

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2023-00343

FIRST PSC DATA REQUEST
DATED NOVEMBER 22, 2023

1. Refer to the Application, Direct Testimony of Jonathon Morphew (Morphew Direct Testimony), pages 4-5. Morphew stated that as of October 6, 2023, Delta planned to install 36,151 additional feet of pipe by year-end, primarily consisting of services in Corbin, Beattyville, Nicholasville, London, and Barbourville, along with distribution mains in Barbourville. Morphew stated that this work is detailed in the Excel file titled “Sch IV 2023” submitted with Delta’s PRP filing.

- a) List the total footage of each type of pipe (bare steel, coated steel, Aldyl-A, other vintage plastic pipe, etc.) that Delta planned to replace by the end of the year as part of its PRP.
- b) Explain in detail how Delta selected each of these segments for replacement.
- c) Identify any segments of pipe selected for replacement other than by risk ranking based on prior leak history and explain why these segments were selected for replacement ahead of segments of pipe that pose a higher risk of failure.

Response:

- a) Total footages planned for replacement in 2023 are as follows:

2023 Design PRP Replacement	
Size & Material	Total
8" Unprotected Coated Steel	4013
6" Unprotected Coated Steel	13055
6" Coated Steel	221
4" Unprotected Coated Steel	334
4" Coated Steel	8417
4" Plastic	7984
2" Aldyl-A	95838
2" Plastic	8127
2" Coated Steel	1036
2" Unprotected Coated Steel	450
2" Bare Steel	708
1-1/4" Aldyl-A	2160
1-1/4" Plastic	114
1" Aldyl-A	5303
1" Plastic	1302
1" Coated Steel	346
1" Unprotected Coated Steel	45
3/4" Aldyl-A	5726
3/4" Plastic	3078
1/2" Plastic	8
Total	158265

Delta estimates that retiring 158,265 feet of pipe during 2023 will require the installation of 110,189 feet of new pipe.

- b) The process for selection of piping segments is conducted by gathering information from numerous sources. First, leak survey information is principally considered. Second, input from field personnel is utilized to identify concentrated areas of vintage piping. Third, the engineering design group is instrumental in accessing historical records and maps of the existing distribution systems. Fourth, the engineering group also provides information regarding any Kentucky Department of Transportation projects requiring replacement of existing piping facilities. Location, age and condition of pipe segments are determined by any or all combinations of these sources to provide accurate prioritization of piping segments in need of replacement.

- c) Pipe segments selected for replacement in 2023 were performed by gathering all available information from the multidisciplinary resources described in response to Question 1.b. With the exception of mandated Kentucky Department of Transportation relocation requirements, there were no segments of pipe that were selected to be replaced before any segments that posed a higher risk of failure.

Sponsoring Witness: Jonathan Morphew

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2. Refer to the Application, Morphew Direct Testimony, pages 4-5. Morphew stated that Delta planned to replace approximately 86,568 feet of vintage plastic pipe and approximately 7,675 feet of steel pipe during 2024, concentrated in Delta’s Clay City, Barbourville, Owingsville, Corbin, London, Stanton, and Nicholasville service areas. Morphew stated that this work is detailed in the Excel file titled “Sch IV 2024” submitted with Delta’s PRP filing.

- a) List the total footage of each type of pipe (bare steel, cathodically unprotected coated steel, ineffectively coated steel, Aldyl-A, other vintage plastic pipe, etc.) that Delta plans to replace in 2024.
- b) Explain in detail how Delta selected each of these segments for replacement.
- c) Identify any segments of pipe selected for replacement other than by risk ranking based on prior leak history and explain why these segments were selected for replacement ahead of segments of pipe that pose a higher risk of failure.

Response:

- a) Total footages planned for replacement in 2024 are as follows:

2024 Design PRP Replacement	
Size & Material	Total
8" Coated Steel	275
8" Unprotected Coated Steel	1966
6" Unprotected Coated Steel	431
6" Coated Steel	5600
4" Coated Steel	1700
4" Bare Steel	210
4" Plastic	24258
3" Coated Steel	222
3" Aldyl-A	2742
2" Coated Steel	322
2" Unprotected Coated Steel	835
2" Bare Steel	939
2" Aldyl-A	50255
2" Plastic	7812
1-1/4" Unprotected Coated Steel	283
1-1/4" Aldyl-A	264
1" Aldyl-A	1978
1" Bare Steel	99
1" Unprotected Coated Steel	972
1" Coated Steel	604
1" Plastic	152
3/4" Aldyl-A	6415
3/4" Plastic	984
1/2" Plastic	18
Total	109336

Delta estimates that retiring 109,336 feet of pipe during 2024 will require the installation of 94,243 feet of new pipe.

