

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-01

Witness: Odusanya, Abdul-Azeez **Title:** Controller III

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

1. Refer to Delta's responses to Commission Staff's First Request (Staff's First Request), Item 1. The request asked for the gas schedules in comparative form. Delta provided all Excel files individually, not in a comparative form. Provide the gas schedules in comparative form, one file with multiple tabs for each schedule, in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

Response:

As requested during the December 17, 2024 Informal Technical Conference, this response is the Excel spreadsheet originally filed in PDF version as Tab 57 - Schedule D-1, reconciling Net Operating Income from the Base Period to the Fully Projected Future Test Period. In this Excel workbook, all adjustments are linked to supporting tabs and calculations.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-02

Witness: Packer, Jr., William

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

2. Refer to the Application. Explain in greater detail how an allocated expense for a tax study equates to an extraordinary, unexpected utility expense.

Response:

The Commission has authorized deferral accounting in four circumstances, including when a utility has incurred: “an extraordinary, nonrecurring expense which could not have reasonably been anticipated or included in the utility’s planning,” “an expense resulting from a statutory or administrative directive,” or “an extraordinary or nonrecurring expense that over time will result in a saving that fully offsets the cost.” Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with Two 2015 Major Storm Events, Case No. 2016-00180, Order (Ky. PSC Nov. 3, 2016).

Revenue Procedure 2023-15 provides a safe harbor method of accounting that taxpayers may use to determine whether to deduct or capitalize expenditures to repair, maintain, replace, or improve natural gas transmission and distribution property. This IRS ruling provided needed clarity on how the capitalization rules apply to natural gas utilities. Based on this change, Delta’s parent company engaged a consultant to prepare a study to determine the appropriate classification of transmission and distribution assets. The study was extraordinary and unexpected because it was performed in response to a change in the law and is not a typical, established operating expense. Such IRS rulings cannot be reasonably anticipated with results included in Delta’s planning. Without the change in the law, Delta would not have incurred costs for this study. The amount of the one-time study costs is significant and would prevent Delta from the opportunity to earn its approved rate of return without regulatory asset treatment.

Delta believes deferral accounting for such study costs is consistent with Commission precedent. The Commission has approved study costs in other contexts for deferral accounting. In Case Nos. 2020-00349 and 2020-00350, the Commission authorized LG&E and KU “to establish a regulatory asset for EV charging station location study costs.” Order at 92-93 (Ky. PSC June 30, 2021).

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-03

Witness: Packer, Jr., William

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

3. Refer to the Application. Describe the benefit of the tax study to Delta and its customers.

Response:

The tax study was required to assist Delta to adopt and comply with IRS Revenue Procedure 2023-15, issued May 2013, which has very complex requirements including calculation of the actual Tax Repair deduction for 3 historical years under the new method and then calculating the impact to all historical years as if the new method had been in place. These calculations require analyzing data at the work order/project level from multiple systems for current as well as historical years and recalculating the impact to tax depreciation in all the historical years. Customers have benefitted and continue to benefit from Delta taking the Tax Repair deduction. This deduction provides Delta zero cost capital by reducing Delta's cash outlay for taxes which benefits customers when the Company records accumulated deferred income taxes (ADIT) for the amount of taxes deferred. The ADIT is then included as a reduction to rate base. In the forecast period this rate base reduction is over \$13M to customers. The benefit to customers of adoption of Revenue Procedure 2023-15 (also referred to as the "Natural Gas Safe Harbor") is that Delta receives audit protection for future and historical Tax Repairs deductions taken, so that the \$13M and growing rate base reduction to customers is preserved from being wholly or partially reversed on audit. As long as the Company complies with the rules of the Safe Harbor, the benefit to customers is protected.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-04

Witness: Odusanya, Abdul-Azeez **Title:** Controller III

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

4. Refer to the Application. Delta stated that depreciation expense increased approximately 30 percent between this application and its last rate adjustment. Provide specific reasons for this increase, in light of the fact that Delta requested, and the Commission approved, updated depreciation rates in the last proceeding.

Response:

The noted increase in depreciation expense is primarily due to a 27% increase in depreciable utility plant in service versus that approved in the last proceeding. In addition, depreciation rates supported in the instant proceeding are generally higher than those approved in the last proceeding. Please refer to Delta witness Wernert's Exhibit JWW-1 – Depreciation Study – Appendix B – Analysis of Change in Depreciation Rates.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-05

Witness: Packer, Jr., William

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

5. Provide the cost allocation manual for Delta as well as the cost allocation manuals for PNG and Essential.

Response:

See attached.

**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

PNG Companies LLC

Cost Allocation Manual

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I. Purpose and Scope

This Cost Allocation Manual describes the methodologies and procedures for the allocation of the costs of shared assets, employees, and services among PNG Companies LLC (PNG Companies) and its affiliates. These methodologies and procedures have been developed to be consistent with the applicable state and federal regulatory requirements, to protect ratepayers and to ensure the integrity of the financial information presented for each entity within the LDC Funding LLC company structure. The methodologies and procedures described in this Cost Allocation Manual were in effect from January 1, 2018 to December 31, 2018.

II. Basis for Corporate Cost Allocation Manual

PNG Companies and its affiliated have in place accounting controls designed to prevent cross-subsidization by requiring that sales of non-commodity goods and services among affiliates be at fully allocated cost and that any shared services are properly allocated among affiliates.

This manual provides that PNG Companies and its affiliates will maintain accounts and records such that costs incurred by a utility and its affiliates may be clearly identified.

III. General Description of Cost Allocation Methodology

The basic goal of these corporate cost allocation methods is to ensure proper distribution of costs among the regulated utility and its affiliates and to minimize the time and expense necessary to record and audit transactions.

Within the PNG Companies system, cost allocation is the process of assigning a single expenditure to one or more legal entities and business segments. When used in the context of a regulatory proceeding determining revenue requirements for a regulated utility, cost allocation can refer to a set of accounting practices that correctly assigns costs and can be used to prevent cross-subsidization between the regulated utility and its non-regulated affiliates.

PNG Companies captures and allocates costs in a fair and equitable manner between regulated and non-regulated operations by addressing two basic questions when making determinations about cost allocations:

1. What basis should be used for cost allocation?
2. Which costs will (or should) be allocated?

The costs of rendering services of a department should not include incremental out-of-pocket expenses that are incurred for the direct benefit and convenience of an individual Company or group of Companies. Convenience Payment WBS Elements have been established to accomplish this allocation.

IV. Overview of Corporate Accounting System

PNG Companies employs an SAP ERP system to produce a corporate general ledger for internal and external reporting. SAP is the main repository for accumulating financial data from SAP modules and automated feeder systems as well as receiving data from manual journal entries. The account key in SAP consists of four fields: (1) company code; (2) cost object; (3) profit center (required for revenue but derived for all other transactions); and (4) general ledger account. The accounting key is illustrated as follows:

Company Code	Cost Object	Profit Center	G/L Account
XXXX	Varies	PXXXXXX	XXXXXXX

The cost object field can be populated with one of three values: an order, a cost center, or a Work Breakdown Structure (WBS) element. A cost object is only required for expense G/L accounts. All revenue accounts and some balance sheet accounts require a Profit Center, but not a cost object.

SAP uses general ledger accounts in their account key and derives, either directly or through the cost object, the account that is governed by FERC's Uniform System of Accounts prescribed for Public Utilities.

V. Corporate Cost Tracking – Cost Object System

Cost Objects – Definition

Cost objects provide the means for collecting and allocating costs. Cost objects are defined as either cost center, orders or WBS elements. Expenses can be charged directly to a cost center, collected via an order, or accumulated through a hierarchy via a WBS element. All of these elements exist in the controlling (CO) module of SAP.

The companies within the LDC Funding system use these various cost objects depending on the nature of the charge and the reporting needs of the cost center making the charge. WBS elements are used mainly to accumulate capital expenditures and retirements, but they can also be used for expense charges. Cost centers and orders are used to accumulate charges; cost centers only for expense; while orders are only used for capital expenditures and must always settle to a WBS element. Capital and short-term expense cost objects are closed once the project is complete. Open cost objects are reviewed to determine if they meet current business needs and appropriate changes are made, as necessary.

Cost Object Structure

Cost objects provide the means for collecting and allocating costs. All PNG Companies costs must be allocated to the appropriate entities within the LDC Funding structure. This is accomplished using the various accounting information provided on the cost object set-up.

WBS Elements are set up on a specific company and always contain a settlement rule that defines where the cost charged will end up at month end when all cost objects are settled. A capital charge settles to the appropriate capital G/L account; if expense, the charge settles to the appropriate expense cost center.

Cost centers are assigned to a specific company, are always expense and are set up as either senders or receivers. When a charge is booked to a receiver cost center, that is the final resting place and no other movement of the charge will occur. When a charge is booked to a sender cost center, the charge will be assessed at the end of the month to the appropriate receiver cost centers based on one of the allocation factors defined later in this manual.

Orders are assigned to a specific company and either have settlement rules or they are part of an assessment. The orders with settlement rules settle to WBS elements. The orders that are part of an assessment are assigned to a cycle that will allocate charges based on one of the allocation factors defined later in this manual.

Settlements and assessments are run at the end of each month as part of the SAP monthly closing process.

Cost Object ID Guidelines

The use of cost objects is required for all expenses. Revenue and commodity transactions do not require cost objects, but require a profit center which is assigned at point of entry into the system.

Cost Object Accounting Key Requirements

A cost object contains three required accounting elements: the company code, responsible cost center, and settlement rule (if settlement order) or user status (if assessment order, which defines allocation factor to be used). In addition, a FERC indicator is included for the cost objects, if necessary. All receiver cost centers must be assigned a default FERC indicator, but orders and WBS elements are only assigned a FERC indicator if circumstances dictate it is necessary.

