	\$ 186,038.64	\$ 86,622.55	\$ 186,038.64
4														
5	Identify Allocation Method/Factor		See files referenced in Response doc for method/factor											
6	Total Expenses Allocated by PNG		\$ -	\$ 272,238.48	\$ -	\$ 227,738.95	\$ 62,323.49	\$ 240,423.05	\$ 50,790.22	\$ 207,853.83	\$ 86,622.55	\$ 186,038.64	\$ 86,622.55	\$ 186,038.64
7														
8	Expenses Allocated by Essential:													
9	Shows amounts by each Service		See files referenced in Response doc for amounts by service											
10	Total		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 489,243.85	\$ 34,295.20	\$ 1,107,762.36	\$ 34,106.62	\$ 1,107,762.36	\$ 34,106.62
11														
12	Identify Allocation Method/Factor		See files referenced in Response doc for method/factor											
13	Total Expenses Allocated by Essential		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 489,243.85	\$ 34,295.20	\$ 1,107,762.36	\$ 34,106.62	\$ 1,107,762.36	\$ 34,106.62
14														
15	Total Expensed for PNG and Essential		\$ -	\$ 272,238.48	\$ -	\$ 227,738.95	\$ 62,323.49	\$ 240,423.05	\$ 540,034.07	\$ 242,149.03	\$ 1,194,384.91	\$ 220,145.27	\$ 1,194,384.91	\$ 220,145.27
16														
17	Capitalized Costs Allocated by PNG:													
18	Shows amounts by each Service		See files referenced in Response doc for amounts by service											
19	at Tab 51 (plus any additional Services)		\$ -	\$ -	\$ -	\$ -	\$ 51,148.61	\$ 2,454.75	\$ 384,934.84	\$ 2,208.55	\$ 398,159.48	\$ 2,060.91	\$ 398,159.48	\$ 2,060.91
20														
21	Total Capitalized Allocated by PNG		\$ -	\$ -	\$ -	\$ -	\$ 51,148.61	\$ 2,454.75	\$ 384,934.84	\$ 2,208.55	\$ 398,159.48	\$ 2,060.91	\$ 398,159.48	\$ 2,060.91
22														
23	Capitalized Costs Allocated by Essential:													
24	Shows amounts by each Service		Essential allocations are not capitalized											
25	Essential allocations are not capitalized		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26														
27	Total Capitalized Allocated by Essential		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28														
29	Total Capitalized for PNG and Essential		\$ -	\$ -	\$ -	\$ -	\$ 51,148.61	\$ 2,454.75	\$ 384,934.84	\$ 2,208.55	\$ 398,159.48	\$ 2,060.91	\$ 398,159.48	\$ 2,060.91
30														
31	Grand Total Expensed and Capitalized		\$ -	\$ 272,238.48	\$ -	\$ 227,738.95	\$ 113,472.10	\$ 242,877.80	\$ 924,968.91	\$ 244,357.58	\$ 1,592,544.39	\$ 222,206.18	\$ 1,592,544.39	\$ 222,206.18

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47. **Tab 51 Costs Allocated to Delta.** Tab 51, page 1 of the Attachment, shows costs allocated from PNG (and perhaps Essential) to Delta by service (Executive, Legal, Human Resources, etc.) primarily for periods 2019, 2020, Base Period and Forecasted test period. Also, page 1 states that no costs were allocated to Delta by PNG in 2018 because the Delta Services Agreement was not approved by the Commission until February 2019. Address the following regarding information at Tab 51, page 1:

- a. Regarding the costs at Tab 51, page 1 of the Attachment, explain which “service” costs by year, are “expensed” and which are “capitalized, and provide the corresponding account numbers recorded on Delta’s books.
- b. Explain and providing supporting documentation and calculations that show if Delta’s total O&M expenses have either increased or decreased (compared to from prior years) after PNG/Essential began allocating expenses to Delta.

First, explain and identify the amount and type of 2018 and 2019 directly incurred expenses by Delta (by account number and service) that were eventually eliminated, decreased, increased, or substituted by expenses allocated from PNG/Essential to Delta beginning in 2019 and 2020 (for example, the elimination and substitution of allocated service costs related Billing Services, Budget and Financial Strategy, Executive, General Accounting, Human Resources, and Information Technology Applications).

Second, compare the decrease in expenses for Delta for 2018 and 2019 to the increase in expenses allocated from PNG/Essential to Delta in the amount of \$113,472 for 2019 and \$924,969 for 2020, and provide the net increase or net decrease in expenses for Delta that resulted after allocations from PNG/Essential began. If there is a net “increase” in Delta expenses as a result of PNG/Essential allocations, explain why this supports the allocation of costs from PNG/Essential to Delta as being more a more reasonable, beneficial, and efficient process and result for Delta.

- c. Explain why costs allocated from PNG/Essential to Delta increased by a significant amount from \$113,472 in 2019 to \$924,969 in 2020, especially when the Delta Service Agreement was approved in early 2019 (February 2019) and it appears a greater portion of allocated expenses would have been allocated to Delta in 2019 (when using the amount of 2020 allocated costs as a comparison). Provide all supporting documentation and calculations.
- d. Regarding (c) above, explain why most of the increase in allocated costs was for the services of Budget and Financial Strategy, Executive, and Information Technology Applications.

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- e. Explain why costs allocated from PNG/Essential to Delta increased significantly from \$924,969 in 2020 to \$1,592,544 in the Base Period (and essentially the same level for the Forecasted test period). Provide all supporting documentation and calculations.
- f. Regarding (e) above, explain why most of the increase in allocated costs was for the services of Billing Services, Budget and Financial Strategy, Executive, General Accounting, Human Resources and Information Technology Applications.

Response:

A:

See the response to Item No. 46 of these Requests.

B:

See file “Attachment to AG 1-47 - Delta 2018 Income Statement.pdf” showing operating expenses of \$29.3 Million and maintenance expenses of \$718 thousand in 2018 compared to \$26.1 Million and \$494 thousand in 2019 per the file “Attachment to AG 1-47 - 1600 FERC Income Statement 2019 and 2020.xlsx”. As a result of this comparison, allocations were not an increasing factor for expenses before and after PNG allocations began in 2019.

See file “Attachment to AG 1-47 - 1600 FERC Income Statement 2019 and 2020.xlsx” for O&M comparison for 2019 vs. 2020 (prior to Essential allocations). Operations expense decreased 7% and maintenance expense decreased 38% while sales of gas and total operating revenues decreased 8% and 8%. Total Administrative & General Operations Expense decreased 4% so allocations were not a material factor in changing O&M.

In summary, the information described above supports the allocation of costs from to Delta as being as a reasonable, beneficial, and efficient process and result for Delta.

C:

In 2020, Delta began receiving significantly more IT services from PNG. Delta’s allocations from Essential have stayed relatively consistent from month to month. For month to month comparison, see files below:

See file “Attachment to AG 1-46 - 1600 Essential Allocations.xlsx” (Delta) for Essential Allocations.

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See file “Attachment to AG 1-46 - 1600 PNG Allocations.xlsx” (Delta) for PNG Allocations. Both of these files were provided in response to Item No. 46 of these Requests.

See file “Attachment to AG 1-47 - Essential Allocations by Service by Company by Year.xlsx” showing the consistent percentage of costs allocated from Essential annually. This file uses June 2021 actuals for April – December 2021.

See file “Attachment to AG 1-47 - PNG Allocations by Service by Company by Year.xlsx” showing the costs allocated across all companies, showing relative consistency in percentages allocated. Except as noted above, where Delta began receiving significantly more services, any slight increase or decrease between years can be attributed to either fluctuating total costs being allocated or changes to the allocation factors on an annual basis. This file uses June 2021 actuals for April – December 2021.

A description of the services and allocation basis for the services is described in the file “Attachment to AG 1-47 - PNG Companies LLC Cost Allocation Manual.docx”

See files “Attachment to AG 1-47 - 2020 Allocation Factors - 2019 YE Data_Final”, “Attachment to AG 1-47 - 2019 Allocation Factors - 2018 YE Data_Final.xlsx”, and “Attachment to AG 1-47 - 2018 Allocation Factors - 2017 YE Data_Final for CAM.xlsx” for the allocation methods/factors used to allocate expenses from PNG and Essential to Delta and PKY.

D:

In 2020, Delta began receiving significantly more IT services from PNG for IT projects. Also, there were staffing changes that resulted in Delta receiving greater services for Budget, Financial Strategy and Executive services. See answer in C for slight changes year over year.

E:

See answer to D.

F:

See answers to subpart D and E with respect to increased IT projects and IT services, as well as staffing changes that resulted in more services being provided to Delta. Changes from year to year in these services are due to fluctuations of total costs allocated as well as the changing underlying statistical allocation factors that drive the percentage of costs allocated.

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See files “Attachment to AG 1-47 - 2020 Allocation Factors - 2019 YE Data_Final”, “Attachment to AG 1-47 - 2019 Allocation Factors - 2018 YE Data_Final.xlsx”, and “Attachment to AG 1-47 - 2018 Allocation Factors - 2017 YE Data_Final for CAM.xlsx” for the allocation methods/factors used to allocate expenses from PNG and Essential to Delta and PKY.

Sponsoring Witness: William C. Packer

Comp	Account	Text for B/S P&L Item	Total of Reporting Period	Total of the Comparison Period	Absolute Difference	Percentage Difference
		INCOME STATEMENT	0.00	0.00	0.00	
		INCOME BEFORE EXTRAORDINARY	0.00	0.00	0.00	
		UTILITY OPERATING INCOME	0.00	0.00	0.00	
		Operating Revenues (400)	0.00	0.00	0.00	
1600	9480000	9480000 Residential Sales	-23,727,740.11	-23,136,030.96	-591,709.15	2.6-
1600	9481000	9481000 Commercial and Industrial Sal	-16,727,104.31	-15,297,821.23	-1,429,283.08	9.3-
		Sales of Gas (480-484)	-40,454,844.42	-38,433,852.19	-2,020,992.23	5.3-
1600	9488000	9488000 Miscellaneous Service Revenu	-285,855.00	-125,705.00	-160,150.00	127.4-
1600	9489300	9489300 Revs from Transp of Gas of C	-8,987,851.82	-7,902,951.28	-1,084,900.54	13.7-
1600	9490000	9490000 Sales of Products Extracted fr	-506,341.14	0.00	-506,341.14	
1600	9496000	9496000 Provision for Rate Refunds	2,613,657.52	2,607,435.58	6,221.94	0.2
		Other Operating Revenues (485-496)	-7,166,390.44	-5,421,220.70	-1,745,169.74	32.2-
		Total Operating Revenues (400)	-47,621,234.86	-43,855,072.89	-3,766,161.97	8.6-
		Operating Expenses:	0.00	0.00	0.00	
		Operation Expenses (401)	0.00	0.00	0.00	
		Gas Production Operating Expense:	0.00	0.00	0.00	
		Natural Gas Production Oper Exp:	0.00	0.00	0.00	
1600	9753000	9753000 Nat Gas Prod/Gath Op - Field	45,861.79	47,977.32	-2,115.53	4.4-
1600	9754000	9754000 Nat Gas Prod/Gath Op - Field	129,870.94	132,804.34	-2,933.40	2.2-
		Natural Gas Prod & Gath Operation Exp	175,732.73	180,781.66	-5,048.93	2.8-
		Total Natural Gas Production Oper Exp	175,732.73	180,781.66	-5,048.93	2.8-
1600	9803000	9803000 Oth Gas Supply Op - Nat Gas	14,764,885.71	11,490,646.13	3,274,239.58	28.5
1600	9805100	9805100 Oth Gas Supply Op - Pur Gas	-370,849.00	528,853.00	-899,702.00	170.1-
1600	9813000	9813000 Oth Gas Supply Op - Other G	-87.50	-22.14	-65.36	295.2-
		Other Gas Supply Operation Expenses	14,393,949.21	12,019,476.99	2,374,472.22	19.8
		Total Gas Production Operating Exp	14,569,681.94	12,200,258.65	2,369,423.29	19.4
		Nat Gas Storage, Term & Proc Oper Ex	0.00	0.00	0.00	
1600	9816000	9816000 UG Storage Op - Well Expens	61,000.11	59,118.68	1,881.43	3.2
1600	9818000	9818000 UG Storage Op - Compressor	115,464.70	61,646.25	53,818.45	87.3
1600	9821000	9821000 UG Storage Op - Purification E	87,967.77	101,487.03	-13,519.26	13.3-
1600	9823000	9823000 UG Storage Op - Gas Losses	0.00	7,568.40	-7,568.40	100.0-
1600	9824000	9824000 UG Storage Op - Other Expen	9,076.85	3,220.62	5,856.23	181.8
1600	9825000	9825000 UG Storage Op - Storage Wel	31,989.17	74,229.17	-42,240.00	56.9-
		Underground Storage Operation Expen	305,498.60	307,270.15	-1,771.55	0.6-
		Ttl Nat Gas Strg, Term & Proc Oper Exp	305,498.60	307,270.15	-1,771.55	0.6-
1600	9851000	9851000 Gas Transmission Op - Sys C	90,264.44	116,252.42	-25,987.98	22.4-
1600	9856000	9856000 Gas Transmission Op - Mains	2,927,183.97	3,405,472.22	-478,288.25	14.0-
		Gas Transmission Operations Exp	3,017,448.41	3,521,724.64	-504,276.23	14.3-
1600	9870000	9870000 Gas Distribution Op - Supervis	20,068.14	-54,170.90	74,239.04	137.0
1600	9872000	9872000 Gas Distribution Op - Compr E	270,793.13	348,756.86	-77,963.73	22.4-
1600	9874000	9874000 Gas Distribution Op - Mains a	936,691.68	1,116,211.47	-179,519.79	16.1-
1600	9880000	9880000 Gas Distribution Op - Other E	398,145.35	386,735.45	11,409.90	3.0
		Gas Distribution Operations Exp	1,625,698.30	1,797,532.88	-171,834.58	9.6-
1600	9903000	9903000 Customer Accounts - Custom	757,230.94	759,947.15	-2,716.21	0.4-
1600	9904000	9904000 Customer Accounts - Uncollec	90,386.00	154,444.00	-64,058.00	41.5-
		Customer Accounts Expense	847,616.94	914,391.15	-66,774.21	7.3-
1600	9920000	9920000 Admin & General - Salaries	2,158,454.17	2,380,800.52	-222,346.35	9.3-
1600	9921000	9921000 Admin & General - Office Supl	1,184,876.24	1,068,828.26	116,047.98	10.9
1600	9922000	9922000 Admin & General - Admin Exp	-1,716,738.88	-1,836,421.36	119,682.48	6.5
1600	9923000	9923000 Admin & General - Outside Se	289,200.04	717,427.15	-428,227.11	59.7-
1600	9924000	9924000 Admin & General - Property In	162,979.24	241,903.69	-78,924.45	32.6-
1600	9925000	9925000 Admin & General - Injuries & I	1,145,032.35	957,418.25	187,614.10	19.6
1600	9926000	9926000 Admin & General - Employee	2,224,016.64	1,704,643.41	519,373.23	30.5
1600	9928000	9928000 Admin & General - Regulatory	193,816.91	207,412.26	-13,595.35	6.6-
1600	9930100	9930100 Admin & General - General Ac	15,651.24	18,850.64	-3,199.40	17.0-
1600	9930200	9930200 Admin & General - Miscellane	103,527.01	95,497.11	8,029.90	8.4
		Administrative & General Operations Ex	5,760,814.96	5,556,359.93	204,455.03	3.7
		Total Operation Expenses (401)	26,126,759.15	24,297,537.40	1,829,221.75	7.5
		Maintenance Expenses (402)	0.00	0.00	0.00	
		Gas Production Maintenance Expenses	0.00	0.00	0.00	
1600	9764000	9764000 Nat Gas Prod/Gath Maint - Fie	4,056.16	768.65	3,287.51	427.7
1600	9765000	9765000 Nat Gas Prod/Gath Maint - Fie	30,912.97	45,119.69	-14,206.72	31.5-
		Natural Gas Prod & Gath Maint Exp	34,969.13	45,888.34	-10,919.21	23.8-
		Total Nat Gas Production Maint Exp	34,969.13	45,888.34	-10,919.21	23.8-
		Total Gas Production Maintenance Exp	34,969.13	45,888.34	-10,919.21	23.8-
		Nat Gas Storage, Term & Proc Maint E:	0.00	0.00	0.00	
1600	9831000	9831000 UG Storage Maint - Structures	2,332.09	-1,704.77	4,036.86	236.8
1600	9832000	9832000 UG Storage Maint - Reservoir:	9,687.18	50,430.35	-40,743.17	80.8-
1600	9834000	9834000 UG Storage Maint - Compress	8,455.78	10,589.10	-2,133.32	20.1-