- b) For the 2024 PRP replacement plan, the process of selecting segments of pipe to be replaced was conducted in the same manner as in 2023. Please see response to Question 1.b.
- c) For the 2024 PRP replacement plan, the process of selecting segments of pipe to be replaced was conducted in the same manner as in 2023. Please see response to Question 1.c.

Sponsoring Witness: Jonathan Morpew

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3. Refer to the Application, Schedule I.

- a) Explain why Delta applied the tax expansion factor to the entire weighted average cost of capital (WACC) instead of just the equity portion of the WACC.
- b) Provide the calculation of the WACC used in the 2024 PRP.
- c) c. Provide a 2024 PRP rate calculation, in Excel spreadsheet with all formulas, columns, and rows unprotected and fully accessible that applies the tax expansion factor to only the equity portion of the WACC.

Response:

- a) Delta applied the tax expansion factor to the weighted average cost of capital to be consistent with its previous PRP filings.
- b) See attached.
- c) See attached.

Sponsoring Witness: John B. Brown

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4. Refer to the Application, Schedule II 2024.
 - a) Explain why Delta did not use the pro rata method to determine accumulated deferred income taxes.
 - b) Provide a 2024 PRP rate calculation, in Excel spreadsheet with all formulas, columns, and rows unprotected and fully accessible, that uses the pro rata method to determine accumulated deferred income taxes.

Response:

- a) Delta's filed method is consistent with its prior PRP filings.
- b) See attached.

Sponsoring Witness: John B. Brown

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5. Explain Delta's process for selecting and prioritizing pipe segments for replacement.

Response:

See Delta's response to Question 1.b and c.

Sponsoring Witness: Jonathan Morpew

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6. Explain if Delta’s 2024 PRP filing includes the replacement of plastic pipe other than pre-1983 vintage pipe. If so, identify the segments by total footage and age, and provide justification for why Delta proposes to include these segments in its PRP.

Response:

Yes, Delta’s 2024 PRP includes the replacement of plastic pipe segments other than pre-1983 vintage pipe. The post-1983 plastic pipe in the 2024 PRP plan is predominately the result of Kentucky Department of Transportation relocations. The exact size, type and quantity of pipe to be replaced cannot be accurately determined until the Kentucky Department of Transportation provides plans with this information.

At present, the Kentucky Department of Transportation has provided information supporting the following data:

2024 KYTC Replacement Projects	
Size & Material	Total
8" Coated Steel	275
6" Coated Steel	5600
4" Coated Steel	1700
4" Plastic	23778
2" Coated Steel	100
2" Aldyl-A	42
2" Plastic	6018
3/4" Plastic	63
Total	37576

Other than these relocations, there are likely to be small fragments of post-1983 pipe that are replaced as part of pre-1983 replacements. For example, a short section of post-1983 pipe between two larger sections of pre-1983 pipe could be replaced as part of the vintage replacements, or a pipe tie-in location. The post-1983 replacements are incidental to pre-1983 replacements and represent a very small percentage of the overall work each year.

Sponsoring Witness: Jonathan Morpew

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7. Provide a copy of Delta's distribution integrity management program.

Response:

See attached. The Distribution Instruction Management Plan is being provided pursuant to a petition for confidential protection.

Sponsoring Witness: Jonathan Morpew

This attachment is **CONFIDENTIAL** and is
being provided pursuant to a Petition for
Confidential Protection.

VERIFICATION

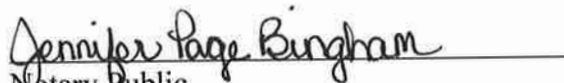
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF CLARK)

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



JOHN B. BROWN

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 29th day of November, 2023.

 (SEAL)

Notary Public

My Commission Expires:

June 19, 2027



VERIFICATION

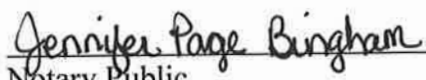
COMMONWEALTH OF KENTUCKY)
)) SS:
COUNTY OF CLARK)

The undersigned, **Jonathan W. Morphey**, being duly sworn, deposes and says he is Director of Operations of Delta Natural Gas Company, Inc., that he has personal knowledge of the matters set forth in the response for which he is identified as the witness, and the answer contained therein is true and correct to the best of his information, knowledge, and belief.



JONATHAN W. MORPHEW

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 29th day of November, 2023.



Notary Public (SEAL)

My Commission Expires:
June 19, 2027

JENNIFER PAGE BINGHAM
NOTARY PUBLIC
STATE AT LARGE KENTUCKY
COMM. # KYNP74158
MY COMMISSION EXPIRES JUNE 19, 2027