VI. Corporate Cost Allocation Principles

Costs of Rendering Services – (Methods of Cost Allocation)

LDC Funding is primarily a natural gas distribution utility operating in Pennsylvania and Kentucky. PNG Companies provides various accounting, administrative, financial, purchasing, computing, managerial, operational and legal services. Such services are provided at cost.

Wholly-owned subsidiaries of the LDC Funding include five natural gas distribution companies: Peoples Natural Gas Company LLC ("Peoples") and Peoples Gas Company LLC ("PGC"), which operate under the jurisdiction of the Pennsylvania Public Utility Commission (PA PUC), and Peoples Gas WV LLC, Peoples Gas KY LLC and Delta Natural Gas Company ("Delta"), which are also subject to rate regulation by their respective Public Utility Commissions.

LDC Funding also has wholly-owned non-regulated subsidiaries including: Peoples Homeworks LLC, PNG Gathering LLC, Delta Resources, LLC, Delgasco, LLC and Enpro, LLC.

PNG Companies provides services in accordance with the service agreements entered into with each client company. PNG Companies' accounting system utilizes an account number structure for the purpose of accumulating and charging costs to the appropriate client company. The accounting system allows PNG Companies to supply accounting records and information to the client companies in enough detail to allow them to record and support their costs in accordance with the FERC Uniform System of Accounts.

Allocations for each department within PNG Companies have been selected based on factors that are associated with the level of effort for the companies that are supported. Where multiple factors influence the work effort, a weighted average of those factors is used to determine the allocation percentages.

Allocation Factors

Service	Description of Services	Function	Allocation Basis
Accounting	Provide the organization, direction and resources to Affiliated Companies for accounting matters, including the development of accounting practices, procedures and controls, the maintenance of the general ledger and related subsidiary systems such as fixed assets, the preparation and analysis of financial reports, and the processing of certain accounts such as accounts payable and accounts receivable. Coordinate the examination of accounting records with the independent public accountants.	General Accounting	O&M less purchased gas expense; Fixed Assets added, retired or transferred; Accounts Payable documents processed)
		Fixed Assets	Fixed Assets added, retired or transferred
		Accounts Payable	Accounts Payable documents processed
Auditing	Periodically audit the accounting and other records and processes maintained by Affiliated Companies. The audit staff will report on their examination and submit recommendations, as appropriate, on improving methods of internal control and accounting procedures. Interact with and report to the Risk & Audit Committee regarding internal audit results and Risk Register analysis.	Auditing	O&M less purchased gas expense; capex (Previous year's services billed for future periods)
Budgets and Financial Strategy	Provide the organization, direction and resources to Affiliated Companies for the study, planning and reporting of 5-year financial business plan and financial strategy, O&M and capital expenditures, economic analyses, special projects and benchmarking. Coordinate information and activities among parent company and Board of Directors. Support Board of Directors meetings through preparation of various management reports.	Budgets and Financial Strategy	O&M less purchased gas expense; capex (Previous year's services billed for future periods)

Business Operations	Perform general business and operations support services, including business, plant and facilities operation, maintenance and management including physical security, fleet, mail services, and record retention	Facilities	Office Square Footage
		Fleet	Number of Vehicles
		All Other	Employees
Community Relations	Formulate and assist with public relations, advertising, and external/internal communications programs and with the administration of corporate contribution and community affairs programs.	Community Relations	Customers
Customer Services	Provide organization, direction, resources and systems dedicated to customer service, including billing, remittance, credit, collections, customer relations, call centers and metering.	Customer Services	Customers

Executive	Direct and advise Affiliated Companies in the solution of major problems and in the formulation and execution of the general plans and policies of Affiliated Companies. Advise and direct Affiliated Companies as to operations, issues arising out of or required by the various Federal and State regulatory requirements, business, public utilities and corporation laws, the selection of management and administrative personnel, the representation of Affiliated Companies before regulatory bodies, proposals for capital expenditures, budgets, financing, acquisition and disposition of properties, expansion of business, rate structures, public relationships and other related matters.	Executive	O&M less purchased gas expense; capex - Adj for CEO (Previous year's services billed for future periods)
Gas Control	Provide monitoring of the flow and control of the Affiliated Companies' operating systems.	Gas Control	Control Points
Gas Supply (Planning/Gas Supply Local Production)	Direct and advise Affiliated Companies in all matters relating to Gas Supply including gas supply planning, supply portfolio design, interstate and local gas acquisition, gas hedging, gas scheduling, contract support and regulatory support.	Gas Supply Planning	System Throughput
		Local Production	PO Taps

Human Resources	Provide the organization, direction and resources to Affiliated Companies for the formulation and administration of human resources policies and programs relating to the Affiliated Companies' payroll, labor relations, personnel administration, training, wage and salary administration and employee services and health and worker's compensation. Direct and administer all medical and health activities of Affiliated Companies. Provide central administration for employee benefit and pension plans of Affiliated Companies. Advise and assist Affiliated Companies in the administration of such plans and prepare and maintain records of employee and company accounts under the said plans, together with such statistical data and reports as are pertinent to the plans.	Human Resources	Employees
Information Technology, Electronic Transmission and Computer Services (Applications; Telecommunications)	Provide the organization and resources for the operation of an information technology function including the development, implementation and operation of a centralized data processing facility and the management of a telecommunications network. This function includes the central processing of computerized applications and support of individual applications in Affiliated Companies. Develop, implement, and process those computerized applications for Affiliated Companies that can be economically best accomplished on a centralized basis.	Information Technology, Electronic Transmission and Computer Services (Applications; Telecommunications)	Customers and Users (50/50)

Land Management	Provide oversight and procure necessary land rights of way or parcel purchases/dispositions. Manage associated right of way lease agreements.	Land Management	Capital Budget
Legal	Provide Legal services in connection with, or in support of, any of the other services provided hereunder including, but not limited to, general corporate matters	Legal	O&M less purchased gas expense; capex (Previous year's services billed for future periods)
Legislative (Government) Affairs	Formulate and support public relations with the administration of corporate contribution and community affairs programs. Represent and support the Affiliated Companies' interests in existing and emerging legislation	Legislative (Government) Affairs	Customers - PA Only
Operations	Direct and advise Affiliated Companies in the study, planning, engineering and construction of plant facilities of the Affiliated Companies as a whole, and advise, assist and manage the planning, engineering (including maps and records), field customer service, construction, operations, maintenance, employee safety, environmental (identifying, managing and remediating environmental threats or risks), vegetation maintenance and other compliance activities of Affiliated Companies. Develop long-range operational programs for the Affiliated Companies and direct and advise in the coordination of such programs with the programs of the other Affiliated Companies. Provide services related to maintenance, testing and repair of meters.	Field Customer Service	Customers
		Field Operations	Miles of Pipe
		GIS Planning & Pipeline Assessment	Miles of Pipe
		Construction Management; Pipeline Replacement Program	Capital Budget
		Meter Management	Number of Meters
Rates & Regulatory Affairs	Provide the organization, direction and resources to Affiliated Companies for the submission and support of all state and federal	Rates	Regulated Revenue
		Transportation Services	Sales and Transportation Volumes

	regulatory filings and programs and manage their relationships with state and federal commissions, federal, state and local governments, agencies and legislative bodies. Prepare and support all regulatory filings including base rate case, gas cost recovery and tariff filings. Advise and direct the analysis of rate structure, and the formulation of rate policies. Provide the organization, direction and resources to Affiliated Companies for proceedings before regulatory bodies involving the rates and operations of Affiliated Companies where such rates and operations directly or indirectly affect Affiliated Companies. Provide the organization, direction and resources to Affiliated Companies to create and manage various universal service programs in compliance with regulatory requirements. Also, provide customer requirements forecasting in support of daily, monthly, seasonal and long-range usage and financial estimates.	Customer Relations	Customers
Risk Management	Provide the organization, direction and resources to Affiliated Companies for securing requisite insurance, in the purchase and administration of all property, casualty and in providing risk prevention advice.	Risk Management	Insurance Premiums
Safety & Training	Provide services related to safety programs. Develop and facilitate technical and safety training for workers associated with operational activities, including mainline, meter, fleet, warehouse, field engineering and dispatch.	Safety & Training	Field Union Employees
Sales & Marketing	Plan, formulate, implement and administer Affiliated Companies'	Large Volume Sales	Customers - C&I

	marketing and transportation programs, as well as provide associated marketing services to assist Affiliated Companies with improving customer satisfaction, load retention, growth of gas sales and deliveries.	Residential Sales	Customers - Residential
Software Pooling	Provide services related to safety programs. Develop and facilitate technical and safety training for workers associated with operational activities, including mainline, meter, fleet, warehouse, field engineering and dispatch.	Software Pooling	Employees; Customers
Supply Chain	Direct and advise Affiliated Companies in the procurement of real and personal property, materials, supplies and services, conduct purchase negotiations, prepare procurement agreements and administer programs of material control.	Purchasing	\$ values of PO purchases
		Materials Management	\$ value of material inventory purchases
Tax Accounting and Compliance	Provide the organization, direction and resources to Affiliated Companies for the preparation of Federal and other tax returns, and generally advise Affiliated Companies as to any problems involving taxes.	Tax Accounting and Compliance	Income and deductions per tax return
Treasury and Cash Management	Provide direction and services related to managing all administrative activities associated with financing, including management of capital structure; cash, credit and other risk management activities; investment and commercial banking relationships; and general financing activities.	Treasury and Cash Management	O&M less purchased gas expense; capex (Previous year's services billed for future periods)
Use of Space	Use or lease of office, warehouse, storage and other space or facilities, associated warehousing and storage services	Use of Space	Employees; Customers

VII. Intercompany Billing Process

The billing cycle is a vital component of cost control and cost settlement.

