

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA)
NATURAL GAS COMPANY, INC. FOR) CASE NO. 2022-00095
APPROVAL OF COST ALLOCATION)
MANUAL

APPLICATION

Delta Natural Gas Company, Inc. (“Delta”), pursuant to 807 KAR 5:001, Section 14 and the commitments made in Case No. 2018-00369, hereby respectfully requests approval from the Public Service Commission (“Commission”) of a revised Cost Allocation Manual. In support of its application, Delta states as follows:

1. Delta’s post office address, principal office, and place of business are located at 3617 Lexington Road, Winchester, Kentucky 40391. Delta’s full name is Delta Natural Gas Company, Inc. Delta can be reached at the email address of counsel set forth below.

2. Delta is a Kentucky corporation that was incorporated on October 7, 1949 and is currently in good standing under the laws of Kentucky.

3. Delta is a utility engaged in the natural gas business. Delta purchases, sells, stores, and transports natural gas in Bath, Estill, Montgomery, Menifee, Madison, Powell, Garrard, Jackson, Lee, Bourbon, Jessamine, Rowan, Bell, Knox, Whitley, Laurel, Clay, Leslie, Lincoln, Fayette, Fleming, Clark, Robertson, Mason, Lawrence, Johnson, Martin, Magoffin, Floyd, Pike, Perry, Knott, and Letcher Counties, Kentucky.

4. The Commission approved the indirect acquisition of Delta by Aqua America, Inc. (“Aqua”) in Case No. 2018-00369, subject to commitments agreed to by Delta and Aqua in the

proceeding.¹ Aqua is now known as Essential Utilities, Inc. (“Essential”) to better reflect the range of services it provides.

5. In Case No. 2018-00369, Delta committed to seek approval from the Commission if Delta wished to modify its current Cost Allocation Manual.

6. Delta is proposing minor revisions to its Cost Allocation Manual that are necessary to reflect that the ownership of Peoples Gas KY LLC has been transferred to Delta pursuant to the authority granted in Case No. 2020-00346, along with corresponding minor revisions to its Chart of Accounts.

7. Delta is providing a copy of the Cost Allocation Manual and the revisions proposed thereto, which is attached as Exhibit 1.

WHEREFORE, Delta Natural Gas Company, Inc. respectfully requests that the Public Service Commission enter an order approving the Cost Allocation Manual.

¹ *In the Matter of: Electronic Joint Application of Aqua America, Inc., SteelRiver Infrastructure Fund North America LP, SteelRiver LDC Investments LP, LDC Parent LLC, LDC Funding LLC, LDC Holdings LLC, PNG Companies, LLC, Peoples Gas KY LLC, and Delta Natural Gas Company, Inc. for Approval of an Acquisition of Ownership and Control of PNG Companies LLC and Delta Natural Gas Company, Inc.* (Case No. 2018-00369) (Ky. PSC March 13, 2019).

Dated March 23, 2022

Respectfully submitted,

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s/Monica H. Braun
Counsel for Delta Natural Gas Company,
Inc.

CERTIFICATE OF COMPLIANCE

In accordance with 807 KAR 5:001, Section 8(7), this is to certify that Delta's March 23, 2022 electronic filing is a true and accurate copy of the documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on March 23, 2022; and that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding;

s/Monica H. Braun
Counsel for Delta Natural Gas Company,
Inc.

Exhibit 1

**Delta Natural Gas Company, Inc.
 Cost Allocation Manual
 KRS 278.2205**

(2) (a) A list of regulated and nonregulated divisions within the utility

Delta Natural Gas Company, Inc. (“Delta” or “the Company”) is a regulated utility and has no divisions.

