

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2021-00326

RESPONSES TO DATA REQUEST
ORDER DATED SEPTEMBER 14, 2021

1. Refer to the revised Application, paragraph 5. Also refer to Case No. 2021-00185 (2021 Rate Case), Tab 63, Exhibit J, page 3 of 3. The application states that the new long-term debt is expected to be issued on or before December 31, 2021; however, Exhibit J of the 2021 Rate Case states that the issue date will be November 2021. Explain why the issue date was extended a month.

Response:

The information provided in the rate case was based on Delta's expectation at the time the case was filed and continues to be the plan for issuance of the new long-term debt. In the current proceeding, Delta noted the timing as on or before December 31, 2021 to allow for any minor delays that might push the issue date from November to December.

Sponsoring Witness:

John B. Brown and Andrea Schroeder

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2. Refer to the revised Application, paragraph 5 and Exhibit 3, page 3.
 - a. Confirm that Delta's short-term debt balance is \$8,391,595. If this cannot be confirmed, provide Delta's current short-term debt balance.
 - b. Provide the amount of short-term debt that will be refinanced with the proposed note.
 - c. Provide the purpose of the amount of the \$26 million note that exceeds the amount of short-term debt that Delta will refinance, and explain how the total amount of the proposed note was determined.
 - d. Provide the proposed note's impact on Delta's capital structure.

Response:

- a. This is not confirmed for the current short-term balance. The short-term debt balance as of August 31, 2021 was \$19.5 million.
- b. – c. The \$26 million note is intended to refinance Delta's short-term debt balance at the time of issuance, fund Delta's debt and internal cash needs through 2022, and balance Delta's capital structure through 2022. Given these broader purposes, as well as the projection that the short-term debt balance will increase in coming months as has historically occurred, the amount of the note exceeds the current short-term debt balance of \$19.5 million at August 31, 2021. The short-term debt balance may increase through the end of 2021. Delta does not anticipate seeking approval of additional evidences of indebtedness prior to 2023.

While Delta is requesting authority of up to \$26 million, the debt may be issued in more than one issuance. Please see Exhibit 1 to Delta's Application, which is the proposed note between Delta and PNG Companies LLC. It contains a Long-Term Debt Schedule that allows for multiple issuances under the note. Delta anticipates that the 3.10% interest rate would apply to the issuances throughout the period.

- d. The borrowing is not expected to materially impact the Company's capital structure as it is intended to primarily refinance short-term debt thus maintaining the debt to capital ratio. The Company also plans an equity infusion to the extent necessary to maintain a proper balance of capital structure.

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3. Refer to the revised Application, paragraph 6. Delta notes that PNG Companies LLC (PNG) will obtain the funds for Delta from Essential Utilities, Inc. (Essential) and the interest rates and maturity dates of the long-term debt issued by Essential will form the basis for the interest rate and maturity date. Explain if the interest rate applied to Delta will be the same as the interest rate secured by Essential from PNG. If different, explain the difference and provide support for the difference.

Response:

Yes, the Delta long-term debt interest rate will be the same as the interest rate secured by PNG from Essential.

Sponsoring Witness:

John B. Brown and Andrea Schroeder

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA)	
NATURAL GAS COMPANY, INC. FOR)	CASE NO.
ISSUANCE OF INDEBTEDNESS)	2021-00326

VERIFICATION

The undersigned, **John B. Brown**, being duly sworn, deposes and states that he is President of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



John B. Brown

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 23rd day of September, 2021.



Notary Public (SEAL)

My Commission Expires:

6/20/24



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA)	
NATURAL GAS COMPANY, INC. FOR)	CASE NO.
ISSUANCE OF INDEBTEDNESS)	2021-00326

VERIFICATION

The undersigned, **Andrea Schroeder**, being duly sworn, deposes and states that she is Controller of Delta Natural Gas Company, Inc. and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Andrea Schroeder

Andrea Schroeder

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 23rd day of September, 2021.

Emily P. Bennett

(SEAL)

Notary Public

My Commission Expires:

6/20/24