During closing, various journal entries are processed for PNG Companies. These journal entries contain cost objects that are set up to automatically create the affiliated relationship upon settlement. Once the closing process is complete, billings are prepared and reviewed. The supporting documentation details the charges and is reviewed before being submitted for payment.

Each month in which the billings are issued, the open charges are cleared in the G/L via offset to the Intercompany short-term borrowing facility.

VIII. Direct Charges

Separate from allocated costs, PNG Companies also incurs costs on a direct-charge basis. Employees who are assigned to work for one particular project will direct-charge their costs to only that project. Corporate employees will direct-charge a company when their workload for the respective project or company is heavier than normal. At all other times, corporate employees will allocate their costs based upon the procedures detailed in this manual.

IX. Other Affiliated Agreements

Under PNG Companies, there is also an Operational Agreement that allows for support for various Operational activities between Peoples Natural Gas Company and Peoples Gas Company based on the factors identified below:

Service	Description of Services	Function	Allocation Basis
Operations - Field Operations	Manage and Supervise in the study, planning, and operation of plant facilities of Affiliated Companies as a whole, and advise, assist and manage the planning, operations, maintenance, environmental (identifying, managing and remediating environmental threats or risks), vegetation maintenance and other compliance activities (i.e. Pipeline Integrity) of Affiliated Companies.	Compliance	Miles (ft) of Pipeline
		Corrosion	
		Damage Prevention	
		Leak Survey	
		Pipeline Maintenance	
Operations - Measurement	Manage, Supervise, Advise and assist in the study, planning, and operation of measurement and demarcation facilities of the Affiliated Companies.	Demarcation and Measurement standards	Throughput
Operations - Construction	Manage, Supervise , Advise and assist in the study, planning, engineering (including maps and records), and construction of plant facilities of the Affiliated Companies.	Design	Capital Budget
		Engineering	
		Pipeline Replacement	
Operations - Field Customer Service	Manage, Supervise, advise and assist in the study, planning, and operation of field customer service activities	Field Customer Service	Customers
Operations - Compression	Manage, Supervise, Advise and assist in the study, planning, and operation of compression facilities of the Affiliated Companies.	Compression	Number of Stations

All field union personnel charge individual capital projects for the specific entity that is being supported. O&M projects are charged based on various activities and are allocated at the shop level based on various factors – primarily number of customers and miles of pipe that are relevant to the territory supported. All management employees are directed to charge specific default WBS Elements based on their home cost center that allocated the support costs based

on the same factors as the union personnel. Regular review of time charging occurs to ensure that there are no “residual” costs.

X. Convenience Payments

The costs of rendering services of a department should not include incremental out-of-pocket expenses that are incurred for the direct benefit and convenience of an individual Company or group of Companies. Convenience Payment WBS Elements have been established to accomplish this allocation. These WBS Elements have been set up for each area as applicable and are allocated to the various entities based on the factors described in VI. Corporate Cost Allocation Principles. Each convenience WBS Element follows a standard naming convention so that they are easily identifiable: CP.(Support Area).(Companies Supported – ALL; PA; EGC). The settlement rules for these WBS Elements are updated annually based on the revised statistics used for the PNG Companies allocations.



Essential Utilities

Corporate Charges Allocations Manual

Process Owner: Finance

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Summary

Shared Service Companies

Essential Utilities Services Inc (“Essential Services”) was formed in June 2021. Essential Services consists of officers and employees (“employees”) who are familiar with water, wastewater, and gas utility businesses and have experience and expertise in management, financing, accounting, customer services, legal affairs, engineering, rates and regulatory matters, and the operation of water, wastewater, and gas utilities. The employees of Essential Services are qualified to aid, assist and advise the Water, Wastewater, and Gas Companies in their business. Essential Services includes Essential Services and Essential Customer Operations (“ECO”).

Aqua Services Inc (“Aqua Services”) was formed on January 1, 2004. Aqua Services consists of officers and employees who are familiar with the water and wastewater utility businesses and have experience and expertise in management, financing, accounting, customer services, legal affairs, engineering, rates and regulatory matters, and the operation of water and wastewater utilities. The employees of Aqua Services are qualified to aid, assist and advise the Water and Wastewater Companies in their business. Aqua Services includes Aqua Services and Aqua Customer Operations (“ACO”).

Essential Services and Aqua Services are referenced as “Shared Service Companies” within this document.

Shared Service Company Expenses

The Shared Service Companies are classified into two main categories under which a bill is produced. The expenses are classified as either Service Expenses or Sundry Expenses.

Service Expenses

The Essential Service Companies’ employees provide corporate management services and are categorized as service expenses. Essential Services allocates its cost to Peoples Natural Gas Co and Aqua Services. The percent allocation is calculated using the Four Prong Method. The Four Prong method is a four-factor formula which allocates costs to subsidiaries giving equal weight to customer count, rate base, number of employees, and non-labor operations and maintenance expenses and taxes other than income. An example of the Four Prong method calculation can be found in [Appendix A – Four Prong Method](#).

This allocation is reviewed annually, and the percentages will be updated based on the new calculation. All Aqua Services costs, including the percentage allocation from Essential Services, are collected and allocated to the appropriate subsidiaries of Essential Utilities Inc (“Essential Utilities”) through an allocation process to be described in this document.

Service expenses are defined as labor and overheads of employees of the Shared Service Companies. Labor is defined as actual base pay of employees of the Shared Service Companies. Overhead is defined as costs incurred by the company, in order to obtain the services of said employees. They include, but are not limited to, healthcare, employer payroll taxes, retirement benefits, office rent, and employee incentive compensation. These overhead costs exclude any employee related contributions and are recorded at cost without markup.

The employees of the Shared Service Companies can be categorized into the following types of services:

- Accounting & Financial
- Administration
- Customer Service
- Customer Relations
- Communications
- Corporate Secretarial
- Engineering
- Human Resources
- Information Services
- Legal
- Records Management
- Purchasing
- Fleet
- Rates & Regulatory
- Water Quality

Sundry Expenses

Sundry expenses include all other costs which are not included in the service allocations and can also be categorized as listed above. They post to the general ledger and are typically departmental expenses. Sundry costs, like service costs, can be classified as direct or indirect charges. Sundry billing is an automated process through SAP.

Customer Operations

Essential Customer Operations (“ECO”) is a department of Essential Services. ECO expenses, both labor and non-labor, are allocated to Peoples National Gas Co and Aqua Services based on the Four Prong Method. The Four Prong method is a four-factor formula which allocates costs to subsidiaries giving equal weight to customer count, rate base, number of employees, and non-labor operations and maintenance expenses and taxes other than income. An example of the Four Prong method calculation can be found in [Appendix A – Four Prong Method](#).

This allocation is reviewed annually, and the percentages will be updated based on the new calculation. The portion allocated to Aqua Services is then allocated to all subsidiaries receiving services based on “ACO” customer count.

Aqua Customer Operations (“ACO”) is a department of Aqua Services. ACO expenses, both labor and non-labor, are allocated to all subsidiaries receiving services based on customer count.

Service Billing

Summary

Service Expenses are the labor and overhead costs of the Shared Service Company employees who provide corporate management services. All service related expenses are billed to the subsidiaries of Essential Utilities at cost, by using an employee specific billing rate. The billing rate for an employee is calculated by dividing total annual labor and overhead expenses by that employee’s annual billable hours.

Billable Hours

An employee's billable hours are calculated by taking the employees annual paid hours less paid time off.

Billable Hours Calculation Example

- Based on a 40-hour work week and 52 weeks, the total annual paid time for an employee is 2,080 hours
- Employees actually work less time than 2,080 hours, and this paid time off ("PTO") time is broken down into the following components:
 - Vacation
 - Holiday
 - Personal
 - Sick
- Using an example to calculate worked time for each year, let's assume an employee has two weeks of vacation (10 days or 80 hours)
- In addition, he/she:
 - Averages 2 sick days or 16 hours (the company average)
 - Is entitled to 9 company paid holidays (72 hours)
 - Is entitled to 4 personal days (32 hours)
- Based on the above information, the employee's "billable hours" are computed as follows:

Paid Hours	2,080
less: Vacation	(80)
less: Sick	(16)
less: Holiday	(72)
<u>less: Personal</u>	<u>(32)</u>
Billable Hours	1,880

This billable hour for each employee of the Shared Service Companies is estimated at the beginning of each year based upon anticipated paid time off (vacation, holidays, sick time, and personal days). By year's end, the employee will have billed out actual time worked. Adjustments are made for paid time off at the end of each year in order to reconcile the difference by employee for actual paid time off versus estimated paid time off. All billable hours are recorded on an employee's timesheet.

Billable Dollars

As mentioned above, labor costs and overhead expense represent billable costs. Labor cost is defined as actual base pay of employees calculated into an hourly pay rate. Overhead expenses are additional employee compensation. As part of the budget process, these costs are identified by employee. Each year, the overhead costs for each employee are calculated by type of cost and are included in the calculation of the employee billing rate based on the best information that is available.