1600	9835000	9835000	UG Storage Maint - Meas/Req	842.53	0.00	842.53	
1600	9837000	9837000	UG Storage Maint - Other Equ	332.83	307.93	24.90	8.1
			Underground Storage Maintenance Exp	21,650.41	59,622.61	-37,972.20	63.7-
			Ttl Nat Gas Stor, Term & Proc Maint	21,650.41	59,622.61	-37,972.20	63.7-
1600	9863000	9863000	Gas Transmission Maint - Mai	-60,410.39	-94,648.59	34,238.20	36.2
			Gas Transmission Maintenance Expense	-60,410.39	-94,648.59	34,238.20	36.2
1600	9885000	9885000	Gas Distribution Maint - Super	260,359.17	-42,969.12	303,328.29	705.9
1600	9887000	9887000	Gas Distribution Maint - Mains	-123,662.68	-87,968.55	-35,694.13	40.6-
1600	9892000	9892000	Gas Distribution Maint - Servic	8,522.00	11,703.01	-3,181.01	27.2-
1600	9893000	9893000	Gas Distribution Maint - Meter	200,508.02	159,913.71	40,594.31	25.4
1600	9894000	9894000	Gas Distribution Maint - Other	82,361.61	189,163.12	-106,801.51	56.5-
			Gas Distribution Maintenance Expense	428,088.12	229,842.17	198,245.95	86.3
1600	9932000	9932000	Admin & General Maint -Other	69,488.17	67,093.52	2,394.65	3.6
			Administrative & General Maintenance	69,488.17	67,093.52	2,394.65	3.6
			Total Maintenance Expenses (402)	493,785.44	307,798.05	185,987.39	60.4
1600	9403000	9403000	Depreciation Expense - Utility	7,133,424.60	7,518,447.03	-385,022.43	5.1-
			Depreciation Expense (403)	7,133,424.60	7,518,447.03	-385,022.43	5.1-
1600	9404000	9404000	Amortization Expense - Utility	273,279.37	338,422.33	-65,142.96	19.2-
1600	9404200	9404200	Amort & Depl of UG Storage L	15,917.33	15,917.33	0.00	0.0
			Amort & Depletion of Util Plnt (404-405)	289,196.70	354,339.66	-65,142.96	18.4-
1600	9408100	9408100	Taxes Other than Income Tax	3,284,885.41	3,574,784.44	-289,899.03	8.1-
			Taxes Other than Income Taxes (408.1	3,284,885.41	3,574,784.44	-289,899.03	8.1-
1600	9409100	9409100	Income Taxes - Utility Operati	1,567,462.00	890,721.00	676,741.00	76.0
			Income Taxes (409.1)	1,567,462.00	890,721.00	676,741.00	76.0
1600	9410100	9410100	Provision for Deferred Income	-377,316.00	-411,581.00	34,265.00	8.3
			Prov for Deferred Income Taxes (410.1	-377,316.00	-411,581.00	34,265.00	8.3
			Total Operating Expenses	38,518,197.30	36,532,046.58	1,986,150.72	5.4
			NET UTILITY OPERATING INCOME	-9,103,037.56	-7,323,026.31	-1,780,011.25	24.3-
			OTHER INCOME & DEDUCTIONS	0.00	0.00	0.00	
			Other Income:	0.00	0.00	0.00	
1600	9415000	9415000	Revenues from Merchandising	-9,512.70	-20,145.47	10,632.77	52.8
			Rev - Mrchndng/Jobbng/Contrct Wrk (	-9,512.70	-20,145.47	10,632.77	52.8
1600	9416000	9416000	Costs & Expenses of Merchar	6,927.14	6,041.56	885.58	14.7
			Cst - Mrchndng/Jobbng/Contrct Wrk (	6,927.14	6,041.56	885.58	14.7
1600	9419000	9419000	Interest & Dividend Income	-249,733.20	-135,475.10	-114,258.10	84.3-
			Interest and Dividend Income (419)	-249,733.20	-135,475.10	-114,258.10	84.3-
1600	9421000	9421000	Miscellaneous Nonoperating I	-6,397.78	-5,741.12	-656.66	11.4-
			Miscellaneous Nonoperating Income (4	-6,397.78	-5,741.12	-656.66	11.4-
			Total Other Income	-258,716.54	-155,320.13	-103,396.41	66.6-
			Other Income Deductions:	0.00	0.00	0.00	
1600	9421200	9421200	Loss on Disposition of Propert	-2,618.67	4,250.00	-6,868.67	161.6-
			Loss on Disp of Property (421.2)	-2,618.67	4,250.00	-6,868.67	161.6-
1600	9426100	9426100	Other Income Deductions - Dc	36,412.08	34,022.64	2,389.44	7.0
			Donations (426.1)	36,412.08	34,022.64	2,389.44	7.0
1600	9426300	9426300	Other Income Deductions - Pe	36,000.00	48,000.00	-12,000.00	25.0-
			Penalties (426.3)	36,000.00	48,000.00	-12,000.00	25.0-
1600	9426400	9426400	Other Income Deductions - Ci	1,703.36	2,454.84	-751.48	30.6-
			Exp Certain Civic, Pol & Rel Activ(426.4	1,703.36	2,454.84	-751.48	30.6-
			Total Other Income Deductions	71,496.77	88,727.48	-17,230.71	19.4-
			NET OTHER INCOME & DEDUCTIONS	-187,219.77	-66,592.65	-120,627.12	181.1-
			INTEREST CHARGES	0.00	0.00	0.00	
1600	9428000	9428000	Amortization of Debt Discount	210,300.00	203,500.00	6,800.00	3.3
			Amort of Debt Discount & Expense (42	210,300.00	203,500.00	6,800.00	3.3
1600	9430000	9430000	Interest on Debt to Associated	1,927,141.75	1,927,550.88	-409.13	0.0
			Interest on Debt to Assoc. Companies (	1,927,141.75	1,927,550.88	-409.13	0.0
1600	9431000	9431000	Other Interest Expense	19,676.94	13,195.76	6,481.18	49.1
			Other Interest Expense (431)	19,676.94	13,195.76	6,481.18	49.1
			NET INTEREST CHARGES	2,157,118.69	2,144,246.64	12,872.05	0.6
			TOTAL INC. BEFORE EXTRAORDINA	-7,133,138.64	-5,245,372.32	-1,887,766.32	36.0-
			NET INCOME	-7,133,138.64	-5,245,372.32	-1,887,766.32	36.0-
				7,133,138.64	5,245,372.32	1,887,766.32	36.0
				0.00	0.00	0.00	
1600	9999010	9999010	Balance Sheet Offset - FERC	40,105,469.34	78,618,499.86	-38,513,030.52	49.0-
1600	9999020	9999020	Profit & Loss Offset - FERC	-40,105,469.34	-78,495,834.52	38,390,365.18	48.9
1600	9999030	9999030	Receivable Offset - FERC	0.00	80,021.87	-80,021.87	100.0-
1600	9999040	9999040	Payable Offset - FERC	0.00	-202,687.21	202,687.21	100.0
				0.00	0.00	0.00	
				3,940,234.64	9,073,936.96	-5,133,702.32	

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48. **Tab 51 Costs Allocated to PKY.** Tab 51, page 2 of the Attachment, shows costs allocated from PNG (and perhaps Essential) to PKY by service (Executive, Human Resources, etc.) primarily for periods 2018, 2019, 2020, Base Period and Forecasted test period (PKY was transferred to Delta in 2021). Address the following regarding information at Tab 51, page 2:
- a. Regarding the costs at Tab 51, page 2 of the Attachment, explain which “service” costs by year, are “expensed” and which are “capitalized, and provide the corresponding account numbers recorded on PKY’s books.
 - b. Explain and provide supporting documentation and calculations that show if PKY’s total O&M expenses have either increased or decreased (compared to from prior years) after PNG/Essential began allocating expenses to PKY. If there is a net “increase” in PKY expenses as a result of PNG/Essential allocations, explain why this supports the allocation of costs from PNG/Essential to PKY as being more a more reasonable, beneficial, and efficient process and result for PKY.
 - c. Explain why costs allocated from PNG/Essential to PKY fluctuated from year-to-year, increasing by about \$15,000 from 2018 to 2019, decreasing by about \$33,000 from 2019 to 2020, increasing by about \$26,000 from 2020 to the Base Period, and decreasing by about \$11,000 from the Base Period to the Forecasted test period. A
 - d. Regarding (c) above, explain why most of the fluctuation in allocated costs from year-to-year was related to the services of Executive, General Accounting, Human Resources, and Various.

Response:

A:

Essential Allocations:

All allocations from Essential are posted to account 9923000 Adm & Gen-Outsd Svcs and are expensed (not capitalized), but are subject to indirect capitalization through General & Administrative (G&A) Surcharge. This surcharge is designed to capitalize a portion of Corporate or Administrative support costs, both labor and non-labor. The surcharge is applied to all capital expenses charged directly to a project.

See files “Attachment to AG 1-46 - 1300 Essential Allocations.xlsx” (PGKY) for Essential Allocations that began in April 2020.

PNG Allocations:

Allocations from PNG are posted to the following expense accounts:

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- 9903000 Customer Accounts - Customer Records & Collections
- 9920000 Admin & General – Salaries
- 9921000 Admin & Gen-Off Suppl
- 9923000 Admin & General - Outside Services Employed
- 9926000 Admin & General - Employee Benefits
- 9930200 Admin & Gen-Misc Exp
- 9408100 Taxes Other than Income Taxes - Utility Operating

Capital items post to the account 9101000 Plant in Service once placed in service.

See files “Attachment to AG 1-46 - 1300 PNG Allocations.xlsx” for PNG Allocations that began in 2018 for PGKY (1300).

See file “Attachment to AG 1-46 - 2017 Service Company Allocations.xlsx” for 2017 allocations to 1300 PGKY.

B:

See file “Attachment to AG 1-48 - 1300 FERC Income Statement 2017 and 2018.xlsx” for O&M comparison for 2017 vs. 2018 (prior to PNG allocations). Operations expense increased 9% and maintenance expense increased 6% while sales of gas and total operating revenues increased 19%. Total Administrative & General Operations Expense decreased 8% so allocations were not the cause of the O&M increases.

See file “Attachment to AG 1-48 - 1300 FERC Income Statement 2019 and 2020.xlsx” for O&M comparison for 2019 vs. 2020 (prior to Essential allocations). Operations expense decreased 19% and maintenance expense decreased 12% while sales of gas and total operating revenues decreased 26% and 25%. Total Administrative & General Operations Expense increased only 4% so allocations were not a material factor in changing O&M.

In summary, the immaterial changes described above support the allocation of costs from PNG/Essential to PKY as being a reasonable, beneficial, and efficient process and result for PKY.

C:

See file “Attachment to AG 1-46 - 1300 Essential Allocations.xlsx” (PGKY) for Essential Allocations.

See file “Attachment to AG 1-46 - 1300 PNG Allocations.xlsx” (PGKY) for PNG Allocations

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See file “Attachment to AG 1-47 - Essential Allocations by Service by Company by Year.xlsx” showing the consistent percentage of costs allocated from Essential annually.

See file “Attachment to AG 1-47 - PNG Allocations by Service by Company by Year.xlsx” showing the costs allocated across all companies, showing relative consistency in percentages allocated. Any slight increase or decrease between years can be attributed to either fluctuating total costs being allocated or changes to the allocation factors on an annual basis.

A description of the services and allocation basis for the services is described in the file “Attachment to AG 1-47 - PNG Companies LLC Cost Allocation Manual.docx”

See files “Attachment to AG 1-47 - 2020 Allocation Factors - 2019 YE Data_Final”, “Attachment to AG 1-47 - 2019 Allocation Factors - 2018 YE Data_Final.xlsx”, and “Attachment to AG 1-47 - 2018 Allocation Factors - 2017 YE Data_Final for CAM.xlsx” for the allocation methods/factors used to allocate expenses from PNG and Essential to Delta and PKY.

D:

Changes from year to year in these services are due to fluctuations of total costs allocated as well as the changing underlying statistical allocation factors that drive the percentage of costs allocated.

See files “Attachment to AG 1-47 - 2020 Allocation Factors - 2019 YE Data_Final”, “Attachment to AG 1-47 - 2019 Allocation Factors - 2018 YE Data_Final.xlsx”, and “Attachment to AG 1-47 - 2018 Allocation Factors - 2017 YE Data_Final for CAM.xlsx” for the allocation methods/factors used to allocate expenses from PNG and Essential to Delta and PKY.

Sponsoring Witness: William C. Packer

Comp	Account	Text for B/S P&L Item	Total of Reporting Period	Total of the Comparison Period	Absolute Difference	Percentage Difference
		INCOME STATEMENT	0.00	0.00	0.00	
		INCOME BEFORE EXTRAORDINARY INCC	0.00	0.00	0.00	
		UTILITY OPERATING INCOME	0.00	0.00	0.00	
		Operating Revenues (400)	0.00	0.00	0.00	
1300	9480000	9480000 Residential Sales	-1,788,367.47	-1,329,952.68	-458,414.79	34.5-
		Sales of Gas (480-484)	-1,788,367.47	-1,329,952.68	-458,414.79	34.5-
1300	9487000	9487000 Forfeited Discounts	-104.72	-161.29	56.57	35.1
1300	9488000	9488000 Miscellaneous Service Revenues	-5,911.04	-7,433.12	1,522.08	20.5
		Other Operating Revenues (485-496)	-6,015.76	-7,594.41	1,578.65	20.8
		Total Operating Revenues (400)	-1,794,383.23	-1,337,547.09	-456,836.14	34.2-
		Operating Expenses:	0.00	0.00	0.00	
		Operation Expenses (401)	0.00	0.00	0.00	
		Gas Production Operating Expense:	0.00	0.00	0.00	
1300	9803000	9803000 Oth Gas Supply Op - Nat Gas Tran:	546,367.41	390,183.38	156,184.03	40.0
1300	9805100	9805100 Oth Gas Supply Op - Pur Gas Cost	281,589.69	30,890.68	250,699.01	811.6
1300	9813000	9813000 Oth Gas Supply Op - Other Gas Su	887.31	1,562.19	-674.88	43.2-
		Other Gas Supply Operation Expenses	828,844.41	422,636.25	406,208.16	96.1
		Total Gas Production Operating Exp	828,844.41	422,636.25	406,208.16	96.1
1300	9858000	9858000 Gas Transmission Op - Transm/Co	268,835.82	219,113.39	49,722.43	22.7
		Gas Transmission Operations Exp	268,835.82	219,113.39	49,722.43	22.7
1300	9870000	9870000 Gas Distribution Op - Supervision a	0.02	0.00	0.02	
1300	9874000	9874000 Gas Distribution Op - Mains and Se	279.42	243.39	36.03	14.8
1300	9875000	9875000 Gas Distribution Op - Meas/Reg Sta	18.36	0.00	18.36	
1300	9878000	9878000 Gas Distribution Op - Meter/House	311,886.71	108,974.86	202,911.85	186.2
1300	9879000	9879000 Gas Distribution Op - Customer Ins	87,805.56	87,814.66	-9.10	0.0
1300	9880000	9880000 Gas Distribution Op - Other Expens	11,529.35	16,397.12	-4,867.77	29.7-
		Gas Distribution Operations Exp	411,519.42	213,430.03	198,089.39	92.8
1300	9902000	9902000 Customer Accounts - Meter Readin	359,622.60	514,151.65	-154,529.05	30.1-
1300	9903000	9903000 Customer Accounts - Customer Re	90,448.29	89,296.45	1,151.84	1.3
1300	9904000	9904000 Customer Accounts - Uncollectible	24,234.71	21,487.14	2,747.57	12.8
		Customer Accounts Expense	474,305.60	624,935.24	-150,629.64	24.1-
1300	9909000	9909000 Customer Service/Info - Info & Instr	684.40	394.39	290.01	73.5
		Customer Service and Informational Expen	684.40	394.39	290.01	73.5
1300	9912000	9912000 Sales Expense - Demonstrating & S	568.44	651.55	-83.11	12.8-
		Sales Expense	568.44	651.55	-83.11	12.8-
1300	9920000	9920000 Admin & General - Salaries	122,492.57	97,839.98	24,652.59	25.2
1300	9921000	9921000 Admin & General - Office Supplies	75,191.79	83,139.78	-7,947.99	9.6-
1300	9922000	9922000 Admin & General - Admin Exp Tran	-8,796.85	-12,677.95	3,881.10	30.6
1300	9923000	9923000 Admin & General - Outside Service:	74,206.06	84,389.17	-10,183.11	12.1-
1300	9924000	9924000 Admin & General - Property Insurar	1,098.37	2,727.74	-1,629.37	59.7-
1300	9925000	9925000 Admin & General - Injuries & Dama	15,451.72	37,661.30	-22,209.58	59.0-
1300	9926000	9926000 Admin & General - Employee Benef	204,367.34	212,643.10	-8,275.76	3.9-
1300	9930100	9930100 Admin & General - General Advertis	0.00	0.36	-0.36	100.0-
1300	9930200	9930200 Admin & General - Miscellaneous E	348.01	393.01	-45.00	11.5-
1300	9931000	9931000 Admin & General - Rents	11,493.18	11,066.64	426.54	3.9
		Administrative & General Operations Exp	495,852.19	517,183.13	-21,330.94	4.1-
		Total Operation Expenses (401)	2,480,610.28	1,998,343.98	482,266.30	24.1
		Maintenance Expenses (402)	0.00	0.00	0.00	
1300	9886000	9886000 Gas Distribution Maint - Structures/	30,991.54	31,008.87	-17.33	0.1-
1300	9887000	9887000 Gas Distribution Maint - Mains	2,603.33	621.31	1,982.02	319.0
1300	9889000	9889000 Gas Distribution Maint - Meas/Reg	18.35	0.00	18.35	
1300	9892000	9892000 Gas Distribution Maint - Services	43,782.62	35,631.05	8,151.57	22.9
1300	9893000	9893000 Gas Distribution Maint - Meters/Ho	823.88	418.39	405.49	96.9
1300	9894000	9894000 Gas Distribution Maint - Other Equip	7,931.81	8,540.51	-608.70	7.1-
		Gas Distribution Maintenance Expense	86,151.53	76,220.13	9,931.40	13.0
1300	9932000	9932000 Admin & General Maint -Other Gen	1,214.85	552.82	662.03	119.8
		Administrative & General Maintenance Exp	1,214.85	552.82	662.03	119.8

		Total Maintenance Expenses (402)	87,366.38	76,772.95	10,593.43	13.8
1300	9403000	9403000 Depreciation Expense - Utility Plant	90,314.33	93,710.09	-3,395.76	3.6-
		Depreciation Expense (403)	90,314.33	93,710.09	-3,395.76	3.6-
1300	9404000	9404000 Amortization Expense - Utility Plant	20,501.16	30,185.06	-9,683.90	32.1-
		Amort & Depletion of Util Plnt (404-405)	20,501.16	30,185.06	-9,683.90	32.1-
1300	9408100	9408100 Taxes Other than Income Taxes - U	113,918.95	99,192.38	14,726.57	14.8
		Taxes Other than Income Taxes (408.1)	113,918.95	99,192.38	14,726.57	14.8
1300	9409100	9409100 Income Taxes - Utility Operating Inc	-353,064.00	-251,470.00	-101,594.00	40.4-
		Income Taxes (409.1)	-353,064.00	-251,470.00	-101,594.00	40.4-
1300	9410100	9410100 Provision for Deferred Income Taxe	-36,626.00	492.00	-37,118.00	7,544.3-
		Prov for Deferred Income Taxes (410.1)	-36,626.00	492.00	-37,118.00	7,544.3-
		Total Operating Expenses	2,403,021.10	2,047,226.46	355,794.64	17.4
		NET UTILITY OPERATING INCOME	608,637.87	709,679.37	-101,041.50	14.2-
		OTHER INCOME & DEDUCTIONS	0.00	0.00	0.00	
		Other Income:	0.00	0.00	0.00	
1300	9415000	9415000 Revenues from Merchandising, Jobl	-11,615.28	-15,883.86	4,268.58	26.9
		Rev - Mrchndsnng/Jobbng/Contrct Wrk (415)	-11,615.28	-15,883.86	4,268.58	26.9
		Total Other Income	-11,615.28	-15,883.86	4,268.58	26.9
		Other Income Deductions:	0.00	0.00	0.00	
1300	9426300	9426300 Other Income Deductions - Penaltie	28.43	66.10	-37.67	57.0-
		Penalties (426.3)	28.43	66.10	-37.67	57.0-
1300	9426400	9426400 Other Income Deductions - Civic/Pc	6.08	6.90	-0.82	11.9-
		Exp Certain Civic, Pol & Rel Activ(426.4)	6.08	6.90	-0.82	11.9-
		Total Other Income Deductions	34.51	73.00	-38.49	52.7-
		NET OTHER INCOME & DEDUCTIONS	-11,580.77	-15,810.86	4,230.09	26.8
		INTEREST CHARGES	0.00	0.00	0.00	
1300	9428000	9428000 Amortization of Debt Discount & Ex	7,269.12	17,566.91	-10,297.79	58.6-
		Amort of Debt Discount & Expense (428)	7,269.12	17,566.91	-10,297.79	58.6-
1300	9430000	9430000 Interest on Debt to Associated Com	197,677.63	114,193.39	83,484.24	73.1
		Interest on Debt to Assoc. Companies (430)	197,677.63	114,193.39	83,484.24	73.1
1300	9431000	9431000 Other Interest Expense	504.71	-264.67	769.38	290.7
		Other Interest Expense (431)	504.71	-264.67	769.38	290.7
1300	9432000	9432000 Allowance Borrowed Funds Used D	-1,831.02	-1,743.66	-87.36	5.0-
		Allow-Brrwed Fnds Usd Durng Const-Cr (432)	-1,831.02	-1,743.66	-87.36	5.0-
		NET INTEREST CHARGES	203,620.44	129,751.97	73,868.47	56.9
		TOTAL INC. BEFORE EXTRAORDINARY IN	800,677.54	823,620.48	-22,942.94	2.8-
		NET INCOME	800,677.54	823,620.48	-22,942.94	2.8-
			-800,677.54	-823,620.48	22,942.94	2.8
			0.00	0.00	0.00	
1300	9999010	9999010 Balance Sheet Offset - FERC	13,801,413.94	15,926,051.04	-2,124,637.10	13.3-
1300	9999020	9999020 Profit & Loss Offset - FERC	-13,801,413.94	-15,879,136.44	2,077,722.50	13.1
1300	9999030	9999030 Receivable Offset - FERC	0.00	372.78	-372.78	100.0-
1300	9999040	9999040 Payable Offset - FERC	0.00	-47,287.38	47,287.38	100.0
			0.00	0.00	0.00	
			7,196,588.33	6,486,103.61	710,484.72	

EXHIBIT ___(BCO-11)

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

FIRST PSC DATA REQUEST
DATED MAY 13, 2021

41. Provide a listing of all health care plan categories, dental plan categories, and vision plan categories available to corporate officers individually and to groups defined as Directors, Managers, Supervisors, Exempt, Non-Exempt, Union, and Non-Union Hourly employees (e.g., single, family). Include the associated employee contribution rates and employer contribution rates of the total premium cost for each category, and each plan's deductible(s) amounts.