(2) (b) A list of all regulated and nonregulated affiliates of the utility to which the utility provides services or products and where the affiliates provide nonregulated activities as defined in KRS 278.010(21)

Delta and its affiliates Peoples Gas KY LLC, Delta Resources, LLC, Delgasco, LLC, and Enpro, LLC, are wholly-owned by PNG Companies LLC and indirectly owned by Essential Utilities, Inc. and meet the definition in KRS 278.010(21)

(2) (c) A list of services and products provided by the utility, an identification of each as regulated or nonregulated, and the cost allocation method generally applicable to each category

<u>Services and Products</u>	<u>Activity Type</u>	<u>Cost Allocation Method</u>
Natural gas distribution	Regulated	Not allocated
Natural gas transportation	Regulated	Not allocated
Farm tap service	Regulated	Not allocated
Natural gas liquids	Non-regulated	Fully distributed cost allocation methodology consistent with Delta’s cost of service study.

(2) (d) A list of incidental, nonregulated activities that are subject to the provisions of KRS 278.2203(4)

Merchandise sales, labor service and other revenue.

(2) (e) A description of the nature of transactions between the utility and the affiliates

Delta provides natural gas transportation to its affiliates Delta Resources, LLC, Delgasco, LLC and Enpro, LLC. Delta wholly owns Peoples Gas KY LLC.

PNG Companies LLC provides administrative, management and other services to Delta.

Essential Utilities, Inc. provides administrative, management and other services to Delta, which are allocated to Delta through PNG Companies LLC.

- (2) (f) For each USoA account and subaccount, a report that identifies whether the account contains costs attributable to regulated operations and nonregulated operations. The report shall also identify whether the costs are joint costs that cannot be directly identified. A description of the methodology used to apportion each of these costs shall be included and the allocation methodology shall be consistent with the provisions of KRS 278.2203.**

See Appendix I (attached) for Delta's chart of accounts. The chart of account structure is based on USoA guidelines. The utility incurs certain costs which are shared with the non-regulated affiliates such as labor, administrative costs, storage, natural gas liquids processing and interest. Such joint costs are allocated to the nonregulated affiliates using a fully distributed cost allocation methodology and recorded in account 9923000 - Admin & General - Outside Services Employed.

Updated: March 23, 2022 and submitted for KPSC approval.

Delta Natural Gas Company, Inc.
Cost Allocation Manual
KRS 278.2205

Appendix I

G/L Account	Description	
9403000	Depreciation Expense - Utility Plant	Joint
9404000	Amortization Expense - Utility Plant	Joint
9404200	Amort & Depl of UG Storage Land & Land Rights	Regulated
9408100	Taxes Other than Income Taxes - Utility Operating	Joint
9409100	Income Taxes - Utility Operating Income	Regulated
9410100	Provision for Deferred Income Taxes - Utility Op I	Regulated
9415000	Revenues from Merchandising, Jobbing & Contract Work	Non-Regulated
9416000	Costs & Expenses of Merchandising, Jobbing & Contr	Non-Regulated
9419000	Interest & Dividend Income	Non-Regulated
9421000	Miscellaneous Nonoperating Income	Non-Regulated
9421200	Loss on Disposition of Property	Non-Regulated
9426100	Other Income Deductions - Donations	Non-Regulated
9426300	Other Income Deductions - Penalties	Non-Regulated
9426400	Other Income Deductions - Civic/Political Activity	Non-Regulated
9428000	Amortization of Debt Discount & Exp	Regulated
9430000	Interest on Debt to Associated Companies	Non-Regulated
9431000	Other Interest Expense	Joint
9480000	Residential Sales	Regulated
9481000	Commercial and Industrial Sales	Regulated
9488000	Miscellaneous Service Revenues	Regulated
9489300	Revs from Transp of Gas of Others thru Distri Fac	Regulated
9496000	Provision for Rate Refunds	Regulated
9753000	Nat Gas Prod/Gath Op - Field Lines Expenses	Regulated
9754000	Nat Gas Prod/Gath Op - Field Compressor Sta Exps	Regulated
9764000	Nat Gas Prod/Gath Maint - Field Lines	Regulated
9765000	Nat Gas Prod/Gath Maint - Fld Compres Sta Equip	Regulated
9803000	Oth Gas Supply Op - Nat Gas Transm Line Pur	Regulated
9805100	Oth Gas Supply Op - Pur Gas Cost Adjustments	Regulated
9813000	Oth Gas Supply Op - Other Gas Suppl	Regulated
9816000	UG Storage Op - Well Expenses	Regulated
9818000	UG Storage Op - Compressor Station Expenses	Regulated
9821000	UG Storage Op - Purification Expenses	Regulated
9823000	UG Storage Op - Gas Losses	Regulated
9824000	UG Storage Op - Other Expenses	Regulated
9825000	UG Storage Op - Storage Well Royalties	Regulated
9831000	UG Storage Maint - Structures/Improvements	Regulated
9832000	UG Storage Maint - Reservoirs and Wells	Regulated
9834000	UG Storage Maint - Compressor Station Equipment	Regulated
9837000	UG Storage Maint - Other Equipment	Regulated
9851000	Gas Transmission Op - Sys Control & Load Dispatch	Regulated
9856000	Gas Transmission Op - Mains Expenses	Regulated
9863000	Gas Transmission Maint - Mains	Regulated