Employee Cost Categories

These are the possible categories of cost of employees, although not all employees will receive every benefit:

- Salaried - Straight-Time Wages
- Salaried - Overtime Wages
- Salary Annual Incentive
- Stock Option Compensation
- Performance Share Unit Amortization
- Restricted Stock Unit Amortization
- Officers, Executives
- Employee Benefits – Medical
- Employee Benefits - Dental / Vision
- Employee Benefits - Vision
- Employee Benefits - Life Insurance
- Employee Benefits – Disability
- Employee Benefits OPEB
- Employee Benefits – Pensions
- Employee Benefits - NQ Pensions - Service Cost
- Employee Benefits - Savings Plan
- Employee Benefits - Savings Plan(401K)-YE
- Other Employee Benefits - Miscellaneous
- Other Employee Benefits - Fees COLI Accounts
- Rent Expense - Buildings
- Transportation - Vehicle Leases
- Miscellaneous Expense
- Payroll Taxes
- Other Expense - Non-Service Cost Benefits-Pension
- Other Expense - Non-Service Cost OPEB
- Nonqual - Non Service Cost

Billing Rate Calculation Example

The following is an example of how an employee billing rate is calculated:

Company	E#	EE Name	Category	Cost
11	123	Smith, Jane	Salaried - Straight-Time Wages	\$ 50,000
11	123	Smith, Jane	Salary Annual Incentive	\$ 10,000
11	123	Smith, Jane	Employee Benefits - Medical	\$ 4,000
11	123	Smith, Jane	Employee Benefits - Dental / Vision	\$ 1,000
11	123	Smith, Jane	Employee Benefits - Life Insurance	\$ 1,000
11	123	Smith, Jane	Employee Benefits - Savings Plan	\$ 3,000
11	123	Smith, Jane	Rent Expense - Buildings	\$ 10,000
11	123	Smith, Jane	Payroll Taxes	\$ 10,000
			Total	\$ 89,000
			Productive Hours	1,880
			Billing Rate	\$ 47.34

In the example, the employee is paid \$50,000 per year plus an additional \$39,000 of estimated company paid employee expenses for a total annual employee cost of \$89,000. The employee has an estimated billable hours of 1,880 hours per year. The billing rate is calculated by dividing the total employee cost by the billable hours. In this example, \$89,000/1,880 hours

produces a billing rate of \$47.34/hour. This \$47.34 is associated with an activity type rate specific to this employee and their job title.

Time Reporting

The employees of the Shared Service Companies track and report their hours in the TimeTrack time reporting system. Each employee is assigned to a default service order. That order is maintained in SAP and TimeTrack. While each employee has a departmental service order, employees can override this service order by selecting projects or specific services in the time reporting system. Service expenses can be classified as direct or indirect charges based on the settlement rules which apply to each order. The employee's timesheet data is then transferred to SAP to calculate and process the service billings to the appropriate entity.

When employees have paid time off hours on their timesheets, those hours do not pass to SAP or through to the states as billable hours. Only productive hours are pushed out to the states at the billable rate. Paid time off hours are included in the billing rate since the billing rate is calculated using the full employee cost divided by the productive hours.

Sundry Billing

Sundry charges include all other costs which are not included in the service allocations. They post to the general ledger and are typically departmental expenses. Sundry expenses, like service expenses, can be classified as direct or indirect charges. Sundry billing is an automated process through SAP.

Settlement and Allocation Methodology for Services and Sundry

Each month, expenses are allocated out to the states based on the orders that are charged in the Service companies and the settlement rules behind those orders. Orders can be allocated directly to one state or to multiple states. Most employee orders and sundry orders contain settlements to general capital.

Direct Allocations

Direct allocations are charged 100% to the entity identified through the entity code on the order and the settlement rule.

Indirect Allocations

Indirect allocations are identified by the settlement rules on the order. The billing costs associated with these orders are allocated to the group of entities identified by the allocation code. The methodology method to determine appropriate allocation of these indirect allocations is customer count. The customer count is calculated by using year end customer totals of each subsidiary, as defined by Essential Utilities customer count policy, for the year immediately preceding the current year. Customer counts are not adjusted throughout the year unless there is a substantial acquisition during the year, at which time all allocations will be updated with the most current quarter end customer counts.

Examples of Orders and Settlement Rules

Service Settlement Rule Example

Each employee has their default order. Here is an example of a default order:

92000000XX

Each order contains settlement rules. The above default order contains settlement rules to settle to the following 3 internal orders.

Cat	Settlement Receiver	Receiver Short Text	%	Settl...	So...	No.	Str...	From ...	From FI...	To Pe...	To Fisc...	First Used	Last Used
ORD	9210GCAP00	GENERAL CAPITAL-AQUA	18.30	PER		4		1	2022	12	2022	004/2022	009/2022
ORD	9200COMM09	Communications-PNG	39.00	PER		5		1	2022	12	2022	004/2022	009/2022
ORD	9210COMM00	Communications-AQUA	42.70	PER		6		1	2022	12	2022	004/2022	009/2022

Each of these receiving orders have their own settlement rules.

The general cap order 9210GCAP00 settles to the states' capital overhead pool order as shown below.

Order													
9210GCAP00		GENERAL CAPITAL-AQUA											
Actual settlement													
Distribution rules													
Cat	Settlement Receiver	Receiver Short Text	%	Settl...	No.	Str...	From ...	From FI...	To Pe...	To Fisc...	First Used	Last Used	
PRD	0090007	A&G Capital Support Pool-De...	7.52	PER	1		1	2022	12	2022	001/2022	009/2022	
ORD	570090007	A&G Capital Support Pool-De...	3.02	PER	2		1	2022	12	2022	001/2022	009/2022	
ORD	560090007	A&G Capital Support Pool - D...	8.10	PER	3		1	2022	12	2022	001/2022	009/2022	
ORD	550090007	A&G Capital Support Pool-De...	47.23	PER	4		1	2022	12	2022	001/2022	009/2022	
ORD	540090007	A&G Capital Support Pool - D...	3.05	PER	5		1	2022	12	2022	001/2022	009/2022	
ORD	530090007	A&G Capital Support Pool-De...	9.80	PER	6		1	2022	12	2022	001/2022	009/2022	
ORD	520090007	A&G Capital Support Pool-De...	15.34	PER	7		1	2022	12	2022	001/2022	009/2022	
ORD	510090007	A&G Capital Support Pool - D...	5.94	PER	8		1	2022	12	2022	001/2022	009/2022	

The Essential Services company order 9200COMM09 Communications-PNG settles 100% to Peoples Natural Gas Co.

Order													
9200COMM09		Communications-PNG											
Actual settlement													
Distribution rules													
Cat	Settlement Receiver	Receiver Short Text	%	Settl...	No.	Str...	From ...	From FI...	To Pe...	To Fisc...	First Used	Last Used	
PRD	000P900	PNG Services and Sundry Billi...	100.00	PER	1		1	2022	12	2022	001/2022	009/2022	

The Aqua Service company order 9210COMM00 Communications-AQUA settles to the states' Services/Sundry orders as shown below.

Order	9210COMM00 Communications-AQUA											
Actual settlement												
Distribution rules												
Cat	Settlement Receiver	Receiver Short Text	%	Settl...	No.	Str...	From ...	From FI...	To Pe...	To Fisc...	First Used	Last Used
ORD	510000900	Service Co Services/Sundry...	5.94	PER	1		1	2022	12	2022	001/2022	009/2022
ORD	520000900	Service Co Services/Sundry...	15.34	PER	2		1	2022	12	2022	001/2022	009/2022
ORD	530000900	Service Co Services/Sundry...	9.80	PER	3		1	2022	12	2022	001/2022	009/2022
ORD	540000900	Service Co Services/Sundry...	3.05	PER	4		1	2022	12	2022	001/2022	009/2022
ORD	580000900	Service Co Services/Sundry...	7.52	PER	5		1	2022	12	2022	001/2022	009/2022
ORD	570000900	Service Co Services/Sundry...	3.02	PER	6		1	2022	12	2022	001/2022	009/2022
ORD	560000900	Service Co Services/Sundry...	8.10	PER	7		1	2022	12	2022	001/2022	009/2022
ORD	550000900	Service Co Services/Sundry...	47.23	PER	8		1	2022	12	2022	001/2022	009/2022

Sundry Settlement Rule Examples

Each profit center has their own set of orders and settlement rules. Here are 3 examples.

9200050S00	Sundry ES-Finance-AQ
9200050S01	Sundry ES-Finance-ES
9200050S02	Sundry ES-Finance-IL

Order 9200050S00 settles 100% to order 9210050S00 Sundry AS-Finance-AQ

Order	9200050S00 Sundry ES-Finance-AQ											
Actual settlement												
Distribution rules												
Cat	Settlement Receiver	Receiver Short Text	%	Settl...	No.	Str...	From ...	From FI...	To Pe...	To Fisc...	First Used	Last Used
ORD	9210050S00	Sundry AS-Finance-AQ	100.00	PER	1		1	2022	12	2022	001/2022	001/2022

Order 9210050S00 then settles 30% to general capital and the remaining 70% to the states

Order	9210050S00 Sundry AS-Finance-AQ											
Actual settlement												
Distribution rules												
Cat	Settlement Receiver	Receiver Short Text	%	Settl...	No.	Str...	From ...	From FI...	To Pe...	To Fisc...	First Used	Last Used
ORD	10GCAP00	GENERAL CAPITAL-AQUA	30.00	PER	1		1	2022	12	2022	001/2022	009/2022
ORD	510000900	Service Co Services/Sundry...	4.16	PER	2		1	2022	12	2022	001/2022	009/2022
ORD	520000900	Service Co Services/Sundry...	10.74	PER	3		1	2022	12	2022	001/2022	009/2022
ORD	530000900	Service Co Services/Sundry...	6.86	PER	4		1	2022	12	2022	001/2022	009/2022
ORD	540000900	Service Co Services/Sundry...	2.13	PER	5		1	2022	12	2022	001/2022	009/2022
ORD	550000900	Service Co Services/Sundry...	33.06	PER	6		1	2022	12	2022	001/2022	009/2022
ORD	560000900	Service Co Services/Sundry...	5.67	PER	7		1	2022	12	2022	001/2022	009/2022
ORD	570000900	Service Co Services/Sundry...	2.11	PER	8		1	2022	12	2022	001/2022	009/2022
ORD	580000900	Service Co Services/Sundry...	5.27	PER	9		1	2022	12	2022	001/2022	009/2022

Order 9200050S01 settles to Peoples National Gas Co and Aqua Services based on a percentage allocation determined by using the Four Prong Method. The Aqua portion,

9210050S00, is then allocated to general capital and the states capital pool order as noted in the previous example.

