

**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.

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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