9870000	Gas Distribution Op - Supervision and Engineering	Regulated
9872000	Gas Distribution Op - Compr Sta Labor & Expense	Regulated
9874000	Gas Distribution Op - Mains and Services Exps	Regulated
9880000	Gas Distribution Op - Other Expenses	Joint
9885000	Gas Distribution Maint - Supervision & Engineering	Regulated
9887000	Gas Distribution Maint - Mains	Regulated
9892000	Gas Distribution Maint - Services	Regulated
9893000	Gas Distribution Maint - Meters/House Regulators	Regulated
9894000	Gas Distribution Maint - Other Equipment	Regulated
9903000	Customer Accounts - Customer Records & Collections	Regulated
9904000	Customer Accounts - Uncollectible Accounts	Regulated
9920000	Admin & General - Salaries	Joint
9921000	Admin & General - Office Supplies & Expenses	Joint
9922000	Admin & General - Admin Exp Transferred - Credit	Joint
9923000	Admin & General - Outside Services Employed	Joint
9924000	Admin & General - Property Insurance	Joint
9925000	Admin & General - Injuries & Damages	Joint
9926000	Admin & General - Employee Benefits	Joint
9928000	Admin & General - Regulatory Commission Expenses	Joint
9930100	Admin & General - General Advertising Expenses	Joint
9930200	Admin & General - Miscellaneous Expenses	Joint
9931000	Admin & General - Rents	Joint
9932000	Admin & General Maint -Other General Plant -Gas	Joint
9999010	Balance Sheet Offset - FERC	Joint
9999020	Profit & Loss Offset - FERC	Joint
9432000	Allowance Borrowed Funds Used During Construction	Regulated
9487000	Forfeited Discounts	Regulated
9490000	Sales of Products Extracted from Natural Gas	Non-Regulated
9858000	Gas Transmission Op - Transm/Compres Gas by Others	Regulated
9875000	Gas Distribution Op - Meas/Reg Sta Exps-General	Regulated
9878000	Gas Distribution Op - Meter/House Reg Exps	Regulated
9879000	Gas Distribution Op - Customer Installations Exps	Regulated
9886000	Gas Distribution Maint - Structures/Improvements	Regulated
9889000	Gas Distribution Maint - Meas/Reg Sta Equip-Genl	Regulated
9902000	Customer Accounts - Meter Reading Expenses	Regulated
9907000	Customer Service/Info - Supervision	Regulated
9909000	Customer Service/Info - Info & Instructional Adver	Regulated
9912000	Sales Expense - Demonstrating & Selling	Regulated
9999030	Receivable Offset - FERC	Regulated
9999040	Payable Offset - FERC	Regulated