Order	9200050S01		Sundry ES-Finance-ES									
Actual settlement												
Distribution rules												
Cat	Settlement Receiver	Receiver Short Text	%	Settl...	No.	Str...	From ...	From Fl...	To Pe...	To Fisc...	First Used	Last Used
RD	9210050S00	Sundry AS-Finance-AQ	61.00	PER	1		1	2022	12	2022	001/2022	009/2022
RD	92000P900	PNG Services and Sundry Billi...	39.00	PER	2		1	2022	12	2022	001/2022	009/2022

9200050S02 is specific to Illinois, and therefore is settled 100% to 9210050S02.

Order	9200050S02		Sundry ES-Finance-IL									
Actual settlement												
Distribution rules												
Cat	Settlement Receiver	Receiver Short Text	%	Settl...	No.	Str...	From ...	From Fl...	To Pe...	To Fisc...	First Used	Last Used
ORD	9210050S02	Sundry AS-Finance-IL	100.00	PER	1		1	2022	12	2022		

9210050S02 is then settled 100% to Illinois, with 30% being allocated to capital and 70% to Services/Sundry.

Order	9210050S02		Sundry AS-Finance-IL									
Actual settlement												
Distribution rules												
Cat	Settlement Receiver	Receiver Short Text	%	Settl...	No.	Str...	From ...	From Fl...	To Pe...	To Fisc...	First Used	Last Used
ORD	580000900	Service Co Services/Sundry-...	70.00	PER	1		1	2022	12	2022		
ORD	580090007	A&G Capital Support Pool-De...	30.00	PER	2		1	2022	12	2022		

Understanding Management Fees

As part of the allocation process, the Shared Service Companies move costs from their companies to the state entities making use of orders (expense collectors). When orders are settled out to the states, they are posted under the 8732* range of GL accounts. The total of all 8732* range of accounts in the states are expenses for services and sundry from the service companies, never anything else. From there, capital orders are cleared out on the single account 6996034 to get to a total Management Fees number.

The only exception from the above rule are services charged directly to orders in the states. Those direct charges are posted on the 800* range of accounts representing services that can be filtered out in the state entities.

In SAP, we have sundry orders used by each department to code their expense invoices. Orders that start with 9200 and end in 01 are sundry orders that are allocated to Peoples

National Gas Co and Aqua Services using the Four Prong Method. The Four Prong method is a four-factor formula which allocates costs to subsidiaries giving equal weight to customer count, rate base, number of employees, and non-labor operations and maintenance expenses and taxes other than income. An example of the Four Prong method calculation can be found in [Appendix A – Four Prong Method](#).

The costs allocated to Aqua Services are then allocated to the states based on customer count. Sundry orders starting with 9210 and ending in 00 are only for Aqua Services, and they are allocated out to the states based on customer count. These allocated costs from the Shared Service Companies appear on the state's books in an 8732 series account. Additionally, orders can be used to directly charge costs to a specific state. Direct billing is done by coding invoices to a Service Company order specific to the state. When this is done, the costs go to the state's 8732 account as part of the settlement process. Direct billing for labor including overhead (Services) to an order in a state entity are posted to the 800* series accounts, but Sundry direct billing expenses are first collected at the Service companies to then settle on the 8732* series accounts.

Capitalized Services Company costs at the state level also go through a settlement process. This process credits back the 6996034 account and debits capital on the states' books. This is an automated process that occurs at the states.

Looking at the 6996034 account will give a view of the service companies' charges that are capitalized in the states. Subtracting the charges in the 6996034 account from the total in the 8732* range of accounts will provide an overview of the total management fee expenses at the states.

Examples:

- If an invoice is received for an Aqua service and a portion of the invoice should go to the water side and a portion of the invoice should go directly to Ohio, then the portion of the invoice for Ohio would be coded to the order ending in 07. During settlement, the Ohio portion would go to Ohio's 8732* series account.
- A service order for a PA project is selected in TimeTrack, this will result in a services allocation from the Service Company to PA on an 800* series account.
- In some circumstances, an Aqua Services check request contains the capital order and a regular sundry order. Both of these will settle and post to the 8732* range of accounts in the states. The capital portion will be credited to 6996034 and charged to capital in the state(s).

Employee Cost

For the Shared Service Companies, the employee planned costs are housed in each employee's cost center. The employee productive hours are then pulled from the time reporting system into SAP and posted using the calculated billing rate. This amount is used to clear out these employee cost centers. This is done for all employees in the service company.

Billing rates and customer counts are updated every year.

Customer Operations

Essential Customer Operations (“ECO”) Billings

Essential Customer Operations (“ECO”) is a department of Essential Services. “ECO” expenses, both labor and non-labor, are allocated to Aqua Services and Peoples Natural Gas using the Four Prong Method, and then Aqua Services allocates their portion of this cost out to all subsidiaries receiving services based upon “ACO” customer count. An example of the Four Prong method calculation can be found in [Appendix A – Four Prong Method](#).

Aqua Customer Operations (“ACO”) Billings

Aqua Customer Operations (“ACO”) is a department of Aqua Services, Inc. “ACO” expenses, both labor and non-labor, are allocated to all subsidiaries receiving services based upon “ACO” customer count.

Customer Operations Billings

Customer Operations employees are also set up with activity type standard labor rates, but their costs do not go to individualized cost centers. The calculation of a Customer Operations employee’s activity rate is the same as a Shared Service employee and is based on productive hours, although this rate is only calculated and setup as a system requirement. Billing rates are multiplied by productive time as reported in the time reporting system. There are labor variances, but unlike the Shared Service Company employee costs, the Customer Operations employee costs, including the labor variances, are fully allocated out to the entities based on customer count every month.

Customer Service and Billing Services

For Customer Service and Billing Services provided to the Essential Utilities water and wastewater subsidiaries (“Utility Companies”) and non-affiliated entities (“Third Party Clients”) utilizing the Customer Service Billing System employed by the Service Company to provide these Services, which Services cannot be identified and related exclusively to a particular Utility Company or Third Party Client, the cost for such Customer Service and Billing Services will first be allocated between the Third Party Clients and the Utility Companies based on the relative proportion of Third Party Client and Utility Companies revenues budgeted to be generated from the Customer Service Billing System for the current year to the total budgeted revenues to be generated from the Customer Service Billing System for the current year for all Third Party Clients and Utility Companies combined.

The portion of the costs for such common Customer Service and Billing Services allocated to the Utility Companies or a group of Utility Companies will be further allocated to each Utility Company or group of Utility Companies, including Aqua, based on the ratio of the number of customers served by each Utility Company or the group of Utility Companies at the most recent fiscal year end to the number of customers served by all Utility Companies, subject to adjustment during any year for a substantial change in the number of customers at any Utility Company or among the Utility Companies since the previous year-end in accordance with the Service Company’s accounting policies.

Appendix A – Allocation Methodology

Acronyms and Definitions

- Essential Services – Essential Utilities Services Inc
- Aqua Services – Aqua Services Inc
- Shared Service Companies – includes both Essential Utilities Services Inc and Aqua Services Inc
- ECO – Essential Customer Operations, a department of Essential Utilities Services Inc
- ACO – Aqua Customer Operations, a department of Aqua Services Inc
- Essential Utilities – Essential Utilities Inc
- Utility Companies – Essential Utilities water and wastewater subsidiaries
- Third Party Clients – Non regulated billing contracts
- [Four Prong Method](#) – a four-factor formula which allocates costs to subsidiaries giving equal weight to customer count, rate base, number of employees, and non-labor operations and maintenance expenses and taxes other than income.
- PTO – Paid Time Off
- Billable hours – Employee’s annual paid hours less paid time off
- TimeTrack – Time reporting system
- SAP – Financial system
- OM – Non-labor operations and maintenance expenses
- TOTI – Taxes other than income

Four Prong Method

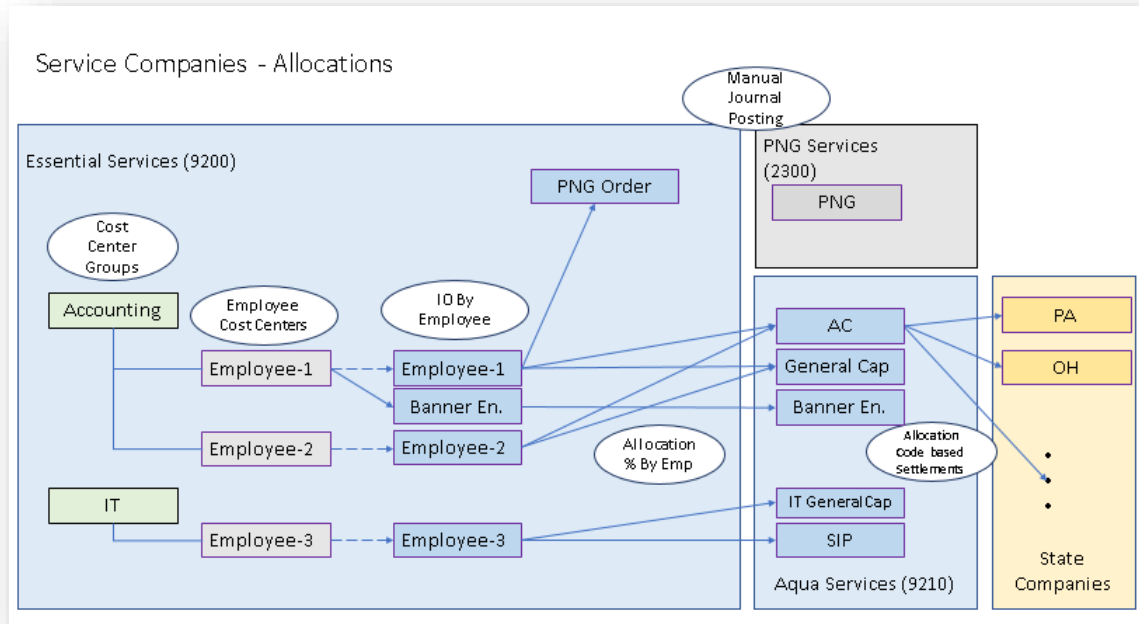
The Four Prong method is a four-factor formula which allocates costs to subsidiaries giving equal weight to customer count, rate base, number of employees, and non-labor operations and maintenance expenses and taxes other than income.