Response:

Delta offers a variety of benefits offerings to attract and retain a strong workforce. Employees, regardless of their salary plan, are eligible for medical, dental, vision, and other voluntary programs. The employee's spouse and dependents are eligible for these coverages as well.

Please see the following attachments:

- 1) Benefit Plans list
- 2) 2021 Rate Sheet for PNG & Delta which shows 2021 total premium, employee, and employer rates broken out in tier levels.
- 3) 2021 Essential Utilities Delta New Hire Guide which explains each benefit including the employee cost as well as plan design (deductibles, maximum out of pocket costs, co-pays, etc.)
- 4) 2021 Essential Utilities PNG NU_USW_IBEW New Hire Guide which explains each benefit including the employee cost as well as plan design (deductibles, maximum out of pocket costs, co-pays, etc.)

Please note that the Employer Rates LTD Insurance are not in any of the above attachments. Please find the necessary information below:

LTD: The LTD rate for Delta employees through Mutual of Omaha is \$0.87 per \$100 of covered monthly payroll. For non-executive management employees, the max covered payroll amount to use when calculating premium is \$7,500. For executive management, the max covered payroll amount is \$22,500.

LTD: The LTD rate for PNG KY employees through MetLife is \$0.471 per \$100 of covered monthly payroll and pays 60% of the first \$25,000 in monthly pre-disability earnings up to a maximum benefit of \$15,000.

Sponsoring Witness:

William Packer

Essential Utilities – 2021 Benefits

Provision	Peoples Natural Gas KY	Delta
Medical	Highmark – Fully-Insured (contract expires 12/31/2022) 1 HDHP Plan	Independence Blue Cross – Self-Insured 2 PPO Plans / 1 HDHP HM Stop Loss: \$250K deductible
Rx	Carved-in with Highmark (Highmark's PBM is ESI)	Carved-out to Express Scripts through RxBenefits
HSA Seed Amount	\$1,250 / \$1,750	\$350 / \$700
Dental	Delta Dental 2 Dental Plans (base / buy-up)	
Vision	VSP 2 Vision Plans (base/buy-up)	
Life Vendor	MetLife (Life & AD&D, Survivors Income, Life Rider Benefit)	Mutual of Omaha (Life & AD&D, Vol Life)
Disability Vendor	MetLife	Mutual of Omaha (LTD)
Voluntary Benefits Vendor	Voya (Accident, Critical Illness & Hospital Indemnity) Legal Shield (Legal Services)	

MONTHLY BENEFITS COST SHARING - PNG NON-UNION

2021

	Full-Time Benefits							
	2021 - Fully Insured				Domestic Partner Breakdown			
	Total Premium	Employee Cost	Employer Cost	% of Total Premium	Employee Cost	Addtl Post Tax	ER Credit	Provider Cost
MEDICAL - \$1,500 HDHP								
EE Only	\$495.13	\$73.71	\$421.42	14.9%				
EE + Child	\$1,191.25	\$176.90	\$1,014.35	14.8%				
EE + Children	\$1,191.25	\$176.90	\$1,014.35	14.8%				
EE + Spouse	\$1,333.85	\$199.02	\$1,134.83	14.9%				
EE + Family	\$1,531.90	\$228.50	\$1,303.40	14.9%				
EE & Domestic Partner	\$1,333.85	\$199.02	\$1,134.83	14.9%	\$73.71	\$125.31	\$1,134.83	\$1,333.85
EE + Child & Domestic Prtnr	\$1,531.90	\$228.50	\$1,303.40	14.9%	\$176.90	\$51.60	\$1,303.40	\$1,531.90
EE + Child(ren) & Domestic Prtnr	\$1,531.90	\$228.50	\$1,303.40	14.9%	\$176.90	\$51.60	\$1,303.40	\$1,531.90
HSA EMPLOYER CONTRIBUTIONS								
	<u>Annual</u>							
EE Only	\$1,250.00							
EE + Family	\$1,750.00							
VISION - BASE PLAN								
Employee	\$5.51	\$1.10	\$4.41	20.0%				
Employee and Child	\$11.80	\$2.36	\$9.44	20.0%				
Employee and Children	\$11.80	\$2.36	\$9.44	20.0%				
Employee and Spouse	\$11.03	\$2.21	\$8.82	20.0%				
Family	\$18.86	\$3.77	\$15.09	20.0%				
EE & Domestic Partner	\$11.03	\$2.21	\$8.82	20.0%	\$1.10	\$1.11	\$8.82	\$11.03
EE + Child & Domestic Prtnr	\$18.86	\$3.77	\$15.09	20.0%	\$2.36	\$1.41	\$15.09	\$18.86
EE + Children & Domestic Prtnr	\$18.86	\$3.77	\$15.09	20.0%	\$2.36	\$1.41	\$15.09	\$18.86
VISION - BUY-UP PLAN								
Employee	\$8.06	\$3.65	\$4.41	45.3%				
Employee and Child	\$17.25	\$7.81	\$9.44	45.3%				
Employee and Children	\$17.25	\$7.81	\$9.44	45.3%				
Employee and Spouse	\$16.13	\$7.31	\$8.82	45.3%				
Family	\$27.58	\$12.49	\$15.09	45.3%				
EE & Domestic Partner	\$16.13	\$7.31	\$8.82	45.3%	\$3.65	\$3.65	\$8.82	\$16.13
EE + Child & Domestic Prtnr	\$27.58	\$12.49	\$15.09	45.3%	\$7.81	\$4.68	\$15.09	\$27.58
EE + Children & Domestic Prtnr	\$27.58	\$12.49	\$15.09	45.3%	\$7.81	\$4.68	\$15.09	\$27.58
DENTAL - BASE PLAN								
Employee	\$31.10	\$8.55	\$22.55	27.5%				
Employee and Child	\$77.85	\$21.41	\$56.44	27.5%				
Employee and Children	\$77.85	\$21.41	\$56.44	27.5%				
Employee and Spouse	\$62.95	\$17.31	\$45.64	27.5%				
Family	\$119.83	\$32.95	\$86.88	27.5%				
EE & Domestic Partner	\$62.95	\$17.31	\$45.64	27.5%	\$8.55	\$8.76	\$45.64	\$62.95
EE + Child & Domestic Prtnr	\$119.83	\$32.95	\$86.88	27.5%	\$21.41	\$11.54	\$86.88	\$119.83
EE + Children & Domestic Prtnr	\$119.83	\$32.95	\$86.88	27.5%	\$21.41	\$11.54	\$86.88	\$119.83
DENTAL - BUY-UP PLAN								
Employee	\$35.37	\$12.82	\$22.55	36.3%				
Employee and Child	\$84.43	\$27.99	\$56.44	33.2%				
Employee and Children	\$84.43	\$27.99	\$56.44	33.2%				
Employee and Spouse	\$71.57	\$25.93	\$45.64	36.2%				
Family	\$131.24	\$44.36	\$86.88	33.8%				
EE & Domestic Partner	\$71.57	\$25.93	\$45.64	36.2%	\$12.82	\$13.11	\$45.64	\$71.57
EE + Child & Domestic Prtnr	\$131.24	\$44.36	\$86.88	33.8%	\$27.99	\$16.37	\$86.88	\$131.24
EE + Children & Domestic Prtnr	\$131.24	\$44.36	\$86.88	33.8%	\$27.99	\$16.37	\$86.88	\$131.24

	Part-Time Benefits							
	2021 - Fully Insured				Domestic Partner Breakdown			
	Total Premium	Employee Cost	Employer Cost	% of Total Premium	Employee Cost	Addtl Post Tax	ER Credit	Provider Cost
MEDICAL - \$1,500 HDHP								
EE Only	\$495.13	\$211.42	\$283.71	42.7%				
EE + Child	\$1,191.25	\$508.66	\$682.59	42.7%				
EE + Children	\$1,191.25	\$508.66	\$682.59	42.7%				
EE + Spouse	\$1,333.85	\$569.55	\$764.30	42.7%				
EE + Family	\$1,531.90	\$654.12	\$877.78	42.7%				
EE & Domestic Partner	\$1,333.85	\$569.55	\$764.30	42.7%	\$211.42	\$358.13	\$764.30	\$1,333.85
EE + Child & Domestic Prtnr	\$1,531.90	\$654.12	\$877.78	42.7%	\$508.66	\$145.46	\$877.78	\$1,531.90
EE + Child(ren) & Domestic Prtnr	\$1,531.90	\$654.12	\$877.78	42.7%	\$508.66	\$145.46	\$877.78	\$1,531.90
HSA EMPLOYER CONTRIBUTIONS								
EE Only								
EE + Family								
VISION - BASE PLAN								
Employee	\$5.51	\$5.51	\$0.00	100.0%				
Employee and Child	\$11.80	\$11.80	\$0.00	100.0%				
Employee and Children	\$11.80	\$11.80	\$0.00	100.0%				
Employee and Spouse	\$11.03	\$11.03	\$0.00	100.0%				
Family	\$18.86	\$18.86	\$0.00	100.0%				
EE & Domestic Partner	\$11.03	\$11.03	\$0.00	100.0%	\$5.51	\$5.52	\$0.00	\$11.03
EE + Child & Domestic Prtnr	\$18.86	\$18.86	\$0.00	100.0%	\$11.80	\$7.06	\$0.00	\$18.86
EE + Children & Domestic Prtnr	\$18.86	\$18.86	\$0.00	100.0%	\$11.80	\$7.06	\$0.00	\$18.86
VISION - BUY-UP PLAN								
Employee	\$8.06	\$8.06	\$0.00	100.0%				
Employee and Child	\$17.25	\$17.25	\$0.00	100.0%				
Employee and Children	\$17.25	\$17.25	\$0.00	100.0%				
Employee and Spouse	\$16.13	\$16.13	\$0.00	100.0%				
Family	\$27.58	\$27.58	\$0.00	100.0%				
EE & Domestic Partner	\$16.13	\$16.13	\$0.00	100.0%	\$8.06	\$8.07	\$0.00	\$16.13
EE + Child & Domestic Prtnr	\$27.58	\$27.58	\$0.00	100.0%	\$17.25	\$10.33	\$0.00	\$27.58
EE + Children & Domestic Prtnr	\$27.58	\$27.58	\$0.00	100.0%	\$17.25	\$10.33	\$0.00	\$27.58
DENTAL - BASE PLAN								
Employee	\$31.10	\$31.10	\$0.00	100.0%				
Employee and Child	\$77.85	\$77.85	\$0.00	100.0%				
Employee and Children	\$77.85	\$77.85	\$0.00	100.0%				
Employee and Spouse	\$62.95	\$62.95	\$0.00	100.0%				
Family	\$119.83	\$119.83	\$0.00	100.0%				
EE & Domestic Partner	\$62.95	\$62.95	\$0.00	100.0%	\$31.10	\$31.85	\$0.00	\$62.95
EE + Child & Domestic Prtnr	\$119.83	\$119.83	\$0.00	100.0%	\$77.85	\$41.98	\$0.00	\$119.83
EE + Children & Domestic Prtnr	\$119.83	\$119.83	\$0.00	100.0%	\$77.85	\$41.98	\$0.00	\$119.83
DENTAL - BUY-UP PLAN								
Employee	\$35.37	\$35.37	\$0.00	100.0%				
Employee and Child	\$84.43	\$84.43	\$0.00	100.0%				
Employee and Children	\$84.43	\$84.43	\$0.00	100.0%				
Employee and Spouse	\$71.57	\$71.57	\$0.00	100.0%				
Family	\$131.24	\$131.24	\$0.00	100.0%				
EE & Domestic Partner	\$71.57	\$71.57	\$0.00	100.0%	\$35.37	\$36.20	\$0.00	\$71.57
EE + Child & Domestic Prtnr	\$131.24	\$131.24	\$0.00	100.0%	\$84.43	\$46.81	\$0.00	\$131.24
EE + Children & Domestic Prtnr	\$131.24	\$131.24	\$0.00	100.0%	\$84.43	\$46.81	\$0.00	\$131.24

MONTHLY BENEFITS COST SHARING - DELTA

2021

	2021 - Self Insured - Contribution Band 1				2021 - Self Insured - Contribution Band 2				2021 - Self Insured - Contribution Band 3			
	Total Premium	Employee Cost	Employer Cost	% of Total Premium	Total Premium	Employee Cost	Employer Cost	% of Total Premium	Total Premium	Employee Cost	Employer Cost	% of Total Premium
MEDICAL - \$1,000 PPO 1												
EE Only	\$663.78	\$94.95	\$568.83	14.3%	\$663.78	\$111.71	\$552.07	16.8%	\$663.78	\$139.63	\$524.15	21.0%
EE + Child	\$1,045.22	\$150.15	\$895.07	14.4%	\$1,045.22	\$176.65	\$868.57	16.9%	\$1,045.22	\$220.81	\$824.41	21.1%
EE + Children	\$1,524.54	\$217.91	\$1,306.63	14.3%	\$1,524.54	\$256.36	\$1,268.18	16.8%	\$1,524.54	\$320.45	\$1,204.09	21.0%
EE + Spouse	\$1,471.33	\$210.23	\$1,261.10	14.3%	\$1,471.33	\$247.33	\$1,224.00	16.8%	\$1,471.33	\$309.16	\$1,162.17	21.0%
EE + Family	\$2,040.37	\$228.94	\$1,811.43	11.2%	\$2,040.37	\$269.34	\$1,771.03	13.2%	\$2,040.37	\$336.67	\$1,703.70	16.3%
MEDICAL - \$500 PPO 2												
EE Only	\$719.12	\$110.78	\$608.34	15.4%	\$719.12	\$130.32	\$588.80	18.1%	\$719.12	\$162.90	\$556.22	22.7%
EE + Child	\$1,141.00	\$175.18	\$965.82	15.4%	\$1,141.00	\$206.09	\$934.91	18.1%	\$1,141.00	\$257.61	\$883.39	22.6%
EE + Children	\$1,669.97	\$240.54	\$1,429.43	14.4%	\$1,669.97	\$282.99	\$1,386.98	16.9%	\$1,669.97	\$353.74	\$1,316.23	21.2%
EE + Spouse	\$1,611.13	\$234.21	\$1,376.92	14.5%	\$1,611.13	\$275.54	\$1,335.59	17.1%	\$1,611.13	\$344.43	\$1,266.70	21.4%
EE + Family	\$2,240.27	\$251.09	\$1,989.18	11.2%	\$2,240.27	\$295.40	\$1,944.87	13.2%	\$2,240.27	\$369.25	\$1,871.02	16.5%
MEDICAL - \$1,500 HDHP												
EE Only	\$549.48	\$86.96	\$462.52	15.8%	\$549.48	\$104.35	\$445.13	19.0%	\$549.48	\$133.33	\$416.15	24.3%
EE + Child	\$855.26	\$135.34	\$719.92	15.8%	\$855.26	\$162.41	\$692.85	19.0%	\$855.26	\$207.53	\$647.73	24.3%
EE + Children	\$1,205.89	\$190.83	\$1,015.06	15.8%	\$1,205.89	\$229.00	\$976.89	19.0%	\$1,205.89	\$292.61	\$913.28	24.3%
EE + Spouse	\$1,167.26	\$184.72	\$982.54	15.8%	\$1,167.26	\$221.66	\$945.60	19.0%	\$1,167.26	\$283.24	\$884.02	24.3%
EE + Family	\$1,580.51	\$212.06	\$1,368.45	13.4%	\$1,580.51	\$257.42	\$1,323.09	16.3%	\$1,580.51	\$383.51	\$1,197.00	24.3%
HSA EMPLOYER CONTRIBUTIONS												
	Annual											
EE Only	\$350.00											
EE + Family	\$700.00											
VISION - BASE PLAN												
	Total Premium	Employee Cost	Employer Cost	% of Total Premium								
Employee	\$5.51	\$1.10	\$4.41	20.0%								
Employee and Child	\$11.80	\$2.36	\$9.44	20.0%								
Employee and Children	\$11.80	\$2.36	\$9.44	20.0%								
Employee and Spouse	\$11.03	\$2.21	\$8.82	20.0%								
Family	\$18.86	\$3.77	\$15.09	20.0%								
VISION - BASE PLAN (OFFICER)												
	Total Premium	Employee Cost	Employer Cost	% of Total Premium								
Employee	\$5.51	\$1.38	\$4.13	25.0%								
Employee and Child	\$11.80	\$2.95	\$8.85	25.0%								
Employee and Children	\$11.80	\$2.95	\$8.85	25.0%								
Employee and Spouse	\$11.03	\$2.76	\$8.27	25.0%								
Family	\$18.86	\$4.72	\$14.14	25.0%								
VISION - BUY-UP PLAN												
	Total Premium	Employee Cost	Employer Cost	% of Total Premium								
Employee	\$8.06	\$3.65	\$4.41	45.3%								
Employee and Child	\$17.25	\$7.81	\$9.44	45.3%								
Employee and Children	\$17.25	\$7.81	\$9.44	45.3%								
Employee and Spouse	\$16.13	\$7.31	\$8.82	45.3%								
Family	\$27.58	\$12.49	\$15.09	45.3%								
VISION - BUY-UP PLAN (OFFICER)												
	Total Premium	Employee Cost	Employer Cost	% of Total Premium								
Employee	\$8.06	\$3.93	\$4.13	48.8%								
Employee and Child	\$17.25	\$8.40	\$8.85	48.7%								
Employee and Children	\$17.25	\$8.40	\$8.85	48.7%								
Employee and Spouse	\$16.13	\$7.86	\$8.27	48.7%								
Family	\$27.58	\$13.44	\$14.14	48.7%								
DENTAL - BASE PLAN												
	Total Premium	Employee Cost	Employer Cost	% of Total Premium								
Employee	\$31.10	\$8.55	\$22.55	27.5%								
Employee and Child	\$77.85	\$21.41	\$56.44	27.5%								
Employee and Children	\$77.85	\$21.41	\$56.44	27.5%								
Employee and Spouse	\$62.95	\$17.31	\$45.64	27.5%								
Family	\$119.83	\$32.95	\$86.88	27.5%								
DENTAL - BASE PLAN (OFFICER)												
	Total Premium	Employee Cost	Employer Cost	% of Total Premium								
Employee	\$31.10	\$10.11	\$20.99	32.5%								
Employee and Child	\$77.85	\$25.30	\$52.55	32.5%								
Employee and Children	\$77.85	\$25.30	\$52.55	32.5%								
Employee and Spouse	\$62.95	\$20.46	\$42.49	32.5%								
Family	\$119.83	\$38.94	\$80.89	32.5%								
DENTAL - BUY-UP PLAN												
	Total Premium	Employee Cost	Employer Cost	% of Total Premium								
Employee	\$35.37	\$12.82	\$22.55	36.3%								
Employee and Child	\$84.43	\$27.99	\$56.44	33.2%								
Employee and Children	\$84.43	\$27.99	\$56.44	33.2%								
Employee and Spouse	\$71.57	\$25.93	\$45.64	36.2%								
Family	\$131.24	\$44.36	\$86.88	33.8%								
DENTAL - BUY-UP PLAN (OFFICER)												
	Total Premium	Employee Cost	Employer Cost	% of Total Premium								
Employee	\$35.37	\$14.38	\$20.99	40.7%								
Employee and Child	\$84.43	\$31.88	\$52.55	37.8%								
Employee and Children	\$84.43	\$31.88	\$52.55	37.8%								
Employee and Spouse	\$71.57	\$29.08	\$42.49	40.6%								
Family	\$131.24	\$50.35	\$80.89	38.4%								