An example of the Four Prong method calculation

		PRONG DATA	% SPLIT	WEIGHT	WATER	GAS
RATE BASE	Water	\$6,087,491,628	68.3%	25.0%	17.08%	
	Gas	\$2,822,740,237	31.7%	25.0%		7.92%
CUSTOMER	Water	1,102,336	60.4%	25.0%	15.11%	
	Gas	721,700	39.6%	25.0%		9.89%
PEOPLE	Water	1,681	50.0%	25.0%	12.49%	
	Gas	1,684	50.0%	25.0%		12.51%
OM TOTI	Water	\$402,436	63.4%	25.0%	15.85%	
	Gas	\$232,457	36.6%	25.0%		9.15%
					60.52%	39.48%

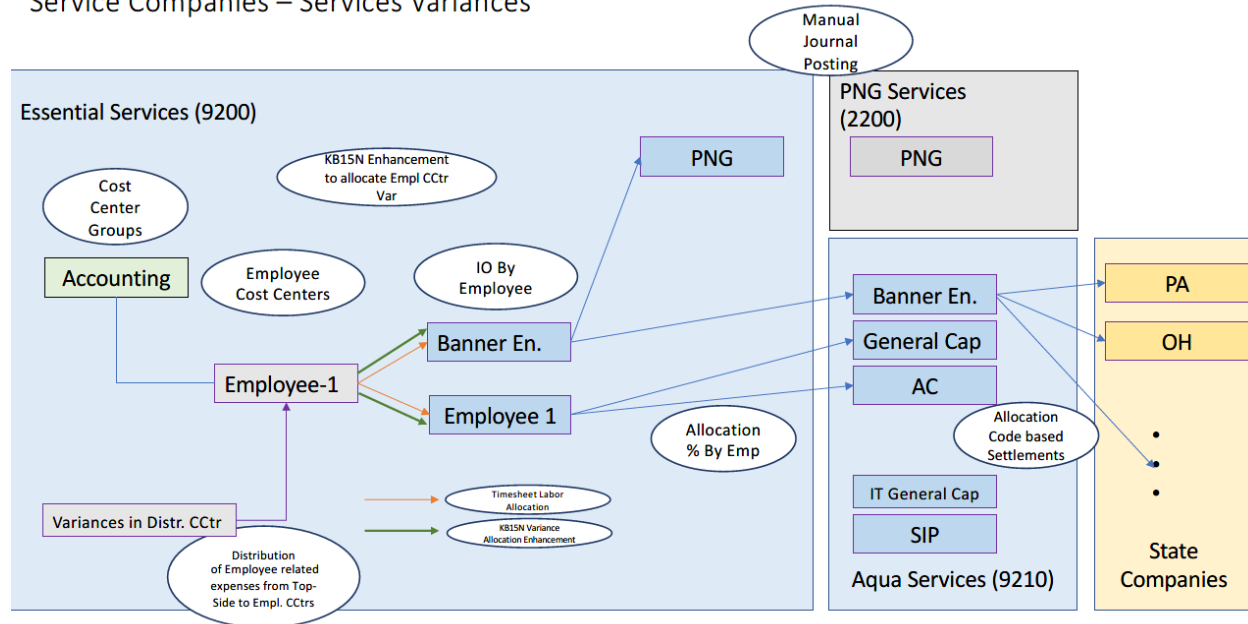
PEOPLE	WATER	GAS
	1,761	1,694
	80	10
	1,681	1,684
O&M / TOTI		
	338,180	213,603
	64,256	18,854
	402,436	232,457

Service Companies - Allocations



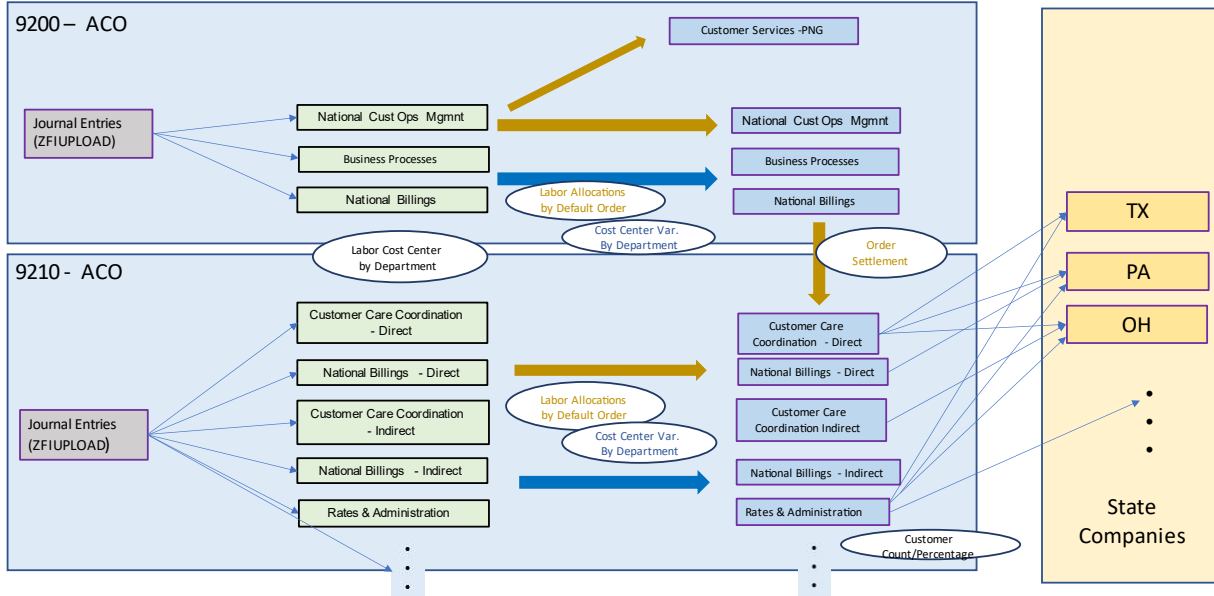
Service Companies – Services Variances

Service Companies – Services Variances



AQUA Service Company Allocations – ACO

AQUA Service Company Allocations – ACO



Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-06

Witness: Morpew, Jonathan W **Title:** Operations Director

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

6. Provide the Transmission Integrity Management Program (TIMP) plan for Delta.

Response:

See attached the Delta 2025 Transmission Integrity Management Program (TIMP). Delta is providing the TIMP under seal pursuant to a Petition for Confidential Protection.

**ATTACHMENT FILED UNDER SEAL PURSUANT TO THE
PETITION FOR CONFIDENTIAL PROTECTION FILED ON
JANUARY 3, 2025**

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-07

Witness: Morpew, Jonathan W **Title:** Operations Director

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

7. Provide the Distribution Integrity Management Program (DIMP) plan for Delta, if different than the TIMP.

Response:

See attached the Delta 2025 Distribution Integrity Management Program (DIMP). Delta is providing the DIMP under seal pursuant to a Petition for Confidential Protection.

**ATTACHMENT FILED UNDER SEAL PURSUANT TO THE
PETITION FOR CONFIDENTIAL PROTECTION FILED ON
JANUARY 3, 2025**

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-08

Witness: Morpew, Jonathan W **Title:** Operations Director

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

8. Refer to the Direct Testimony of Johnathan Morpew (Morpew Direct Testimony), page 5, lines 12-17. Provide the referenced "Post Incident Analysis" investigation format. If not a written procedure, provide the forms associated with the analysis.

Response:

The Post Incident Analysis Investigation identifies the sequential steps leading up to the incident, details the contributing factors, identifies the root cause, determines the actions needed to prevent further incidents, and assigns responsibility and action closure dates. It is led by Delta's Safety & Training Specialist. To facilitate the process, the attached form is utilized. Please note that the Post Incident Investigation is in addition to, and not in lieu of, regulatory requirements or other standard practices that may apply.

POST INCIDENT ANALYSIS



Process:
 A Post Incident Analysis (PIA) is required to be completed for all recordable injury and significant near miss events. The focus of the PIA meeting is to identify sequential steps leading up to the incident, detail the contributing factors, identify the root cause, determine the actions needed to prevent further incidents, and assign responsibility and action closure dates.

General Information:

Date of Event:		Time of Event:	
Location of Event:			

Event Short Description: *(Something happened...briefly describe the event)*

PIA Meeting Facilitators:

PIA Meeting Participants:	Company	Title	Email

Current Status *(Personnel/Property)*



Sequence of Events: *(Beginning of shift leading up to when event became under control)*

Contributing Factors: *(put X in box for applicable factors)*

<input type="checkbox"/> Improper work technique	<input type="checkbox"/> Poor workstation design	<input type="checkbox"/> Fire or explosion hazard	<input type="checkbox"/> Insufficient worker training
<input type="checkbox"/> Safety rule violation	<input type="checkbox"/> Congested work area	<input type="checkbox"/> Insufficient supervisor training	<input type="checkbox"/> Inadequate ventilation
<input type="checkbox"/> Improper PPE or PPE not used	<input type="checkbox"/> Hazardous substances	<input type="checkbox"/> Improper material storage	<input type="checkbox"/> Improper maintenance
<input type="checkbox"/> Operating without authority	<input type="checkbox"/> Slippery conditions	<input type="checkbox"/> Improper tool or equipment	<input type="checkbox"/> Inadequate supervision
<input type="checkbox"/> Failure to warn or secure	<input type="checkbox"/> Drug or alcohol use	<input type="checkbox"/> Insufficient knowledge of job	<input type="checkbox"/> Improper lifting
<input type="checkbox"/> Operating at improper speeds	<input type="checkbox"/> Unnecessary haste	<input type="checkbox"/> Inadequate job planning	<input type="checkbox"/> Safety rules not enforced
<input type="checkbox"/> By-passing safety devices	<input type="checkbox"/> Unsafe act of others	<input type="checkbox"/> Inadequate hiring practices	<input type="checkbox"/> Horseplay
<input type="checkbox"/> Guards not used	<input type="checkbox"/> Inadequate guarding of hazards	<input type="checkbox"/> Inadequate workplace inspection	<input type="checkbox"/> Inadequate equipment
<input type="checkbox"/> Improper loading/placement	<input type="checkbox"/> Defective tools/equipment	<input type="checkbox"/> Lack of written procedures	<input type="checkbox"/> PPE unavailable
<input type="checkbox"/> Poor housekeeping	<input type="checkbox"/> Insufficient lighting	<input type="checkbox"/> Unsafe design or construction	<input type="checkbox"/> Hazards not identified
<input type="checkbox"/> Excessive noise	<input type="checkbox"/> Inadequate fall protection	<input type="checkbox"/> Servicing machinery in motion	<input type="checkbox"/> Poor process design

Describe the contributing factors: *(List the reasons for the event and the work environment leading up to the event)*

Root Cause:

<input type="checkbox"/> Behavioral – Did not Follow Procedure	<input type="checkbox"/> Behavioral – Failure to Plan
<input type="checkbox"/> Behavioral – Inattention/ Distraction	<input type="checkbox"/> Behavioral – Unsafe Act
<input type="checkbox"/> Behavioral – Misbehavior / Mischief	<input type="checkbox"/> Equipment Defect / Malfunction
	<input type="checkbox"/> Other <i>(explain below)</i> :



Describe root cause: *(What factor, if removed, would have prevented the event from occurring)*

Additional Facts: *(Bin List...notate additional information related to the incident ex. Response time)*

Actions: Consider Corrective and Preventive actions
(For each contributing factor, must list an Action Item with due date and owner)

Mistake Proofing – Identifying the mistake you wish to prevent:
Elimination – Get rid of the step all together
Prevention – Engineer it so the mistake can't happen
Replacement – Make the process more reliable to lessen the chance of error
Facilitation – A tool to make the process easier to perform without error
Detection – Detect the error before further process steps occur
Mitigation – Minimize the effects the error has on results

Action	Responsible Person	Date Due
1. 2. 3.		



Process Highlights:

(Identify the highlights...what went right? What were the positive actions regarding the event?)

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Questions

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Possible Ramifications

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Coaching Actions/Follow-up/Recommendations/Closing

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-09

Witness: Morpew, Jonathan W **Title:** Operations Director

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

9. Refer to Morpew Direct Testimony, page 6, lines 20-23. Provide Delta's expense to comply with 811 requirements, by month, for the years 2019-2024.

Response:

See attached 811 charges for 2019 – 2024.

Delta Natural Gas Company, Inc KY 811 Monthly Charges

2019

Service Areas	January	February	March	April	May	June	July	August	September	October	November	December	Totals
<i>0276 - Owingsville</i>	167	222	212	275	297	246	415	341	317	282	236	167	3177
<i>0277 - Berea</i>	454	363	379	505	478	388	533	367	413	441	301	257	4879
<i>0278 - Nicholasville</i>	254	227	363	484	604	565	607	638	490	534	267	232	5265
<i>0283 - Middlesboro</i>	229	165	123	131	194	257	286	212	280	246	210	117	2450
<i>0284 - Corbin</i>	447	351	428	532	554	448	414	478	502	398	317	363	5232
KY811 Total	1551	1328	1505	1927	2127	1904	2255	2036	2002	1901	1331	1136	21003
Unit Price Per Call	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	
Monthly Cost	\$2,326.50	\$1,992.00	\$2,257.50	\$2,890.50	\$3,190.50	\$2,856.00	\$3,382.50	\$3,054.00	\$3,003.00	\$2,851.50	\$1,996.50	\$1,704.00	\$31,504.50

2020

Service Areas	January	February	March	April	May	June	July	August	September	October	November	December	Totals
<i>0276 - Owingsville</i>	248	186	237	245	252	308	313	250	285	286	230	172	3012
<i>0277 - Berea</i>	430	286	447	517	472	513	533	493	476	423	421	364	5375
<i>0278 - Nicholasville</i>	512	452	523	498	516	633	710	831	938	751	656	675	7695
<i>0279 - Transmission</i>			150	141	128	105	156	169	182	145	100	105	1381
<i>0283 - Middlesboro</i>	159	123	108	199	135	198	146	215	191	140	128	98	1840
<i>0284 - Corbin</i>	347	275	413	539	474	503	490	528	555	519	425	343	5411
KY811 Total	1696	1322	1878	2139	1977	2260	2348	2486	2627	2264	1960	1757	24714
Unit Price Per Call	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	
Monthly Cost	\$2,544.00	\$1,983.00	\$2,817.00	\$3,208.50	\$2,965.50	\$3,390.00	\$3,522.00	\$3,729.00	\$3,940.50	\$3,396.00	\$2,940.00	\$2,635.50	\$37,071.00

2021

Service Areas	January	February	March	April	May	June	July	August	September	October	November	December	Totals
<i>0276 - Owingsville</i>	162	104	246	288	336	311	447	344	390	297	237	198	3360
<i>0277 - Berea</i>	479	310	696	884	1083	1172	963	844	973	895	703	485	9487
<i>0278 - Nicholasville</i>	530	390	776	789	698	624	607	560	629	574	503	543	7223
<i>0279 - Transmission</i>	108	152	265	335	318	313	368	348	275	275	302	236	3295
<i>0283 - Middlesboro</i>	95	73	112	143	124	151	279	246	194	162	163	153	1895

<i>0284 - Corbin</i>	299	351	581	594	538	475	446	494	382	379	408	308	5255
KY811 Total	1673	1380	2676	3033	3097	3046	3110	2836	2843	2582	2316	1923	30515
Unit Price Per Call	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	
Monthly Cost	\$2,509.50	\$2,070.00	\$4,014.00	\$4,549.50	\$4,645.50	\$4,569.00	\$4,665.00	\$4,254.00	\$4,264.50	\$3,873.00	\$3,474.00	\$2,884.50	\$45,772.50

2022

Service Areas	January	February	March	April	May	June	July	August	September	October	November	December	Totals
<i>0276 - Owingsville</i>	159	194	301	281	356	404	312	399	367	369	258	191	3591
<i>0277 - Berea</i>	444	443	703	659	670	660	570	660	618	569	464	365	6825
<i>0278 - Nicholasville</i>	461	541	735	591	629	565	488	515	500	471	350	230	6076
<i>0279 - Transmission</i>	252	171	300	243	237	299	309	268	308	140	128	86	2741
<i>0283 - Middlesboro</i>	216	150	200	190	243	240	231	273	221	173	198	84	2419
<i>0284 - Corbin</i>	261	329	469	444	417	467	476	397	406	381	275	296	4618
KY811 Total	1793	1828	2708	2408	2552	2635	2386	2512	2420	2103	1673	1252	26270
Unit Price Per Call	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	
Monthly Cost	\$2,689.50	\$2,742.00	\$4,062.00	\$3,612.00	\$3,828.00	\$3,952.50	\$3,579.00	\$3,768.00	\$3,630.00	\$3,154.50	\$2,509.50	\$1,878.00	\$39,405.00

2023

Service Areas	January	February	March	April	May	June	July	August	September	October	November	December	Totals
<i>0276 - Owingsville</i>	191	174	211	411	395	413	381	454	374	456	334	238	4032
<i>0277 - Berea</i>	365	413	482	578	571	538	516	435	403	485	438	282	5506
<i>0278 - Nicholasville</i>	230	278	287	429	544	483	521	573	593	778	703	356	5775
<i>0279 - Transmission</i>	86	114	128	148	149	161	128	143	117	141	168	95	1578
<i>0283 - Middlesboro</i>	84	136	180	184	179	204	210	263	196	205	175	111	2127
<i>0284 - Corbin</i>	296	462	329	494	575	750	776	845	725	968	758	470	7448
KY811 Total	1252	1577	1617	2244	2413	2549	2532	2713	2408	3033	2576	1552	26466
Unit Price Per Call	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	
Monthly Cost	\$1,878.00	\$2,365.50	\$2,425.50	\$3,366.00	\$3,619.50	\$3,823.50	\$3,798.00	\$4,069.50	\$3,612.00	\$4,549.50	\$3,864.00	\$2,328.00	\$39,699.00