Employees making less than \$60,000 a year will pay contributions under Band 1 for medical benefits
 Employees making more than \$60,000 a year will pay contributions under Band 2 for medical benefits
 Designated officers will pay contributions under Band 3 for medical benefits
 Delta does not have domestic partner eligibility

EXHIBIT ___(BCO-12)

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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.

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

Response:

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

Sponsoring Witness: Andrea Schroeder

Delta Natural Gas Company, Inc.
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AG 2-15a

PSC 1-7 - Schedule C2
Analysis of Account No. 930 - Misc General Expenses
For the 12 Months Ended August 2020
Industry Association Dues

Reference	Fiscal year / period - As Filed	Applicable Period	Vendor Name - As Filed	Vendor Name - Corrected/Applicable	Total	Explanation/Notes
Page 4 of 9	APR 2020	2020-Q2	American Gas Association		7359.08	No changes
Page 4 of 9	FEB 2020	2020-Q1	JACKSON ENERGY ELECTRIC	American Gas Association	7570.91	Should be listed as AGA
Page 5 of 9	OCT 2019	2019-Q4	American Gas Association		7570.91	No changes

AGA membership dues invoice for 2019-Q3 was processed in July 2019, and therefore was not included in the data set for this response.
The applicable information is provided below and the invoice with supporting calculations is attached to the response to AG 2-15a.

2019-Q3	American Gas Association	7570.91
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PSC 1-7 - Schedule C3
Analysis of Account No. 426 - Other Income Deductions
For the 12 Months Ended August 2020
Civic Activities (Below the Line Account)

Reference	Fiscal year / period - As Filed	Applicable Period	Vendor Name - As Filed	Vendor Name - Corrected/Applicable	Total	Explanation/Notes
Page 8 of 9	FEB 2020	2020-Q1	JACKSON ENERGY ELECTRIC	American Gas Association	274.59	Should be listed with Various vendors < \$500; expense is portion of AGA dues allocable to lobbying
Page 8 of 9	APR 2020	2020-Q2	Various vendors < \$500	American Gas Association	486.42	Correctly listed as Various Vendors < \$500; expense is portion of AGA dues allocable to lobbying
Page 8 of 9	OCT 2019	2019-Q4	Various vendors < \$500	American Gas Association	274.59	Correctly listed as Various Vendors < \$500; expense is portion of AGA dues allocable to lobbying

AGA membership dues invoice for 2019-Q3 was processed in July 2019, and therefore was not included in the data set for this response.
The applicable information is provided below and the invoice with supporting calculations is attached to the response to AG 2-15a.

2019-Q3	Various vendors < \$500	American Gas Association	274.59
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6. Identify all association dues included in the revenue requirement. For each instance where those dues were include:
- a. Provide the name of the association to which those are paid;
 - b. Provide the amount;
 - c. Provide a description of the services the association provides to the Company;
 - d. Discuss whether the association engages, directly or indirectly, in lobbying; and
 - e. Discuss whether any portion of the dues paid to that association have been removed from the revenue requirement.

Response:

- a. Refer to Tab 59 to Delta's Application and Delta's response to Staff 1-7. In preparing this response, Delta discovered that portions of dues to the American Gas Association were inadvertently listed as Kentucky Utilities Company, North Manchester Water Association, and Windstream Corporation. These amounts are correct and were appropriately included as "Organization Membership Dues" on Tab 59, but should have been listed as American Gas Association dues.
- b. Refer to Tab 59 to Delta's Application and Delta's response to Staff 1-7.
- c. Delta's employees participate in various industry associations and organizations to gain knowledge, training, timely information, and experience throughout the industry to allow for Delta to provide service to its customers in the most economical, cost-effective, safe, and reliable manner. The industry knowledge Delta employees gain from participation in these organizations benefits customers. Delta is providing a description of the associations and organizations identified in Tab 59 with dues of \$1,000 or greater.
 - i. American Gas Association (AGA): The AGA provides a number of services to its members. The AGA identifies on its invoice that lobbying related expenses, as defined under IRC Section 162, will account for 3.8% of member dues in 2021. AGA services include the following:
 1. Communications develops informational material for member companies and consumers and coordinates media activity. Communications also educates the public on the safety and benefits of natural gas.
 2. Corporate affairs provides opportunities for interaction between member companies and the financial community. The focus is to promote interest in the investment opportunities in the industry.
 3. Energy Markets, Analysis, and Standards includes:

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- a. Energy Markets provides insight and analysis on emerging policies and actions that have the potential of impacting natural gas distribution companies and their customers.
 - b. Energy Analysis provides analytical support to key areas of focus including natural gas market fundamentals, local gas utility operations and financial performance, general industry data, critical gas supply/demand developments, winter heating season planning, energy efficiency, greenhouse gas emissions, and other environmental issues.
 - c. Standards supports the development of building energy codes and standards that help enhance natural gas safety.
 4. Industry Finance and Administration develops and implements programs in such areas as accounting, human resources, and risk management for member companies.
 5. Operations and Engineering develops and implements programs and practices to meet the operational, safety, and engineering needs of the industry.
- ii. Kentucky Chamber of Commerce and local chambers: The Kentucky Chamber of Commerce supports a dynamic business climate in the Commonwealth, works to advance Kentucky, and provides substantial value to its members by articulating a vision for Kentucky and providing advocacy, information, program management, and customer service in order to accelerate business creation, recruitment, expansion, and retention. Local chambers provide the same services on a local scale. The Kentucky Chamber identifies on its invoice that 85% of dues may be deductible as an ordinary business expense and are not allocable to lobbying activity, thus, Delta believes 15% of Kentucky Chamber dues are associated with lobbying.
- iii. Kentucky Gas Association (KGA): The KGA supports the natural gas industry in the Commonwealth. The KGA provides leadership and professionalism through educational and training opportunities, which improve industry safety, customer service, and natural gas efficiency. The KGA disseminates industry related information and technical data and advances and promotes safety in the areas of production, transmission, distribution, and sale of and use of natural gas. The KGA also monitors legislation in the Commonwealth and works to educate the membership about legislation that pertains to the natural gas community.

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- iv. Kentucky Oil & Gas Association (KOGA): The KOGA represents the interests of Kentucky crude oil and natural gas industry. KOGA's goals include promoting, protecting, and advancing the interest of the oil and gas industry, opposing any unfair and unjust legislation which may adversely affect the oil and gas industry, and disseminating reliable publicity to further and protect the oil and gas industry. Past invoices from KOGA identify that 75% of dues may be deducted as a business expense; thus, Delta believes 25% of KOGA dues are associated with lobbying.
 - v. Southern Gas Association (SGA): The SGA is a natural gas trade association with the mission of advancing the natural gas industry and individuals by linking people, ideas, and information. Committees and volunteers organize workshops, roundtables, webinars, conferences, and joint industry projects. The SGA helps to advance the gas industry for a safe and sustainable future.
 - vi. Kentucky Clean Fuels Coalition (KCFC):¹ The KCFC seeks to connect providers and consumers of fuels across Kentucky with the best information and education available about clean transportation technologies. The KCFC has the following objectives: raise awareness about the opportunities and benefits of using alternative fuels and advanced transportation technologies; focus on incorporating alternative fuels and advanced transportation technologies; provide members and stakeholders with continuing education opportunities and reliable informational resources; commit to air quality and environmental stewardship; provide a balanced source of information for developing partnerships and a realistic market approach to project implementation; and focus on incorporating alternative fuels and advanced transportation technologies into technician education.
- d. See part c. Delta has identified those organizations that engage in lobbying as identified on their invoices. Unless specifically identified, Delta does not believe the organizations engage in lobbying.
- e. The largest portion of Delta's association dues are paid to the AGA. 6.8% of the AGA dues have been excluded as non-recoverable. In responding to this request, Delta discovered that the portion of dues associated with lobbying for three other organizations was inadvertently not excluded from the revenue requirement. Delta proposes to remove from the revenue requirement 25% of the KOGA dues, 15% of the Kentucky Chamber dues, and 7.2% of the Kentucky Association for Economic

¹ The KCFC dues were included on Tab 59 collectively with the Winchester Clark County Chamber of Commerce dues.

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Development (KAED)² dues. Delta is re-examining the manner in which association dues were forecasted and will update Tab 59 accordingly, but believes the cumulative impact of removing the lobbying expense is less than \$1,000.

Sponsoring Witness: Andrea Schroeder

² Delta paid \$250 in dues to KAED. The KAED dues were included in the "Other < \$1,000" category on Tab 59. KAED identifies 7.2% of the dues are used for lobbying activities.

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

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

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

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

Response:

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

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

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

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

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

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

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

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

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

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

Sponsoring Witness: Andrea Schroeder

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

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Response:

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

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

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

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

Sponsoring Witness: Andrea Schroeder

ALLOCATIONS FROM ESSENTIAL TO PNG COMPANIES
REGLEGAL.ALLOC2.E
Cost Center 221322

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

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

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

TOTAL		
1300	1600	
\$ 13.77	\$ 133.58	
\$ 5.28	\$ 142.84	
\$ 19.40	\$ 473.87	\$ 493.27
\$ 19.40	\$ 473.87	\$ 493.27

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

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

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

Andrea Schroeder

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

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

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

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

Hi Kim,

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

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

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

* Provide the basis for the estimation.

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

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

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

Thank you in advance for your assistance.
Andrea

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

EXHIBIT ___(BCO-13)

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

FIRST ATTORNEY GENERAL DATA REQUEST
DATED JULY 14, 2021

64. **Prior Year Capex Budgets.** Tab 19 shows total Capex projected budgets for years 2021 to 2024, along with construction costs for projects constituting 5% or more of the annual construction budget (and the Capex projects expected start date, actual start date, and expected completion date). Provide the following in a similar format:
- a. Provide information in a similar format as Tab 19, with the first column showing the original Capex projected budget amounts from 2011 to 2020, provide a second column showing the actual Capex expended for those same years, and provide a third column showing the variance between projected and actual Capex. Finally, explain the reason for the variances between projected and actual amounts for each year (for major projects comprising the variance). If Delta prepares Capex budget variance reports for each year, please provide that information for years 2011 to 2020.
 - b. Provide information in a similar format as Tab 19, showing original budgeted Capex projects exceeding 5% of the annual Capex budget for each of the years 2017 to 2020. For each of these major projects in each year, provide the original expected start date, the actual start date, the expected completion date, and the actual completion date. In addition, for each major project, show the amount and percent of difference between the original budget amount and the final actual construction cost, and explain the reasons for the variance between the original budgeted amounts and actual final cost. Provide supporting documentation prepared at that time to show the reason for differences between budgeted and actual construction costs for major projects (including work order information, variance reports, or other data).
 - c. Regarding (b) above, provide the amount of labor/payroll that is capitalized in those major projects for years 2017 to 2020, and provide both “internal” labor (Delta employees) and any “external” labor (outside contractors).

Response:

- a. Delta does not maintain the historic information in a manner that it can be provided as requested. Also, Delta does not budget by individual projects but rather by FERC accounts and therefore the requested information is not available. In the alternative, please see the response to PSC 1-25 for a list of all construction projects started from January 1, 2016 through December 31, 2020. The available comparative information and variance explanations are provided in that response.

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

**FIRST ATTORNEY GENERAL DATA REQUEST
DATED JULY 14, 2021**

- b. See part a.
- c. All labor to major construction projects is capitalized. Delta does not maintain itemized records of labor and non-labor costs of its outside contractors on construction projects.

Sponsoring Witness: Jonathan Morpew

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

FIRST ATTORNEY GENERAL DATA REQUEST
DATED JULY 14, 2021

20. **Rate Base Comparison for Prior Years (UPDATE).** Tab 33 provides a high level comparison of the primary account balances in rate base for December 31, 2021 through 2024, provide similar comparative data for prior periods and provide periodic updates to actual for the Base Period (and months after the base period) as they occur per the following:
- a. Provide a similar schedule as Tab 33 that shows a high level comparison of primary rate base account balances for prior years ending December 31, 2017 through December 31, 2020, plus March 31, 2021, along with updates for each month in 2021 as they become available (it is not necessary to provide the balance for cashing working capital for prior periods ending December 31, 2017 to December 31, 2020). Provide columns showing the change in amounts from prior years.
 - b. For each of the periods in (a) above, provide a separate Delta and PKY Balance Sheet and reconcile the amounts from the Balance Sheet to the high level comparison of primary rate base account balances.
 - c. In addition to information in (a) and (b), provide a Trial Balance (or other similar supporting documentation) showing the detailed primary accounts included in Plant in Service for Delta and PKY for each year/period requested. Also, provide columns showing the change in plant additions by account from prior years.

Response:

- a. – c. Please see the Excel file accompanying this response.

Sponsoring Witness: John B. Brown

DELTA

PEOPLES KY

FERC NO	ASSET GL	DESCRIPTION	Beginning Balance	Additions	Retirements	Trans/Adjust	Ending Balance	Beginning Balance	Additions	Retirements	Trans/Adjust	Ending Balance
INTANGIBLE												
301	1311020	ORGANIZATION	53,151	-	-	-	53,151	-	-	-	-	-
302	1311020	FRANCHISE & CONSENTS	-	-	-	-	-	-	-	-	-	-
303	1311020	MISC. INTANGIBLE PLANT	-	-	-	-	-	94,625	6,730	-	-	101,354
		SUB TOTAL	53,151	-	-	-	53,151	94,625	6,730	-	-	101,354
PRODUCTION												
325	1311030	GATHERING LAND & RIGHTS	97,038	-	-	-	97,038	-	-	-	-	-
327	1311050	COMP STAT STRUCTURES	47,947	-	-	-	47,947	-	-	-	-	-
331	1311050	WELL EQUIPMENT	7,795	-	-	-	7,795	-	-	-	-	-
332	1311050	FIELD LINES	2,006,481	115,174	(1,129)	-	2,120,526	-	-	-	-	-
333	1311050	COMPRESSOR STAT EQUIPMENT	861,394	7,282	(1,200)	-	867,476	-	-	-	-	-
334	1311050	MEASURING & REG STATIONS	180,881	-	-	-	180,881	-	-	-	-	-
339	1311050	ASSET RETIREMENT COSTS	10,790	-	-	-	10,790	-	-	-	-	-
		SUB TOTAL	3,212,326	122,456	(2,329)	-	3,332,453	-	-	-	-	-
STORAGE & PROCESSING												
35001	1311030	STORAGE LAND	74,295	-	-	-	74,295	-	-	-	-	-
35002	1311030	STORAGE RIGHT OF WAY	186,821	-	-	-	186,821	-	-	-	-	-
35005	1311030	GAS RIGHTS WELLS	1,495	-	-	-	1,495	-	-	-	-	-
35006	1311030	GAS RIGHTS STORAGE - DELTA	-	-	-	-	-	-	-	-	-	-
351	1311052	STRUCTURES & IMPROVEMENTS	700,979	5,183	-	-	706,162	-	-	-	-	-
352	1311052	STORAGE WELLS	4,906,408	3,313,171	-	-	8,219,579	-	-	-	-	-
35201	1311030	STORAGE RIGHTS	860,396	-	-	-	860,396	-	-	-	-	-
35202	1311052	STORAGE RESERVOIRS	1,759,384	-	-	-	1,759,384	-	-	-	-	-
35203	1311052	NONRECOVERABLE NATURAL GAS	294,307	-	-	-	294,307	-	-	-	-	-
353	1311052	STORAGE LINES	5,547,578	527,165	(177)	-	6,074,567	-	-	-	-	-
354	1311052	STORAGE COMPRESSOR STAT EQU	4,347,860	63,494	-	-	4,411,355	-	-	-	-	-
355	1311052	STORAGE MEASURING & REG EQUIP	995,233	158,009	-	-	1,153,241	-	-	-	-	-
356	1311052	PURIFICATION EQUIPMENT	6,161,320	288,744	(37,098)	(4,720)	6,408,247	-	-	-	-	-
357	1311052	STORAGE OTHER EQUIPMENT	109,795	-	-	-	109,795	-	-	-	-	-
358	1311052	ASSET RETIREMENT COSTS	13,040	-	-	76	13,116	-	-	-	-	-
		SUB TOTAL	25,958,912	4,355,767	(37,275)	(4,644)	30,272,760	-	-	-	-	-
TRANSMISSION												
3651	1311030	LAND & RIGHTS	425,056	-	-	-	425,056	-	-	-	-	-
3652	1311030	RIGHTS OF WAY	1,246,515	4,068	-	-	1,250,583	-	-	-	-	-
3653	1311060	LAND RIGHTS DEPRECIABLE	163,626	-	-	-	163,626	-	-	-	-	-
366	1311060	STRUCTURES & IMPROVMENTS	257,175	-	-	-	257,175	-	-	-	-	-
367	1311060	TRANSMISSION MAINS	26,481,891	179,989	(28,149)	-	26,633,731	-	-	-	-	-
3671	1311060	TRANSMISSION MAINS	18,350,903	38,456	-	-	18,389,359	-	-	-	-	-
368	1311060	COMPRESSOR STATION EQUIPMEN	8,672,502	34,360	-	-	8,706,862	-	-	-	-	-
369	1311060	MEASURING & REG STAT EQUIPMEN	4,120,458	73,147	-	(29,212)	4,164,393	-	-	-	-	-
371	1311060	OTHER EQUIP	441,763	-	-	-	441,763	-	-	-	-	-
372	1311060	ASSET RETIREMENT COSTS	37,144	-	-	(76)	37,068	-	-	-	-	-
		SUB TOTAL	60,197,032	330,021	(28,149)	(29,288)	60,469,616	-	-	-	-	-
DISTRIBUTION												
374	1311030	DISTRIBUTION RIGHTS OF WAYS	263,233	3,888	-	-	267,120	-	-	-	-	-
37401	1311030	DISTRIBUTION LAND	75,837	-	-	-	75,837	-	-	-	-	-
375	1311070	STRUCTURES & IMPROVMENTS	106,230	2,785	-	-	109,015	-	-	-	-	-
376	1311070	DISTRIBUTION MAINS	78,698,417	2,619,977	(201,584)	-	81,116,811	-	-	-	-	-
378	1311070	MEAS & REG STAT - GENERAL	2,079,978	2,773	(6,043)	-	2,076,709	-	-	-	-	-
379	1311070	MEAS & REG STAT - CITY GATE	905,320	11,911	(11,113)	33,932	940,049	-	-	-	-	-
380	1311070	SERVICES	18,097,020	996,125	(220,801)	-	18,872,344	-	-	-	-	-
381	1311070	METERS	9,610,698	545,644	(1,143,633)	-	9,012,709	412,223	164,608	(42,610)	-	534,221
382	1311070	METER & REGULATOR INSTALLATIO	3,490,189	127,269	(41,963)	-	3,575,495	1,035,603	144,758	(63,855)	-	1,116,506
383	1311070	HOUSE REGULATORS	4,011,714	147,304	(31,472)	-	4,127,547	-	-	-	-	-
385	1311070	INDUSTRIAL METER SETS	1,662,557	12,747	(4,093)	-	1,671,211	-	-	-	-	-
387	1311070	OTHER EQUIPMENT	-	-	-	-	-	27,914	-	-	-	27,914
388	1311070	ASSET RETIREMENT COSTS	3,197,394	(20,180)	103,025	-	3,280,238	-	-	-	-	-
		SUB TOTAL	122,198,586	4,450,242	(1,557,676)	33,932	125,125,084	1,475,739	309,366	(106,465)	-	1,678,641
GENERAL												
389	1331030	LAND & RIGHTS	999,354	-	-	-	999,354	-	-	-	-	-
390	1331090	STRUCTURES & IMPROVEMENTS	5,750,375	83,936	(5,350)	-	5,828,961	58,881	-	-	-	58,881
391	1331090	OFFICE FURN & EQUIP-FURNITURE	180,448	-	-	-	180,448	13,329	4,806	-	-	18,135
391	1331090	OFFICE FURN & EQUIP-OFFC EQUIPMT	-	-	-	-	-	-	-	-	-	-
3912	1331090	OFFICE FURN & EQUIP-COMPUTER HARDW	-	-	-	-	-	-	-	-	-	-
392	1331090	AUTOS & TRUCKS	4,917,558	705,583	(642,614)	-	4,980,527	383,397	55,566	(40,493)	-	398,469
393	1331090	STORES EQUIPMENT	36,011	-	-	-	36,011	-	-	-	-	-
394	1331090	TOOLS & WORK EQUIPMENT	837,136	60,604	(5,697)	-	892,043	-	-	-	-	-
39401	1331090	COMP NG STAT & EQUIP	271,352	-	-	-	271,352	-	-	-	-	-
395	1331090	LABORATORY EQUIPMENT	286,475	7,322	-	-	293,796	-	-	-	-	-
396	1331090	POWER OPERATED EQUIPMENT	3,759,018	315,120	(127,377)	-	3,946,761	-	-	-	-	-
397	1331090	COMMUNICATION EQUIPMENT	336,427	6,254	(2,933)	-	339,748	-	-	-	-	-
398	1331090	MISCELLANEOUS EQUIPMENT	50,132	-	-	-	50,132	-	-	-	-	-
39901	1331090	OTHER TANG EQUIP-MAPPING COST	638,509	-	-	-	638,509	-	-	-	-	-
39902	1331090	COMPUTER SOFTWARE	4,683,591	5,733	-	-	4,689,324	-	-	-	-	-
39903	1331090	COMPUTER SOFTWARE	922,408	49,177	(61,363)	-	910,221	-	-	-	-	-
399031	1331090	COMPUTERIZD OFFICE EQUIP	218,900	-	(9,288)	-	209,611	-	-	-	-	-
		SUB TOTAL	23,887,693	1,233,727	(854,623)	-	24,266,797	455,607	60,372	(40,493)	-	475,485
		TOTAL	235,507,700	10,492,214	(2,480,052)	-	243,519,861	2,025,971	376,468	(146,958)	-	2,255,480

		DELTA					PEOPLES KY					
FERC NO	ASSET GL	DESCRIPTION	Beginning Balance	Additions	Retirements	Trans/Adjust	Ending Balance	Beginning Balance	Additions	Retirements	Trans/Adjust	Ending Balance
INTANGIBLE												
301	1311020	ORGANIZATION	53,151	-	-	-	53,151	-	-	-	-	-
302	1311020	FRANCHISE & CONSENTS	-	-	-	-	-	-	-	-	-	-
303	1311020	MISC. INTANGIBLE PLANT	-	-	-	-	-	101,354	33,885	-	-	135,239
		SUB TOTAL	53,151	-	-	-	53,151	101,354	33,885	-	-	135,239
PRODUCTION												
325	1311030	GATHERING LAND & RIGHTS	97,038	17	-	-	97,055	-	-	-	-	-
327	1311050	COMP STAT STRUCTURES	47,947	-	-	-	47,947	-	-	-	-	-
331	1311050	WELL EQUIPMENT	7,795	-	-	(7,795)	-	-	-	-	-	-
332	1311050	FIELD LINES	2,120,526	7,018	(54,430)	-	2,080,910	-	-	-	-	-
333	1311050	COMPRESSOR STAT EQUIPMENT	867,476	20,568	(153,479)	4,500	739,064	-	-	-	-	-
334	1311050	MEASURING & REG STATIONS	180,881	-	(26,743)	-	154,138	-	-	-	-	-
339	1311050	ASSET RETIREMENT COSTS	10,790	-	-	-	10,790	-	-	-	-	-
		SUB TOTAL	3,332,453	27,603	(234,652)	4,500	3,129,904	-	-	-	-	-
STORAGE & PROCESSING												
3500	1311030	STORAGE LAND	74,295	-	-	-	74,295	-	-	-	-	-
####	1311030	STORAGE RIGHT OF WAY	186,821	-	-	-	186,821	-	-	-	-	-
####	1311030	GAS RIGHTS WELLS	1,495	-	-	(1,495)	-	-	-	-	-	-
####	1311030	GAS RIGHTS STORAGE - DELTA	-	-	-	-	-	-	-	-	-	-
351	1311052	STRUCTURES & IMPROVEMENTS	706,162	17,406	-	-	723,568	-	-	-	-	-
352	1311052	STORAGE WELLS	8,219,579	44,221	-	1,495	8,265,295	-	-	-	-	-
3520	1311030	STORAGE RIGHTS	860,396	-	-	-	860,396	-	-	-	-	-
3520	1311052	STORAGE RESERVOIRS	1,759,384	-	-	-	1,759,384	-	-	-	-	-
3520	1311052	NONRECOVERABLE NATURAL GA	294,307	-	-	-	294,307	-	-	-	-	-
353	1311052	STORAGE LINES	6,074,567	8,696	-	-	6,083,263	-	-	-	-	-
354	1311052	STORAGE COMPRESSOR STAT E	4,411,355	66,628	(10,790)	-	4,467,192	-	-	-	-	-
355	1311052	STORAGE MEASURING & REG EQ	1,153,241	-	(2,952)	-	1,150,290	-	-	-	-	-
356	1311052	PURIFICATION EQUIPMENT	6,408,247	8,552	-	-	6,416,799	-	-	-	-	-
357	1311052	STORAGE OTHER EQUIPMENT	109,795	-	-	-	109,795	-	-	-	-	-
358	1311052	ASSET RETIREMENT COSTS	13,116	-	-	-	13,116	-	-	-	-	-
		SUB TOTAL	30,272,760	145,503	(13,742)	-	30,404,521	-	-	-	-	-
TRANSMISSION												
3651	1311030	LAND & RIGHTS	425,056	-	-	-	425,056	-	-	-	-	-
3652	1311030	RIGHTS OF WAY	1,250,583	34	-	-	1,250,617	-	-	-	-	-
####	1311060	LAND RIGHTS DEPRECIABLE	163,626	-	(163,626)	-	-	-	-	-	-	-
366	1311060	STRUCTURES & IMPROVEMENTS	257,175	2,787	(595)	-	259,368	-	-	-	-	-
367	1311060	TRANSMISSION MAINS	26,633,731	941,773	(39,298)	-	27,536,206	-	-	-	-	-
####	1311060	TRANSMISSION MAINS	18,389,359	9,841	-	-	18,399,200	-	-	-	-	-
368	1311060	COMPRESSOR STATION EQUIPM	8,706,862	40,170	(32,636)	-	8,714,395	-	-	-	-	-
369	1311060	MEASURING & REG STAT EQUIPM	4,164,393	17,324	(390,249)	(4,500)	3,786,969	-	-	-	-	-
371	1311060	OTHER EQUIP	441,763	-	(50,629)	-	391,134	-	-	-	-	-
372	1311060	ASSET RETIREMENT COSTS	37,068	-	-	-	37,068	-	-	-	-	-
		SUB TOTAL	60,469,616	1,011,929	(677,032)	(4,500)	60,800,013	-	-	-	-	-
DISTRIBUTION												
374	1311030	DISTRIBUTION RIGHTS OF WAYS	267,120	14,831	-	-	281,951	-	-	-	-	-
####	1311030	DISTRIBUTION LAND	75,837	-	-	-	75,837	-	-	-	-	-
375	1311070	STRUCTURES & IMPROVEMENTS	109,015	-	(3,151)	-	105,864	-	-	-	-	-
376	1311070	DISTRIBUTION MAINS	81,116,811	3,893,676	(241,302)	-	84,769,185	-	-	-	-	-
378	1311070	MEAS & REG STAT - GENERAL	2,076,709	44,965	(12,768)	-	2,108,906	-	-	-	-	-
379	1311070	MEAS & REG STAT - CITY GATE	940,049	8,897	-	-	948,946	-	-	-	-	-
380	1311070	SERVICES	18,872,344	1,226,932	(231,528)	-	19,867,748	-	-	-	-	-
381	1311070	METERS	9,012,709	555,428	(303,708)	-	9,264,429	534,221	41,841	(1,476)	-	574,587
382	1311070	METER & REGULATOR INSTALLAT	3,575,495	101,337	(38,547)	-	3,638,285	1,116,506	54,312	(12,097)	-	1,158,721
383	1311070	HOUSE REGULATORS	4,127,547	98,425	(25,475)	-	4,200,497	-	-	-	-	-
385	1311070	INDUSTRIAL METER SETS	1,671,211	12,655	(30,809)	-	1,653,058	-	-	-	-	-
387	1311070	OTHER EQUIPMENT	-	-	-	-	-	27,914	-	-	-	27,914
388	1311070	ASSET RETIREMENT COSTS	3,280,238	(125,352)	113,860	-	3,268,746	-	-	-	-	-
		SUB TOTAL	125,125,084	5,831,794	(773,427)	-	130,183,451	1,678,641	96,153	(13,572)	-	1,761,222
GENERAL												
389	1331030	LAND & RIGHTS	999,354	-	-	-	999,354	-	-	-	-	-
390	1331090	STRUCTURES & IMPROVEMENTS	5,828,961	83,584	(37,439)	-	5,875,105	58,881	-	-	-	58,881
391	1331090	OFFICE FURN & EQUIP-FURNITUR	-	-	-	-	-	13,329	4,806	-	-	18,135
391	1331090	OFFICE FURN & EQUIP-OFFC EQU	180,448	-	-	-	180,448	-	-	-	-	-
####	1331090	OFFICE FURN & EQUIP-COMPUTEI	-	-	-	-	-	-	-	-	-	-
392	1331090	AUTOS & TRUCKS	4,980,527	765,134	(681,103)	-	5,064,558	398,469	58,027	(8,984)	-	447,512
393	1331090	STORES EQUIPMENT	36,011	-	-	-	36,011	-	-	-	-	-
394	1331090	TOOLS & WORK EQUIPMENT	892,043	156,540	(76,992)	-	971,591	-	-	-	-	-
3940	1331090	COMP NG STAT & EQUIP	271,352	-	-	-	271,352	-	-	-	-	-
395	1331090	LABORATORY EQUIPMENT	293,796	-	(72,402)	-	221,394	-	-	-	-	-
396	1331090	POWER OPERATED EQUIPMENT	3,946,761	248,203	(46,282)	-	4,148,682	-	-	-	-	-
397	1331090	COMMUNICATION EQUIPMENT	339,748	-	(62,106)	-	277,642	-	-	-	-	-
398	1331090	MISCELLANEOUS EQUIPMENT	50,132	-	-	-	50,132	-	-	-	-	-
####	1331090	OTHER TANG EQUIP-MAPPING CO	638,509	-	(247,842)	-	390,667	-	-	-	-	-
####	1331090	COMPUTER SOFTWARE	4,689,324	44,208	(3,371,508)	-	1,362,024	-	-	-	-	-
####	1331090	COMPUTER SOFTWARE	-	2,488,043	-	-	2,488,043	-	-	-	-	-
####	1331090	COMPUTER SOFTWARE	910,221	4,556	(180,333)	-	734,445	-	-	-	-	-
####	1331090	COMPUTERIZD OFFICE EQUIP	209,611	-	(100,540)	-	109,071	-	-	-	-	-
		SUB TOTAL	24,266,797	3,790,268	(4,876,546)	-	23,180,519	470,679	62,833	(8,984)	-	524,528
TOTAL			243,519,861	10,807,097	(6,575,399)	-	247,751,559	2,250,674	192,871	(22,556)	-	2,420,989

			DELTA					PEOPLES KY					
FERC NO	ASSET GL	DEPR EXP GL	DESCRIPTION	Beginning Balance	Additions	Retirements	Trans/Adjust	Ending Balance	Beginning Balance	Additions	Retirements	Trans/Adjust	Ending Balance
INTANGIBLE													
301	1311020	Non Depr	ORGANIZATION	53,151				53,151	-	-	-	-	-
302	1311020		FRANCHISE & CONSENTS	-				-	-	-	-	-	-
303	1311020	5505010	MISC. INTANGIBLE PLANT	3,850,067	674,680			4,524,747	135,239	50,267			185,506
			SUB TOTAL	3,903,217	674,680	-	-	4,577,898	135,239	50,267	-	-	185,506
PRODUCTION													
325	1311030	5501010	GATHERING LAND & RIGHTS	97,055				97,055	-	-	-	-	-
327	1311050	5501030	COMP STAT STRUCTURES	47,947				47,947	-	-	-	-	-
331	1311050	5501030	WELL EQUIPMENT	-				-	-	-	-	-	-
332	1311050	5501030	FIELD LINES	2,080,910	209,713	(324)		2,290,299	-	-	-	-	-
333	1311050	5501030	COMPRESSOR STAT EQUIPMENT	739,064	116,675			855,739	-	-	-	-	-
334	1311050	5501030	MEASURING & REG STATIONS	154,138	106,160			260,298	-	-	-	-	-
339	1311050	5501030	ASSET RETIREMENT COSTS	10,790				-	-	-	-	-	-
			SUB TOTAL	3,129,904	432,547	(324)	-	3,551,337	-	-	-	-	-
STORAGE & PROCESSING													
35001	1311030	Non Depr	STORAGE LAND	74,295				74,295	-	-	-	-	-
####	1311030	Non Depr	STORAGE RIGHT OF WAY	186,821				186,821	-	-	-	-	-
####	1311030	5501033	GAS RIGHTS WELLS	-				-	-	-	-	-	-
####	1311030	5501033	GAS RIGHTS STORAGE - DELTA	-				-	-	-	-	-	-
351	1311052	5501033	STRUCTURES & IMPROVEMENTS	723,568				723,568	-	-	-	-	-
352	1311052	5501033	STORAGE WELLS	8,265,295	(16,218)			8,249,077	-	-	-	-	-
35201	1311030	5505300	STORAGE RIGHTS	860,396				860,396	-	-	-	-	-
35202	1311052	5501033	STORAGE RESERVOIRS	1,759,384				1,759,384	-	-	-	-	-
35203	1311052	5501033	NONRECOVERABLE NATURAL GAS	294,307				294,307	-	-	-	-	-
353	1311052	5501033	STORAGE LINES	6,083,263	3,079			6,086,342	-	-	-	-	-
354	1311052	5501033	STORAGE COMPRESSOR STAT EQUIP	4,467,192	61,237	(3,373)		4,525,056	-	-	-	-	-
355	1311052	5501033	STORAGE MEASURING & REG EQUIP	1,150,290	17,078			1,167,368	-	-	-	-	-
356	1311052	5501033	PURIFICATION EQUIPMENT	6,416,799	9,499			6,426,298	-	-	-	-	-
357	1311052	5501033	STORAGE OTHER EQUIPMENT	109,795				109,795	-	-	-	-	-
358	1311052	5501033	ASSET RETIREMENT COSTS	13,116				-	-	-	-	-	-
			SUB TOTAL	30,404,521	74,674	(3,373)	-	30,462,707	-	-	-	-	-
TRANSMISSION													
3651	1311030	Non Depr	LAND & RIGHTS	425,056				425,056	-	-	-	-	-
3652	1311030	Non Depr	RIGHTS OF WAY	1,250,617				1,250,617	-	-	-	-	-
3653	1311060	5501040	LAND RIGHTS DEPRECIABLE	-				-	-	-	-	-	-
366	1311060	5501040	STRUCTURES & IMPROVMENTS	259,368	9,365			268,733	-	-	-	-	-
367	1311060	5501040	TRANSMISSION MAINS	27,536,206	659,733	(5,126)		28,190,813	-	-	-	-	-
3671	1311060	5501040	TRANSMISSION MAINS	18,399,200				18,399,200	-	-	-	-	-
368	1311060	5501040	COMPRESSOR STATION EQUIPMENT	8,714,395	176,316	(95,759)		8,794,952	-	-	-	-	-
369	1311060	5501040	MEASURING & REG STAT EQUIPMENT	3,786,969	49,414			3,836,383	-	-	-	-	-
371	1311060	5501040	OTHER EQUIP	391,134				391,134	-	-	-	-	-
372	1311060	5501040	ASSET RETIREMENT COSTS	37,068				-	-	-	-	-	-
			SUB TOTAL	60,800,013	894,828	(100,885)	-	61,556,888	-	-	-	-	-
DISTRIBUTION													
374	1311030	Non Depr	DISTRIBUTION RIGHTS OF WAYS	281,951	2,532			284,483	-	-	-	-	-
####	1311030	Non Depr	DISTRIBUTION LAND	75,837				75,837	-	-	-	-	-
375	1311070	5501050	STRUCTURES & IMPROVMENTS	105,864	3,740	(1,311)		108,293	-	-	-	-	-
376	1311070	5501050	DISTRIBUTION MAINS	84,769,185	7,341,094	(221,885)		91,888,393	-	-	-	-	-
378	1311070	5501050	MEAS & REG STAT - GENERAL	2,108,906	68,280	(6,217)		2,170,969	-	-	-	-	-
379	1311070	5501050	MEAS & REG STAT - CITY GATE	948,946		(151)		948,795	-	-	-	-	-
380	1311070	5501050	SERVICES	19,867,748	1,260,098	(58,560)		21,069,286	-	-	-	-	-
381	1311070	5501050	METERS	9,264,429	364,430	(312,877)		9,315,982	574,587	63,545	(59,970)		578,162
382	1311070	5501050	METER & REGULATOR INSTALLATION	3,638,285	187,548	(7,460)		3,818,373	1,158,721	46,985	(8,835)		1,196,871
383	1311070	5501050	HOUSE REGULATORS	4,200,497	124,266	(26,172)		4,298,591	-	-	-	-	-
385	1311070	5501050	INDUSTRIAL METER SETS	1,653,058	35,645	(3,042)		1,685,661	-	-	-	-	-
387	1311070	5501050	OTHER EQUIPMENT	-				-	27,914	-	-	-	27,914
388	1311070	5501050	ASSET RETIREMENT COSTS	3,268,746				-	-	-	-	-	-
			SUB TOTAL	130,183,451	9,387,633	(637,674)	-	135,664,663	1,761,222	110,530	(68,805)	-	1,802,947
GENERAL													
389	1331030	Non Depr	LAND & RIGHTS	999,354		(783)		998,571	-	-	-	-	-
390	1331090	5501020	STRUCTURES & IMPROVEMENTS	5,875,105	141,362	(45,244)		5,971,223	58,881	-	-	-	58,881
391	1331090	5501070	OFFICE FURN & EQUIP-FURNITURE	-				-	18,135	-	-	-	18,135
391	1331090	5501070	OFFICE FURN & EQUIP-OFFC EQUIPMT	180,448	14,563			195,012	-	-	-	-	-
3912	1331090	5501070	OFFICE FURN & EQUIP-COMPUTER HARDW	-				-	-	-	-	-	-
392	1331090	5501060	AUTOS & TRUCKS	5,064,558	484,435	(292,375)		5,256,618	447,512	-	(5,412)		442,100
393	1331090	5501070	STORES EQUIPMENT	36,011				36,011	-	-	-	-	-
394	1331090	5501070	TOOLS & WORK EQUIPMENT	971,591	60,871	(7,559)		1,024,904	-	-	-	-	-
39401	1331090	5501070	COMP NG STAT & EQUIP	271,352				271,352	-	-	-	-	-
395	1331090	5501070	LABORATORY EQUIPMENT	221,394	5,427	(1,605)		225,216	-	-	-	-	-
396	1331090	5501060	POWER OPERATED EQUIPMENT	4,148,682	228,028	(40,418)		4,336,291	-	-	-	-	-
397	1331090	5501070	COMMUNICATION EQUIPMENT	277,642				277,642	-	-	-	-	-
398	1331090	5501070	MISCELLANEOUS EQUIPMENT	50,132				50,132	-	-	-	-	-
####	1331090	5501070	OTHER TANG EQUIP-MAPPING COST	390,667				390,667	-	-	-	-	-
####	1331090	5501070	COMPUTER SOFTWARE	1,362,024				-	-	-	-	-	-
####	1331090	5501070	COMPUTER SOFTWARE	2,488,043				-	-	-	-	-	-
####	1331090	5501070	COMPUTER SOFTWARE	734,445	119,258			853,703	-	-	-	-	-
####	1331090	5501070	COMPUTERIZED OFFICE EQUIP	109,071				109,071	-	-	-	-	-
			SUB TOTAL	23,180,519	1,053,944	(387,984)	-	19,996,412	524,528	-	(5,412)	-	519,116
TOTAL				247,751,559	12,518,306	(1,130,239)	-	255,809,905	2,420,989	160,798	(74,217)	-	2,507,570

		DELTA					PEOPLES KY					
FERC NO	ASSET GL	DESCRIPTION	Beginning Balance	Additions	Retirements	Trans/Adjust	Ending Balance	Beginning Balance	Additions	Retirements	Trans/Adjust	Ending Balance
INTANGIBLE												
301	1311020	ORGANIZATION	53,151	-	-	-	53,151	-	-	-	-	-
302	1311020	FRANCHISE & CONSENTS	-	-	-	-	-	-	-	-	-	-
303	1311020	COMPUTER SOFTWARE OTHER	4,524,747	421,260	-	-	4,946,007	185,506	87,330	(1,211)	-	271,625
303	1311020	COMPUTER SOFTWARE MAJOR	-	-	-	-	-	-	-	-	-	-
		SUB TOTAL	4,577,898	421,260	-	-	4,999,158	185,506	87,330	(1,211)	-	271,625
PRODUCTION												
325	1311030	GATHERING LAND & RIGHTS	97,055	-	-	-	97,055	-	-	-	-	-
327	1311050	COMP STAT STRUCTURES	47,947	-	-	-	47,947	-	-	-	-	-
331	1311050	WELL EQUIPMENT	-	-	-	-	-	-	-	-	-	-
332	1311050	FIELD LINES	2,290,299	-	-	-	2,290,299	-	-	-	-	-
333	1311050	COMPRESSOR STAT EQUIPMENT	855,739	6,871	-	-	862,610	-	-	-	-	-
334	1311050	MEASURING & REG STATIONS	260,298	101,115	(5,879)	-	355,534	-	-	-	-	-
339	1311050	ASSET RETIREMENT COSTS	-	-	-	-	-	-	-	-	-	-
		SUB TOTAL	3,551,337	107,987	(5,879)	-	3,653,445	-	-	-	-	-
STORAGE & PROCESSING												
35001	1311030	STORAGE LAND	74,295	-	-	-	74,295	-	-	-	-	-
35002	1311030	STORAGE RIGHT OF WAY	186,821	-	-	-	186,821	-	-	-	-	-
35005	1311030	GAS RIGHTS WELLS	-	-	-	-	-	-	-	-	-	-
35006	1311030	GAS RIGHTS STORAGE - DELTA	-	-	-	-	-	-	-	-	-	-
351	1311052	STRUCTURES & IMPROVEMENTS	723,568	-	-	-	723,568	-	-	-	-	-
352	1311052	STORAGE WELLS	8,249,077	-	-	-	8,249,077	-	-	-	-	-
35201	1311030	STORAGE RIGHTS	860,396	-	-	-	860,396	-	-	-	-	-
35202	1311052	STORAGE RESERVOIRS	1,759,384	-	-	-	1,759,384	-	-	-	-	-
35203	1311052	NONRECOVERABLE NATURAL GAS	294,307	-	-	-	294,307	-	-	-	-	-
353	1311052	STORAGE LINES	6,086,342	-	-	-	6,086,342	-	-	-	-	-
354	1311052	STORAGE COMPRESSOR STAT EQUIP	4,525,056	2,619	(1,094)	-	4,526,581	-	-	-	-	-
355	1311052	STORAGE MEASURING & REG EQUIP	1,167,368	-	-	-	1,167,368	-	-	-	-	-
356	1311052	PURIFICATION EQUIPMENT	6,426,298	-	-	-	6,426,298	-	-	-	-	-
357	1311052	STORAGE OTHER EQUIPMENT	109,795	-	-	-	109,795	-	-	-	-	-
358	1311052	ASSET RETIREMENT COSTS	-	-	-	-	-	-	-	-	-	-
		SUB TOTAL	30,462,707	2,619	(1,094)	-	30,464,231	-	-	-	-	-
TRANSMISSION												
3651	1311030	LAND & RIGHTS	425,056	-	-	-	425,056	-	-	-	-	-
3652	1311030	RIGHTS OF WAY	1,250,617	-	-	-	1,250,617	-	-	-	-	-
3653	1311060	LAND RIGHTS DEPRECIABLE	-	-	-	-	-	-	-	-	-	-
366	1311060	STRUCTURES & IMPROVMENTS	268,733	86,671	-	-	355,403	-	-	-	-	-
367	1311060	TRANSMISSION MAINS	28,190,813	243,108	(28,574)	-	28,405,348	-	-	-	-	-
3671	1311060	TRANSMISSION MAINS	18,399,200	-	-	-	18,399,200	-	-	-	-	-
368	1311060	COMPRESSOR STATION EQUIPMENT	8,794,952	12,021	(11,476)	-	8,795,497	-	-	-	-	-
369	1311060	MEASURING & REG STAT EQUIPMENT	3,836,383	794,321	(46,923)	15,241	4,599,023	-	-	-	-	-
371	1311060	OTHER EQUIP	391,134	-	-	-	391,134	-	-	-	-	-
372	1311060	ASSET RETIREMENT COSTS	-	-	-	-	-	-	-	-	-	-
		SUB TOTAL	61,556,888	1,136,121	(86,973)	15,241	62,621,278	-	-	-	-	-
DISTRIBUTION												
374	1311030	DISTRIBUTION RIGHTS OF WAYS	284,483	2,884	(4,250)	-	283,117	-	-	-	-	-
37401	1311030	DISTRIBUTION LAND	75,837	-	-	-	75,837	-	-	-	-	-
375	1311070	STRUCTURES & IMPROVMENTS	108,293	5,084	-	-	113,377	-	-	-	-	-
376	1311070	DISTRIBUTION MAINS	91,888,393	6,089,528	(318,513)	(4,910)	97,654,497	-	-	-	-	-
378	1311070	MEAS & REG STAT - GENERAL	2,170,969	28,512	(5,147)	-	2,194,334	-	-	-	-	-
379	1311070	MEAS & REG STAT - CITY GATE	948,795	-	-	(15,241)	933,554	-	-	-	-	-
380	1311070	SERVICES	21,069,286	1,502,589	(56,562)	4,910	22,520,223	-	-	-	-	-
381	1311070	METERS	9,315,982	400,538	(366,700)	-	9,349,821	578,162	116,763	-	-	694,925
382	1311070	METER & REGULATOR INSTALLATION	3,818,373	294,080	(9,430)	-	4,103,023	1,196,871	76,614	(6,167)	-	1,267,318
383	1311070	HOUSE REGULATORS	4,298,591	174,269	(16,554)	-	4,456,306	-	-	-	-	-
385	1311070	INDUSTRIAL METER SETS	1,685,661	138,306	(42,334)	-	1,781,633	-	-	-	-	-
387	1311070	OTHER EQUIPMENT	-	-	-	-	-	27,914	-	-	-	27,914
388	1311070	ASSET RETIREMENT COSTS	-	-	-	-	-	-	-	-	-	-
		SUB TOTAL	135,664,663	8,635,791	(819,491)	(15,241)	143,465,722	1,802,947	193,377	(6,167)	-	1,990,157
GENERAL												
389	1331030	LAND & RIGHTS	998,571	-	-	-	998,571	-	-	-	-	-
390	1331090	STRUCTURES & IMPROVEMENTS	5,971,223	23,143	(22,558)	-	5,971,808	58,881	-	-	-	58,881
391	1331090	OFFICE FURN & EQUIP-FURNITURE	-	-	-	-	-	18,135	-	-	-	18,135
391	1331090	OFFICE FURN & EQUIP-OFFC EQUIPMT	195,012	-	(16,605)	-	178,407	-	-	-	-	-
3912	1331090	OFFICE FURN & EQUIP-COMPUTER HARDW	-	-	-	-	-	-	-	-	-	-
392	1331090	AUTOS & TRUCKS	5,256,618	538,192	(291,014)	-	5,503,796	442,100	-	-	-	442,100
393	1331090	STORES EQUIPMENT	36,011	-	-	-	36,011	-	-	-	-	-
394	1331090	TOOLS & WORK EQUIPMENT	1,024,904	27,082	(271,130)	-	780,855	-	-	-	-	-
39401	1331090	COMP NG STAT & EQUIP	271,352	-	-	-	271,352	-	-	-	-	-
395	1331090	LABORATORY EQUIPMENT	225,216	21,435	(50,980)	-	195,671	-	-	-	-	-
396	1331090	POWER OPERATED EQUIPMENT	4,336,291	87,971	(84,611)	-	4,339,652	-	-	-	-	-
397	1331090	COMMUNICATION EQUIPMENT	277,642	-	(40,016)	-	237,626	-	-	-	-	-
398	1331090	MISCELLANEOUS EQUIPMENT	50,132	-	-	-	50,132	-	-	-	-	-
39901	1331090	OTHER TANG EQUIP-MAPPING COST	390,667	-	(125,127)	-	265,540	-	-	-	-	-
39902	1331090	COMPUTER SOFTWARE	-	-	-	-	-	-	-	-	-	-
#####	1331090	COMPUTER SOFTWARE	-	-	-	-	-	-	-	-	-	-
39903	1331090	COMPUTER SOFTWARE	853,703	100,937	(133,854)	-	820,786	-	-	-	-	-
#####	1331090	COMPUTERIZD OFFICE EQUIP	109,071	-	-	-	109,071	-	-	-	-	-
		SUB TOTAL	19,996,412	798,760	(1,035,895)	-	19,759,278	519,116	-	-	-	519,116
		TOTAL	255,809,905	11,102,538	(1,949,332)	0	264,963,112	2,507,570	280,707	(7,378)	-	2,780,899

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

FIRST ATTORNEY GENERAL DATA REQUEST
DATED JULY 14, 2021

17. **Provide Trial Balance (UPDATE).** Provide a separate Trial Balance for Delta and PKY of all income statement and balance sheet accounts (including subaccounts) in the following format for periods 2019, 2020, and 2021 (and provide monthly updates for the 2021 Trial Balance as they become available):
- a. For the calendar year Trial Balances for 2019, 2020, and 2021 year-to-date (provide monthly Trial Balance updates for 2021 as they become available), for each account number, provide columns showing:
 - i) the monthly balance for each account.
 - ii) the change in the monthly balance from the prior month (for each account).
 - iii) the change in the monthly balance from the same month of the prior year (for each account).
 - iv) the cumulative year-to-date balance for each account (for example, for September 2019, the cumulative balance from January 2019 to September 2019 for each account would be provided).
 - v) The change in the cumulative year-to-date balance from the cumulative year-to-date balances of the prior year (for each account).

Response:

- a. See attached for the response to subparts i) and ii). The information requested in subparts iii), iv) and v) can be calculated using the attachment provided.

Sponsoring Witness: Andrea Schroeder

September 21, 2021 Supplemental Response:

- a. See attached that includes monthly trial balance statements for Delta and PKY through August 2021.

Account Nu	Text for B/S P&L Item	Dec-20	Change	Jan-21	Change	Feb-21	Change	Mar-21	Change	Apr-21	Change	May-21	Change	Jun-21	Change	Jul-21	Change	Aug-21
	ASSETS & OTHER DEBITS:																	
	UTILITY PLANT:																	
9101000	9101000 Plant in Service	265,024,087	(105,145)	264,918,942	100,890	265,019,821	554,111	265,573,932	534,221	266,108,153	334,092	266,442,235	740,449	267,182,684	629,124	267,811,808	1,287,626	269,099,434
9114000	9114000 Plant Accumulation Adjustments	(580,759)	-	(580,759)	-	(580,759)	-	(580,759)	-	(580,759)	-	(580,759)	-	(580,759)	-	(580,759)	-	(580,759)
	Utility Plant (101-106,134)	264,443,327	(105,145)	264,338,183	100,890	264,439,062	554,111	264,993,173	534,221	265,577,394	334,082	265,961,476	740,449	266,691,925	629,124	267,231,049	1,287,626	268,518,675
9107000	9107000 Construction Work in Progress	4,575,747	-	4,575,747	-	4,575,747	-	4,575,747	-	4,575,747	-	4,575,747	-	4,575,747	-	4,575,747	-	4,575,747
	Construction Work in Progress (107)	4,575,747	235,867	4,811,614	382,411	5,194,025	298,379	5,492,404	642,713	6,135,117	1,011,531	7,146,648	504,913	7,651,561	1,611,508	9,263,070	561,102	9,824,173
	Total Utility Plant (Gross)	269,019,074	130,722	269,149,796	483,291	269,633,087	852,490	270,485,577	1,176,934	271,662,511	1,345,613	273,008,124	1,245,362	274,253,486	2,240,633	276,494,119	1,848,728	278,342,848
9108000	9108000 Accumulated Depreciation-Utility Plant	(114,106,809)	(610,275)	(114,717,084)	(623,114)	(115,342,198)	(582,482)	(115,924,660)	(574,370)	(116,499,050)	(605,171)	(117,104,211)	(680,690)	(117,684,911)	(519,619)	(118,204,500)	(457,652)	(118,662,182)
9111000	9111000 Accumulated Amortization-Utility Plant	(2,217,007)	(31,193)	(2,248,200)	(31,194)	(2,279,393)	(31,842)	(2,310,236)	(31,842)	(2,341,079)	(31,885)	(2,371,964)	(32,893)	(2,402,857)	(32,137)	(2,433,744)	(32,137)	(2,464,631)
9115000	9115000 Accum Pro for Amort of Plant Acquisit	580,759	-	580,759	-	580,759	-	580,759	-	580,759	-	580,759	-	580,759	-	580,759	-	580,759
	Accum Pro for Dep & Amort (108,111,115)	(118,149,057)	(641,468)	(118,790,525)	(654,307)	(119,444,832)	(614,325)	(119,959,157)	(606,297)	(120,523,486)	(637,068)	(121,032,510)	(613,583)	(119,916,003)	(551,756)	(120,467,749)	(489,789)	(120,957,538)
	Net Utility Plant	152,870,017	(171,016)	152,699,001	(171,016)	152,390,893	(624,121)	151,565,927	570,637	152,967,057	708,557	153,705,614	631,779	154,337,393	1,688,877	155,026,271	1,358,940	155,385,210
	Total Net Utility Plant	152,870,017	(171,016)	152,699,001	(171,016)	152,390,893	(624,121)	151,565,927	570,637	152,967,057	708,557	153,705,614	631,779	154,337,393	1,688,877	155,026,271	1,358,940	155,385,210
9117300	9117300 Gas Stored in Reservoirs and Pipelines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Gas Stored Underground, Non-Curr. (117)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Utility Plant	152,870,017	(171,016)	152,699,001	(171,016)	152,390,893	(624,121)	151,565,927	570,637	152,967,057	708,557	153,705,614	631,779	154,337,393	1,688,877	155,026,271	1,358,940	155,385,210
	OTHER PROPERTY & INVESTMENTS:																	
9128000	9128000 Other Special Funds	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976
	Other Special Funds (128)	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976
	TOTAL OTHER PROPERTY & INVESTMENT	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976	-	2,144,976
	CURRENT & ACCRUED ASSETS:																	
9131000	9131000 Cash	361,496	(168,644)	202,852	3,975,108	4,177,960	(3,790,153)	387,806	(136,903)	250,903	(2,527)	248,376	(8,144)	240,233	239,632	479,865	(294,426)	185,438
	Cash (191)	361,496	(168,644)	202,852	3,975,108	4,177,960	(3,790,153)	387,806	(136,903)	250,903	(2,527)	248,376	(8,144)	240,233	239,632	479,865	(294,426)	185,438
9135000	9135000 Working Funds	4,575	-	4,575	-	4,575	-	4,575	-	4,575	-	4,575	-	4,575	-	4,575	-	4,575
	Working Fund (135)	4,575	-	4,575	-	4,575	-	4,575	-	4,575	-	4,575	-	4,575	-	4,575	-	4,575
9142000	9142000 Customer Accounts Receivable	1,411,385	(112,525)	1,298,860	406,126	1,704,986	2,676,676	4,381,663	(2,565,881)	1,815,782	252,377	2,068,159	544,190	2,612,339	(1,148,150)	1,464,188	(31,840)	1,432,349
	Customer Accounts Receivable (142)	1,411,385	(112,525)	1,298,860	406,126	1,704,986	2,676,676	4,381,663	(2,565,881)	1,815,782	252,377	2,068,159	544,190	2,612,339	(1,148,150)	1,464,188	(31,840)	1,432,349
9143000	9143000 Other Accounts Receivable	137,320	211,456	348,776	154,748	503,525	546	504,071	(383,911)	120,160	2,688	1,227,847	(1,299)	1,215,546	1,907	1,233,455	962	1,244,417
	Other Accounts Receivable (143)	137,320	211,456	348,776	154,748	503,525	546	504,071	(383,911)	120,160	2,688	1,227,847	(1,299)	1,215,546	1,907	1,233,455	962	1,244,417
9144000	9144000 Accumulated Provision for Uncollectible	(300,941)	(23,307)	(324,248)	(26,453)	(350,701)	(259,050)	(380,741)	(33,488)	(643,274)	(33,411)	(922,747)	(92,631)	(1,015,378)	(92,631)	(1,108,009)	(92,631)	(1,200,642)
	Accum Prov - Uncollectible Accts (144)	(300,941)	(23,307)	(324,248)	(26,453)	(350,701)	(259,050)	(380,741)	(33,488)	(643,274)	(33,411)	(922,747)	(92,631)	(1,015,378)	(92,631)	(1,108,009)	(92,631)	(1,200,642)
9145000	9145000 Notes Receivable from Associated Com	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Notes Rec - Associated Companies (145)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9146000	9146000 Accounts Receivable from Associated C	529,540	839,933	1,369,472	(101,629)	1,267,843	(797,533)	470,310	(129,500)	340,810	113,338	454,148	(126,214)	327,933	(111,797)	216,136	155,382	371,518
	Accs Receivable from Assoc. Cos (146)	529,540	839,933	1,369,472	(101,629)	1,267,843	(797,533)	470,310	(129,500)	340,810	113,338	454,148	(126,214)	327,933	(111,797)	216,136	155,382	371,518
9154000	9154000 Plant Materials & Operating Supplies	600,821	(64,733)	536,088	98,869	634,957	98,869	693,826	87,050	776,813	33,328	809,941	59,819	869,760	240,523	1,110,284	109,283	1,219,567
	Plant Materials & Operating Supplies (154)	600,821	(64,733)	536,088	98,869	634,957	98,869	693,826	87,050	776,813	33,328	809,941	59,819	869,760	240,523	1,110,284	109,283	1,219,567
9164100	9164100 Gas Stored - Current	875,744	(450,088)	425,657	(24,508)	401,059	(179,496)	221,563	1,629,360	1,850,923	513,105	2,364,028	(28,233)	2,335,795	-	2,335,795	-	2,335,795
	Gas Stored Underground - Current (164.1)	875,744	(450,088)	425,657	(24,508)	401,059	(179,496)	221,563	1,629,360	1,850,923	513,105	2,364,028	(28,233)	2,335,795	-	2,335,795	-	2,335,795
9165000	9165000 Prepayments	1,020,429	(211,115)	809,313	(21,115)	788,198	(1,246,441)	(268,242)	941,151	(18,524)	922,627	(649,105)	273,523	(13,340)	260,182	(14,155)	246,027	-
	Prepayments (165)	1,020,429	(211,115)	809,313	(21,115)	788,198	(1,246,441)	(268,242)	941,151	(18,524)	922,627	(649,105)	273,523	(13,340)	260,182	(14,155)	246,027	-
9173000	9173000 Accrued Utility Revenues	6,199,759	(64,733)	6,135,026	5,847,169	(4,103,313)	1,843,856	1,015,823	2,859,879	(798,925)	2,060,954	(1,348,375)	782,378	863,372	1,659,750	1,827,871	1,522,893	1,522,893
	Accrued Utility Revenues (173)	6,199,759	(64,733)	6,135,026	5,847,169	(4,103,313)	1,843,856	1,015,823	2,859,879	(798,925)	2,060,954	(1,348,375)	782,378	863,372	1,659,750	1,827,871	1,522,893	1,522,893
9174000	9174000 Miscellaneous Current & Accrued Asset	700,930	(64,926)	636,004	(262,435)	373,568	(121,601)	251,968	(40,784)	211,184	245,836	457,020	20,880	477,900	669,528	1,147,428	(600,240)	547,188
	Misc. Current & Accrued Assets (174)	700,930	(64,926)	636,004	(262,435)	373,568	(121,601)	251,968	(40,784)	211,184	245,836	457,020	20,880	477,900	669,528	1,147,428	(600,240)	547,188
	TOTAL CURRENT & ACCRUED ASSETS	11,541,432	(427,530)	11,113,903	4,487,973	15,601,875	(7,724,530)	7,877,345	651,159	8,528,504	347,254	8,875,759	(1,573,039)	7,302,720	834,178	8,136,898	(755,152)	7,381,746
	DEFERRED DEBITS:																	
9181000	9181000 Unamortized Debt Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Unamortized Debt Expense (181)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9182000	9182000 Other Regulatory Assets	2,086,025	(37,729)	2,048,296	(4,989)	2,043,308	467,396	2,510,704	32,213	2,542,917	48,187	2,591,104	185,059	2,776,163	74,444	2,850,606	78,018	2,928,624
	Other Regulatory Assets (182.3)	2,086,025	(37,729)	2,048,296	(4,989)	2,043,308	467,396	2,510,704	32,213	2,542,917	48,187	2,591,104	185,059	2,776,163	74,444	2,850,606	78,018	2,928,624
9184000	9184000 Clearing Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Clearing Accounts (184)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9186000	9186000 Miscellaneous Deferred Debits	10,000	-	10,000	-	10,000	-	1										

Account N	Text for B/S P&L Item	December-20	Change	January-21	Change	February-21	Change	March-21	Change	April-21	Change	May-21	Change	June-21	Change	July-21	Change	August-21
	ASSETS & OTHER DEBITS:																	
	UTILITY PLANT:																	
9101000	9101000 Plant In Service	2,790,899	8,900	2,789,799	58,324	2,848,123	2,055	2,850,178	4,548	2,854,726	5,563	2,860,290	15,562	2,875,851	12,270	2,888,121	13,229	2,901,351
9101100	9101100 Property Under Capital Leases	91,470	-	91,470	-	91,470	(5,998)	85,472	-	85,472	-	85,472	(6,054)	79,418	-	79,418	-	79,418
	Utility Plant (101,-106,114)	2,872,369	8,900	2,881,269	58,324	2,939,593	(3,943)	2,935,650	4,548	2,940,198	5,563	2,945,761	9,508	2,955,269	12,270	2,967,539	13,229	2,980,769
9107000	9107000 Construction Work in Progress	10,157	1,728	11,884	1,312	13,196	3,059	16,255	5,279	21,534	7,455	28,989	10,316	39,305	5,403	44,708	7,175	51,883
	Construction Work in Progress (107)	10,157	1,728	11,884	1,312	13,196	3,059	16,255	5,279	21,534	7,455	28,989	10,316	39,305	5,403	44,708	7,175	51,883
	Total Utility Plant (Gross)	2,882,525	10,628	2,893,153	59,636	2,952,788	(884)	2,951,904	9,828	2,961,732	13,018	2,974,750	19,824	2,994,574	17,673	3,012,248	20,404	3,032,652
9108000	9108000 Accumulated Depreciation-Utility Plant	(699,839)	(7,900)	(707,739)	(8,203)	(715,943)	(8,163)	(724,106)	(8,213)	(732,318)	(8,169)	(740,487)	(8,210)	(748,214)	(8,210)	(756,424)	(8,153)	(764,577)
9111000	9111000 Accumulated Amortization-Utility Plant	(148,385)	(3,064)	(151,449)	(3,069)	(154,518)	(3,069)	(157,586)	(3,072)	(160,658)	(3,072)	(163,730)	(3,066)	(166,796)	(3,066)	(169,861)	(3,066)	(172,928)
	Accum Prov for Depr & Amort (108,111,115)	(846,234)	(10,965)	(857,199)	(11,272)	(870,460)	(11,331)	(881,692)	(11,285)	(892,976)	(11,241)	(904,217)	(11,792)	(915,010)	(11,278)	(926,265)	(11,219)	(937,505)
	Net Utility Plant	2,034,302	(337)	2,033,965	48,364	2,082,328	(12,116)	2,070,213	(1,457)	2,068,756	1,777	2,070,533	9,032	2,079,565	6,398	2,085,962	9,185	2,095,147
	Total Net Utility Plant	2,034,302	(337)	2,033,965	48,364	2,082,328	(12,116)	2,070,213	(1,457)	2,068,756	1,777	2,070,533	9,032	2,079,565	6,398	2,085,962	9,185	2,095,147
	TOTAL UTILITY PLANT	2,034,302	(337)	2,033,965	48,364	2,082,328	(12,116)	2,070,213	(1,457)	2,068,756	1,777	2,070,533	9,032	2,079,565	6,398	2,085,962	9,185	2,095,147
	OTHER PROPERTY & INVESTMENTS:																	
9128000	9128000 Other Special Funds	1,250	-	1,250	-	1,250	-	1,250	-	1,250	-	1,250	-	1,250	-	1,250	-	1,250
	Other Special Funds (128)	1,250	-	1,250	-	1,250	-	1,250	-	1,250	-	1,250	-	1,250	-	1,250	-	1,250
	TOTAL OTHER PROPERTY & INVESTMENTS	1,250	-	1,250	-	1,250	-	1,250	-	1,250	-	1,250	-	1,250	-	1,250	-	1,250
	CURRENT & ACCRUED ASSETS:																	
9131000	9131000 Cash	14,440	1,689	18,129	9,164	25,293	(12,926)	12,367	(191)	12,176	4,360	16,536	13,570	30,106	(15,873)	14,233	(733)	13,500
	Cash (131)	14,440	1,689	18,129	9,164	25,293	(12,926)	12,367	(191)	12,176	4,360	16,536	13,570	30,106	(15,873)	14,233	(733)	13,500
9142000	9142000 Customer Accounts Receivable	143,082	110,858	253,940	15,755	269,695	(28,612)	241,083	(45,598)	195,485	27,108	222,593	(44,331)	178,261	(24,568)	153,693	(34,867)	118,826
	Customer Accounts Receivable (142)	143,082	110,858	253,940	15,755	269,695	(28,612)	241,083	(45,598)	195,485	27,108	222,593	(44,331)	178,261	(24,568)	153,693	(34,867)	118,826
9144000	9144000 Accumulated Provision for Uncollectible A	(31,100)	(2,725)	(33,825)	697	(33,128)	(15,917)	(49,045)	(511)	(49,556)	(1,061)	(50,617)	1,657	(48,961)	1,757	(47,204)	2,594	(44,610)
	Accum Prov - Uncollectible Accts (144)	(31,100)	(2,725)	(33,825)	697	(33,128)	(15,917)	(49,045)	(511)	(49,556)	(1,061)	(50,617)	1,657	(48,961)	1,757	(47,204)	2,594	(44,610)
9146000	9146000 Accounts Receivable from Associated Co	29,302	(12,116)	17,186	13,356	30,542	4,774	35,315	(9,029)	26,286	(5,662)	20,624	(6,853)	14,771	3,121	17,892	(2,129)	15,763
	Accts Receivable from Assoc. Co.'s (146)	29,302	(12,116)	17,186	13,356	30,542	4,774	35,315	(9,029)	26,286	(5,662)	20,624	(6,853)	14,771	3,121	17,892	(2,129)	15,763
9154000	9154000 Plant Materials & Operating Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Plant Materials & Operating Supplies (154)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9165000	9165000 Prepayments	143,115	20,937	164,052	(2,702)	161,350	85,762	247,112	(92,063)	155,049	(4,006)	151,043	(121,766)	29,278	(2,664)	26,614	4,432	31,046
	Prepayments (165)	143,115	20,937	164,052	(2,702)	161,350	85,762	247,112	(92,063)	155,049	(4,006)	151,043	(121,766)	29,278	(2,664)	26,614	4,432	31,046
9173000	9173000 Accrued Utility Revenues	180,231	11,044	191,275	(43,147)	148,128	(83,275)	64,853	26,448	91,301	(27,021)	64,280	(17,978)	46,302	1,612	47,914	4,819	52,733
	Accrued Utility Revenues (173)	180,231	11,044	191,275	(43,147)	148,128	(83,275)	64,853	26,448	91,301	(27,021)	64,280	(17,978)	46,302	1,612	47,914	4,819	52,733
	TOTAL CURRENT & ACCRUED ASSETS	479,070	128,887	608,757	(6,878)	601,879	(50,193)	551,686	(120,945)	430,741	(6,283)	424,458	(174,701)	249,758	(36,616)	213,142	(25,884)	187,258
	DEFERRED DEBITS:																	
9181000	9181000 Unamortized Debt Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Unamortized Debt Expenses (181)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9182300	9182300 Other Regulatory Assets	5,996	-	5,996	-	5,996	20,414	26,410	990	27,400	11,179	38,579	27,550	66,129	17,105	83,234	24,420	107,654
	Other Regulatory Assets (182.3)	5,996	-	5,996	-	5,996	20,414	26,410	990	27,400	11,179	38,579	27,550	66,129	17,105	83,234	24,420	107,654
9184000	9184000 Clearing Accounts	-	-	-	-	-	-	-	-	-	-	-	(0)	(0)	(0)	(1)	-	(1)
	Clearing Accounts (184)	-	-	-	-	-	-	-	-	-	-	-	(0)	(0)	(0)	(1)	-	(1)
9186000	9186000 Miscellaneous Deferred Debits	-	-	-	1	1	-	1	12	13	12	25	25	25	25	25	25	25
	Miscellaneous Deferred Debits (186)	-	-	-	1	1	-	1	12	13	12	25	25	25	25	25	25	25
9190000	9190000 Accumulated Deferred Income Taxes	238,783	-	238,783	-	238,783	(20,919)	217,864	-	217,864	-	217,864	(371)	217,493	-	217,493	-	217,493
	Accumulated Deferred Income Taxes (190)	238,783	-	238,783	-	238,783	(20,919)	217,864	-	217,864	-	217,864	(371)	217,493	-	217,493	-	217,493
9191000	9191000 Unrecovered Purchased Gas Costs	(144,148)	(14,879)	(159,027)	51,517	(107,510)	86,502	(21,008)	13,368	(7,640)	27,262	19,621	12,270	31,891	7,711	39,602	7,158	46,760
	Unrecovered Purchased Gas Costs (191)	(144,148)	(14,879)	(159,027)	51,517	(107,510)	86,502	(21,008)	13,368	(7,640)	27,262	19,621	12,270	31,891	7,711	39,602	7,158	46,760
	TOTAL DEFERRED DEBITS	100,630	(14,879)	85,752	51,518	137,270	85,997	223,267	14,370	237,637	38,452	276,089	39,449	315,538	24,815	340,353	31,578	371,931
	TOTAL ASSETS & OTHER DEBITS	2,615,252	114,472	2,729,723	93,004	2,822,727	23,688	2,846,415	(108,032)	2,738,384	33,946	2,772,330	(126,220)	2,646,110	(5,403)	2,640,707	14,879	2,655,586
	LIABILITIES & OTHER CREDITS:																	
	PROPRIETARY CAPITAL:																	
9211000	9211000 Miscellaneous Paid-In Capital	(1,823,252)	-	(1,823,252)	-	(1,823,252)	61,825	(1,761,426)	-	(1,761,426)	-	(1,761,426)	-	(1,761,426)	-	(1,761,426)	-	(1,761,426)
	Other Paid-In Capital (208-211)	(1,823,252)	-	(1,823,252)	-	(1,823,252)	61,825	(1,761,426)	-	(1,761,426)	-	(1,761,426)	-	(1,761,426)	-	(1,761,426)	-	(1,761,426)
9216000	9216000 Unappropriated Retained Earnings	(140,747)	823,620	682,873	-	682,873	-	682,873	-	682,873	-	682,873	-	682,873	-	682,873	-	682,873
	Retained Earnings - Prior Year Balance	(140,747)	823,620	682,873	-	682,873	-	682,873	-	682,873	-	682,873	-	682,873	-	682,873	-	682,873
	Current Year Loss	823,620	(805,066)	18,555	51,835	70,389	(7,204)	63,185	51,098	114,283	38,921	153,204	47,493	200,698	69,214	269,912	81,697	351,609
	Retained Earnings (215, 215.1, 216)	682,873	18,555	701,428	51,835	753,263	(7,204)	746,058	51,098	797,156	38,921	836,078	47,493	883,571	69,214	952,785	81,697	1,034,482
9219000	9219000 Accumulated Other Comprehensive Incor	-	-	-	-	-	-	-	-	-	-	-	2,149	2,149	-	2,149	-	2,149
	Accum Other Comprehensive Income (219)	-	-	-	-	-	-	-	-	-	-	-	2,149	2,149	-	2,149	-	2,149
	TOTAL PROPRIETARY CAPITAL	(1,140,378)	18,555	(1,121,824)	51,835	(1,069,989)	54,621	(1,015,368)	51,098	(964,270)	38,921	(925,348)	49,642	(875,707)	69,214	(806,493)	81,697	(724,795)
	LONG TERM DEBT:																	
9232000	9232000 Advances from Associated Companies	(318,800)	-	(318,800)	-													

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DATED AUGUST 25, 2021

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

Response:

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

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

Sponsoring Witness: John B. Brown

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

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

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

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

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

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

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

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

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

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

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Response:

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

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

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

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

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

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

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

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

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

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

Sponsoring Witness: John B. Brown / Jonathan Morphew

DELTA NATURAL GAS COMPANY, INC.
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SECOND PSC DATA REQUEST
DATED JULY 12, 2021

17. Refer to the Morpew Testimony, page 10, line 9. The proposed timeline provided for the Nicholasville Project projected the end of the 2023 construction season. Explain how Delta developed this aggressive timeline when preliminary right of way easements and required permitting has not yet begun.

Response:

Delta developed a swift timeline in order to address the redundancy and capacity issues in the Nicholasville system as soon as reasonably possible.

In connection with the recent 5-year planning process, Delta reexamined the capital plans and determined that extending the Nicholasville Project through 2025 would be more realistic than trying to complete the project on a more compressed timeline. As Delta explained in response to Question No. 15(b), all changes to the capital budget occur after the end of the forecasted test year so the change in the Nicholasville Project timeline does not impact Delta's proposed rates. A copy of the updated capital budget is attached.

Sponsoring Witness: Jonathan Morpew

<u>Budget ID</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Total</u>
IT	3,147,261	391,289	185,479	262,393	164,639	4,151,061
JBB	1,080,852	1,232,547	1,184,000	1,145,696	1,159,000	5,802,095
JWM	13,110,199	14,330,505	19,873,326	20,203,278	10,896,500	78,413,808
DCC	-	10,000	10,000	10,000	-	30,000
Subtotal Delta	<u>17,338,312</u>	<u>15,964,341</u>	<u>21,252,805</u>	<u>21,621,367</u>	<u>12,220,139</u>	<u>88,396,964</u>
IT	97,922	100,784	136,574	67,600	51,762	454,642
JWM	200,000	200,000	200,000	200,000	200,000	1,000,000
Subtotal PKY	<u>297,922</u>	<u>300,784</u>	<u>336,574</u>	<u>267,600</u>	<u>251,762</u>	<u>1,454,642</u>
GRAND TOTAL	17,636,234	16,265,125	21,589,379	21,888,967	12,471,901	89,851,606
CHECK	<u>17,636,234</u>	<u>16,265,125</u>	<u>21,589,379</u>	<u>21,888,967</u>	<u>12,471,901</u>	<u>89,851,606</u>
	-	-	-	-	-	-
Remove Enpro (Nonreg)	<u>24,000</u>	24,000	24,000	24,000	24,000	
	<u>17,612,234</u>	<u>16,241,125</u>	<u>21,565,379</u>	<u>21,864,967</u>	<u>12,447,901</u>	
Per Rate Model (Delta and PKY)	<u>17,612,234</u>					

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SECOND PSC DATA REQUEST
DATED JULY 12, 2021

15. Refer to the Morphew Testimony, page 8.
- a. Explain why Delta did not defer the CPCN request until more information is available to the Commission to make a better informed decision.
 - b. State whether there are any costs associated with the Nicholasville Project included in the future test-year data provided in this case. If so, provide those amounts.
 - c. Provide more specific examples of any safety issues, operational situations involving lack of redundancy availability, and/or capacity (low pressure) incidents that have factored into the need for this project
 - d. Provide data to the support the statement that growth in the Delta service territory of Jessamine County does not contradict previous testimony that forecasted customer growth is zero.

Response:

- a. Delta sought the CPCN in this proceeding so that it did not incur significant engineering and acquisition costs before the Commission reviewed and approved the project. Such an approach is beneficial to customers in the event the Commission determines it cannot grant a CPCN.
- b. There are costs associated with the Nicholasville Project included in the future test-year data provided in this case. The costs include \$1,750,299 for the right-of-way acquisition of the entire Nicholasville Project in 2022. As described further in Delta's response to Question No. 17, Delta recently revised its capital plans in connection with Essential's recent 5-year planning process. The main change of significance was to stretch the Nicholasville Project through 2025

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SECOND PSC DATA REQUEST
DATED JULY 12, 2021

instead of trying to complete the project on a more compressed timeline. All changes in the budget are beyond the forecasted test year; there are no changes to the amounts budgeted in the forecasted test year. Beyond the forecasted test year, Delta has budgeted \$2,564,005 in 2023 for all metering and regulating station construction and tap fees associated with the purchase station facilities, \$7,541,825 in 2024 for construction of one-half of the Nicholasville Project, and \$7,541,825 in 2025 for construction of the remaining half of the Nicholasville Project.

c. In 2014, the Nicholasville area experienced extreme cold weather conditions for an extended period of time. During this time, Kentucky Utilities was unable to provide electric service to a large portion of Delta's Nicholasville service area. As a result, Delta's customers were unable to use gas heat during the outage. When Kentucky Utilities restored electric service, it created a natural gas load demand throughout the system that Delta had never previously experienced in the history of its Nicholasville operations. Delta personnel were dispatched to key locations within the system to closely monitor pressure and volume levels as system recovery was re-established. As a result of the concentration effort by Delta Operations, Delta sustained supply throughout the system and there was no loss of service to customers. However, the Brannon crossing area on the north side of Nicholasville dropped to 1 psi pressure during the electric outage. This area has experienced significant commercial and residential gas load requirements in recent years. Since the 2014 electric outage, Delta has implemented system upgrades in anticipation of future outages that have helped with this concern to some degree, but the upgrades do not alleviate any concern with the single line feed to the entire system. If there had been alternate supply of

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

**SECOND PSC DATA REQUEST
DATED JULY 12, 2021**

natural gas as Delta is proposing with the Nicholasville Project, there likely would have been no operational concerns given the same electric outage conditions.

In addition to this example, Delta also has significant redundancy concerns about the Nicholasville system that will be remedied by the Nicholasville Project. Delta's supply from its Interstate Transmission supplier could be interrupted due to a catastrophic failure on its supplier's system. Should this occur, Delta would lose the ability to supply its Nicholasville system. The proposed additional tap on a separate Interstate supplier alleviates this concern by providing a redundant supply to the Nicholasville system.

d. Mr. Seelye analyzed sales growth on Delta's system by examining overall sales, which is appropriate because billing test year determinants used in the proceeding are based on Delta's overall sales and not sales for individual regions of the system. It is almost always the case with electric, gas, and water utilities that sales growth in one part of the system is offset by sales decreases in other parts of the system. When Delta's sales are analyzed in total, Delta has experienced no measurable growth over the past 10 years. See Delta's responses to Question Nos. 43 and 44.

Sponsoring Witness: Jonathan Morphew / William Steven Seelye

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

THIRD PSC DATA REQUEST
DATED AUGUST 24, 2021

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

Response:

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

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

Sponsoring Witness: John B. Brown / Jonathan Morpew

EXHIBIT ___(BCO-14)

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

FIRST PSC DATA REQUEST
DATED MAY 13, 2021

5. Provide the following monthly account balances and a calculation of the average (13-month) account balances for the 12 months preceding the base period:
- a. Plant in service (Account No. 101);
 - b. Plant purchased sold (Account No. 102);
 - c. Property held for future use (Account No. 105);
 - d. Completed construction not classified (Account No. 106);
 - e. Construction work in progress (Account No. 107);
 - f. Depreciation reserve (Account No. 108);
 - g. Materials and supplies (include all accounts and subaccounts);
 - h. Computation and development of minimum cash requirements;
 - i. Balance in accounts payable applicable to amounts included in utility plant in service (If actual is indeterminable, provide a reasonable estimate.);
 - j. Balance in accounts payable applicable to amounts included in plant under construction (If actual is indeterminable, provide a reasonable estimate.); and
 - k. Balance in accounts payable applicable to prepayments by major category or subaccount.

Response:

See attached.

Sponsoring Witness:

Andrea Schroeder

Delta Natural Gas Company, Inc.
Case No. 2021-00185
Monthly Account Balances and Calculation of Average (13-month) Account Balances

Delta	Account	August-2019	September-2019	October-2019	November-2019	December-2019	January-2020	February-2020	March-2020	April-2020	May-2020	June-2020	July-2020	August-2020	Total	13 Mo Avg	
(a)	Plant in service	101	\$ 252,112,578.73	\$ 253,996,053.59	\$ 254,965,172.23	\$ 256,732,351.87	\$ 259,189,626.22	\$ 259,333,563.31	\$ 259,669,771.87	\$ 259,847,761.40	\$ 260,235,348.69	\$ 260,586,850.93	\$ 261,334,366.72	\$ 262,540,433.52	\$ 263,200,803.23	\$ 3,363,744,682.31	\$ 258,749,590.95
(b)	Plant purchased or sold	102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(c)	Property held for future use	105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(d)	Completed construction not classified	106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(e)	Construction work in progress	107	\$ 4,242,728.09	\$ 3,439,330.75	\$ 4,078,110.88	\$ 3,653,124.64	\$ 2,599,787.29	\$ 2,729,419.45	\$ 3,141,342.34	\$ 3,682,773.56	\$ 4,699,586.30	\$ 5,265,573.10	\$ 5,638,113.80	\$ 5,560,459.73	\$ 5,903,738.38	\$ 54,634,088.31	\$ 4,202,622.18
(f)	Depreciation reserve	108	\$ (109,806,220.16)	\$ (110,156,529.25)	\$ (110,687,295.23)	\$ (111,140,720.61)	\$ (111,964,135.43)	\$ (112,386,794.41)	\$ (112,915,736.76)	\$ (113,467,496.24)	\$ (114,080,670.53)	\$ (114,508,844.19)	\$ (115,013,353.39)	\$ (115,538,253.04)	\$ (115,972,408.15)	\$ (1,467,638,457.39)	\$ (112,895,265.95)
(g)	Material and Supplies	154	\$ 594,386.85	\$ 581,091.92	\$ 595,992.27	\$ 542,875.91	\$ 480,359.34	\$ 484,997.57	\$ 520,261.60	\$ 549,092.13	\$ 553,335.39	\$ 571,955.72	\$ 671,519.54	\$ 633,020.21	\$ 617,482.99	\$ 7,396,371.44	\$ 568,951.65
(h)	Computation and development of minimum cash requirements ⁽¹⁾	-															
(i)	Balance in accounts payable applicable to amounts included in utility plant in service (If actual is indeterminable, provide a reasonable estimate.) ⁽²⁾																
(j)	Balance in accounts payable applicable to amounts included in plant under construction	-	\$ (332,451.92)	\$ (396,776.87)	\$ (369,614.32)	\$ (336,639.76)	\$ (16,673.59)	\$ (95,865.49)	\$ (391,559.35)	\$ (174,364.39)	\$ (276,541.63)	\$ (360,694.07)	\$ (460,198.87)	\$ (380,088.23)	\$ (406,597.51)	\$ (3,998,066.00)	\$ (307,543.54)
(k)	Balance in prepayments applicable to amounts included in plant under construction	-	\$ (1,419,429.50)	\$ -	\$ -	\$ (1,522,619.17)	\$ -	\$ -	\$ (546,850.98)	\$ -	\$ -	\$ (497,087.70)	\$ -	\$ -	\$ (3,985,987.35)	\$ (306,614.41)	

Peoples Kentucky	Account	August-2019	September-2019	October-2019	November-2019	December-2019	January-2020	February-2020	March-2020	April-2020	May-2020	June-2020	July-2020	August-2020	Total	13 Mo Avg	
(a)	Plant in service	101	\$ 2,449,218.36	\$ 2,468,662.17	\$ 2,516,356.24	\$ 2,565,652.03	\$ 2,507,569.66	\$ 2,518,913.22	\$ 2,556,667.24	\$ 2,573,233.99	\$ 2,586,535.99	\$ 2,606,724.95	\$ 2,613,008.81	\$ 2,614,220.03	\$ 2,635,656.18	\$ 33,212,418.87	\$ 2,554,801.45
(b)	Plant purchased or sold	102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(c)	Property held for future use	105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(d)	Completed construction not classified	106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(e)	Construction work in progress	107	\$ 88,800.98	\$ 94,076.89	\$ 105,739.80	\$ 62,796.51	\$ 69,069.28	\$ 70,199.14	\$ 71,785.10	\$ 62,544.82	\$ 63,916.20	\$ 46,706.12	\$ 47,944.59	\$ 50,795.49	\$ 52,315.29	\$ 886,690.21	\$ 68,206.94
(f)	Depreciation reserve	108	\$ (656,762.66)	\$ (664,300.17)	\$ (671,909.96)	\$ (670,697.08)	\$ (613,016.23)	\$ (620,570.62)	\$ (628,209.14)	\$ (635,863.37)	\$ (643,560.22)	\$ (651,225.52)	\$ (658,796.12)	\$ (666,533.31)	\$ (674,273.71)	\$ (8,455,718.11)	\$ (650,439.85)
(g)	Material and Supplies	154	\$ 465.98	\$ 465.98	\$ 465.98	\$ 465.98	\$ 465.98	\$ 465.98	\$ 465.98	\$ 465.98	\$ 465.98	\$ 465.98	\$ 465.98	\$ 465.98	\$ 465.98	\$ 6,057.74	\$ 465.98
(h)	Computation and development of minimum cash requirements ⁽¹⁾	-															
(i)	Balance in accounts payable applicable to amounts included in utility plant in service (If actual is indeterminable, provide a reasonable estimate.) ⁽²⁾																
(j)	Balance in accounts payable applicable to amounts included in plant under construction	-	\$ (70.04)	\$ (2,438.76)	\$ (37,383.40)	\$ (32,615.57)	\$ (32,615.57)	\$ (1,535.00)	\$ (55,673.97)	\$ (231.06)	\$ (11,224.60)	\$ (231.06)	\$ -	\$ (1,535.00)	\$ (10,800.00)	\$ (186,354.03)	\$ (14,334.93)
(k)	Balance in prepayments applicable to amounts included in plant under construction	-	\$ (60,600.74)	\$ (79,884.77)	\$ (101,022.63)	\$ (104,008.95)	\$ (90,814.18)	\$ (587,253.85)	\$ (60,395.06)	\$ (53,420.37)	\$ (62,769.94)	\$ (61,835.77)	\$ (76,066.79)	\$ (88,202.93)	\$ (95,343.16)	\$ (1,521,619.14)	\$ (117,047.63)

Note (1): (h) The Company is not required to compute minimum cash requirements, therefore, this information is not available.

Note (2): (i) The Company records are not maintained in a manner to determine the amount applicable to accounts payable or to reasonably estimate the balances in accounts payable for the account requested.

EXHIBIT ___(BCO-15)

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

September 8, 2021 Original Response:

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

September 13, 2021 Supplemental Response:

Attached are: (i) a lead/lag study for Delta Natural Gas Company based on transaction detail for the 12 months ended December 31, 2020, (see DELTA_R_PSCDR_NUM020_091321_LEAD-LAG.XLSX); and (ii) a calculation of cash working capital based on the results of the lead/lag study (DELTA_R_PSCDR_NUM020_091321_CWC.XLSX).

The attached lead/lag study used historical payment activity to calculate revenue lag days and expense lead days. *Revenue lag days* represent the difference between the date when services are rendered by Delta and the date when revenues for those services are collected from customers. *Expense lead days* represent the date when expenses are incurred to provide service and the date when those expenses are paid. The lead days and lag days are multiplied by the respective average daily expenses and pass-through items (*viz.*, sales taxes, school taxes, and franchise fees) to determine cash working capital.

The lead/lag analysis was performed using revenue and expense data for the calendar year 2020. The revenue lag measures the number of days from the date service was rendered by Delta until the date payment was received from customers and the funds deposited and available to the company. In the calculation, the revenue lag consists of four time spans: (1) meter reading lag, which is the time period from the midpoint of the service period to the meter read date; (2) billing lag, which is the period from when the meter is read to the date when the bill is invoiced; (3) collection lag, which is the period from when the bill is invoiced to when the customer payment is received; and (4) bank lag, which is the period from when the customer payment is received to when the Companies have access to the funds.

The collection lag was determined using the turnover approach, which calculates the collection lag days by dividing the average daily accounts receivable balance by the average daily revenues and pass-through items (*viz.*, sales taxes, gross receipt taxes, and franchise fees).

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The following table shows the revenue leads and expense lags for each revenue, expense and passthrough component:

Lead/Lag Days Summary	
Revenue	
Meter Reading.....	15.21
Billing.....	7.00
Collection.....	10.72
Bank.....	1.00
Total.....	33.93
	Lead Days
O&M Expense	
Purchased Gas and Transportation.....	45.57
Payroll Expense.....	9.90
Annual Performance Incentives.....	230.04
401k Match Expense.....	9.90
Uncollectible Expense.....	19.56
Charges from Affiliates.....	33.37
Other O&M.....	14.00
Income Tax Expense	
Current: Federal and State.....	38.00
Deferred: Federal and State (Including ITC).....	-
Taxes Other Than Income	
Property Tax Expense.....	301.21
Payroll Tax Expense.....	9.90
Other Taxes.....	(186.44)
Interest Expense.....	35.43
Sales Taxes.....	35.97
School Taxes.....	36.47
Franchise Fees.....	55.62

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Applying the above lead/lag days to daily revenues and expenses from Delta's forecasted test-year revenue requirements results in an amount of \$(213,233).

It is Mr. Seelye's recommendation that the 1/8th methodology that has traditionally been used in Delta's past rate cases for the determination of Cash Working Capital should be approved in this proceeding. The negative amount shown above has been driven by the effectiveness of Delta's cash management practices and processes. Reducing rate base for Cash Working Capital below the 1/8th methodology creates a disincentive for Delta to manage its cash effectively and would thereby discourage efficiency and effective cost management. In no event should the Cash Working Capital included in rate base be less than zero.

Sponsoring Witness: William Steven Seelye