2024

Service Areas	January	February	March	April	May	June	July	August	September	October	November	December	Totals
0276 - Owingsville	223	265	273	267	350	663	736	710	701	984	550		5722
0277 - Berea	280	318	405	469	497	498	472	574	542	551	414		5020
0278 - Nicholasville	445	397	516	709	854	573	549	552	687	721	462		6465
0279 - Transmission	100	77	91	96	115	112	146	168	148	155	122		1330
0283 - Middlesboro	103	124	144	137	194	161	188	209	462	436	301		2459
0284 - Corbin	629	679	978	717	913	883	930	675	733	898	686		8721
KY811 Total	1780	1860	2407	2395	2923	2890	3021	2888	3273	3745	2535		29717
Unit Price Per Call	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	
Monthly Cost	\$2,670.00	\$2,790.00	\$3,610.50	\$3,592.50	\$4,384.50	\$4,335.00	\$4,531.50	\$4,332.00	\$4,909.50	\$5,617.50	\$3,802.50	\$0.00	\$44,575.50

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-10 A

Witness: Morpew, Jonathan W **Title:** Operations Director

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

10. Refer to the Morpew Direct Testimony, page 11. Refer also to the responses to Staff's First Request, Item 25.

a. Provide the cost impact of transitioning from Honeywell American meter base with Itron 100 ERT modules to the Intelis 250 meter with an integrated ERT module.

Response:

As stated on page 8 of Delta's Verified Application For Declaratory Order filed on May 7, 2024, Delta's current cost for the meter is \$123.32 and the ERT is \$67.09 for a total cost of \$190.31. The cost of the Intelis 250 is \$230 for the meter with the integrated ERT. The cost difference between the Itron 100 and Intelis 250 is \$40 per meter. Therefore the incremental cost of replacing the 8,000 meters and ERT's for the pilot Intelis project will be \$320,000.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-10 B

Witness: Odusanya, Abdul-Azeez **Title:** Controller III

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

10. Refer to the Morphew Direct Testimony, page 11. Refer also to the responses to Staff's First Request, Item 25.

b. Provide the attachments contained in response to Staff's First Request, Item 25 in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

Response:

See attached.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-10 C

Witness: Morpew, Jonathan W **Title:** Operations Director

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

10. Refer to the Morpew Direct Testimony, page 11. Refer also to the responses to Staff's First Request, Item 25.

c. Explain the absence of "New Meter" or "Meter Install" projects in the 2024 and 2025 Construction Projects schedules, given that only 32,000 of the 40,000 meter have been replaced.

Response:

As stated on page 7 of Delta's Verified Application For Declaratory Order, starting in 2026, Delta plans to order 500 Intelis 250 meters each year, which corresponds with the number of meters it targets for retirement annually. Delta is waiting to see results from the pilot Intelis project before considering plans to accelerate its meter retirement program.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-11

Witness: Morphew, Jonathan W **Title:** Operations Director

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

11. Refer to the Morphew Direct Testimony, pages 9-10.

a. Confirm that Phase I of the high pressure distribution pipeline project consists of constructing the first 9.3 miles of the total 16.6 mile pipeline. If not confirmed, explain.

b. Confirm that Phase II consists of constructing the remaining 7.3 miles, and that Phase II is expected to be contracted in early 2025. If not confirmed, explain.

c. If 11(b) is not confirmed, provide the corrected number of remaining miles that will be contracted in Phase II.

Response:

a.) Phase I of the Nicholasville high pressure distribution pipeline project does consist of constructing 9.3 miles pipeline.

b.) Phase II of the Nicholasville high pressure distribution pipeline project does consist of 7.3 miles pipeline and is planned to be contracted in early 2025.

c.) See answer to Question 11(b) above.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-12

Witness: Brown, John **Title:** State President

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

12. Provide the current lost and unaccounted for natural gas (LAUF), by month, for the year 2024 through December 2024.

Response:

See attached.

	2024												TOTAL
	January	February	March	April	May	June	July	August	September	October	November	* December	
A. Gas Received	2,435,072	1,673,170	1,429,324	1,052,800	1,410,911	2,010,435	1,548,195	1,234,006	1,125,054	1,246,958	1,225,002	1,911,928	18,302,855
B. Gas Deliveries	2,849,197	1,422,368	1,338,686	872,525	1,247,235	1,905,872	1,449,323	1,128,101	1,091,773	1,271,991	1,289,565	2,135,547	18,002,183
	(414,125)	250,802	90,638	180,275	163,675	104,563	98,872	105,905	33,280	(25,033)	(64,563)	(223,619)	300,672 1.64%

* December 2024 was estimated using the best available information.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-13

Witness: Brown, John **Title:** State President

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

13. Provide any union contracts finalized since 2021, excluding the one provided in response to Staff's First Request, Item 37.

Response:

There were no union contracts finalized since 2021 other than the one provided in response to Staff's First Request, Item 37.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-14

Witness: Odusanya, Abdul-Azeez **Title:** Controller III

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

14. Provide the number of employees that are considered union employees and the number of non-union employees.

Response:

There are 99 Union employees and 50 Non-Union employees that are included in the 2025 Budget.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-15

Witness: Packer, Jr., William

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

15. Compare each benefit provided by Delta to union employees vs. non-union employees. If a benefit is provided pursuant to a union contract that is not provided to non-union employees, note that in the response. Include in the response the contribution percentage for employer and employee.

Response:

With the exception of the short-term disability ("STD") benefit, benefits for non-union employees and employees represented by a union are the same. The STD benefit for employees represented by a union is set forth in the collective bargaining agreement provided in response to PSC 1-37. The non-union STD benefit is set forth in the attached. The 2025 Open Enrollment Book which provides details of the benefits offered to employees is attached. Additionally, the 2024 and 2025 employee/employer medical benefit contribution rate percentages are attached.



Delta Natural Gas Company, Inc.

Standard Practices

SUBJECT EMPLOYEE SICK LEAVE & SALARY CONTINUATION
 STANDARD PRACTICE NO. P-6 PAGE 1 OF 2
 ISSUED BY John Brown APPROVED BY Glenn R. Jennings
 DATE EFFECTIVE September 01, 2012 CANCELING All Previous

The purpose of paid sick leave is to prevent major loss of pay in the event of a full-time employee's illness. Eligible employees will be required to exhaust all available paid sick leave before any unpaid medical leave will be granted.

An employee absent from work because of illness or injury shall be compensated in accordance with the following guidelines. The benefit payments will be subject to the various conditions and table of sick pay benefits outlined below:

LENGTH OF SERVICE

SICK PAY BENEFIT PER CALENDAR YEAR

Less than one year	*
1 year	80 hours full pay
2 years	120 hours full pay
3 years	100% pay for 1 month** 176
4 years	100% pay for 1 month and 75% pay for 1 month
5 years	100% pay for 1 month and 176 75% pay for 2 months 352

*Full-time employees who have completed 3 months of employment, having less than one (1) year's service shall be entitled to eight hours (8) per month up to a maximum of 40 hours in the calendar year.

**For the purpose of this policy, one (1) month represents 176 hours.

In the event of termination, if sick pay benefits have been paid that have not been earned, these unearned benefits must be reimbursed to the company.

Full-time employees will be insured under a long-term sickness and accident disability policy for approximately 60%-70% of salary, subject to coordination with and offset by Workers' Compensation, Social Security benefits and all other payments and benefits received pursuant to any law as a result of disability.

Payment of benefits relating to sick leave and salary continuation will be coordinated as follows:

1. Benefits payable because of absence from work due to illness or injury will be paid by the company for up to 90 days as indicated in the above table. The cost to Delta will be coordinated with any amounts the employee receives from Workers Compensation, Social Security Disability, and any other payments (other than those that are employee sponsored) that are in the nature of income replacement



Delta Natural Gas Company, Inc.

Standard Practices

SUBJECT EMPLOYEE SICK LEAVE & SALARY CONTINUATION
 STANDARD PRACTICE NO. P-6 PAGE 2 OF 2
 ISSUED BY John Brown APPROVED BY Glenn R. Jennings
 DATE EFFECTIVE September 01, 2012 CANCELING All Previous

benefits. Thus, any amounts the employee receives from these sources must be given to Delta in order to enable Delta to provide this overall level of sick leave and salary continuation. All time off for sick leave will be accumulated toward the maximum for each employee as set forth in this practice.

2. This wage continuation policy will be coordinated with any benefits under the Family and Medical Leave Act.
3. Benefits payable under the long-term insured salary continuation plan will be payable commencing on the 91st day of disability payable to the insured monthly as earned or pro-rata for a partial month of disability.
4. If more than one absence occurs due to disabilities related to the same cause, the amount of eligible sick leave will be the difference of time taken during the initial period of disability and actual accrued benefit unless a period greater than six (6) months separates the disabilities. At the first of each calendar year, sick leave benefits will be restored unless the absence is due to a continuous disability.
5. To be eligible for sick leave, an employee may be required to provide a physician's certification or some other form of substantiation upon request by the company. A written doctor's release may be required before returning to work.

Always report the cause of absence as soon as reasonably possible after the beginning of the first scheduled working day.

Medical information will be maintained in confidence and will be disclosed to individuals on a need to know basis.

Requests for exceptions to the above practice shall be directed to the Manager - Corporate & Employee Services.



Delta Natural Gas Company, Inc.

Standard Practices

SUBJECT ALLOWABLE TIME OFF WITH PAYMENT
STANDARD PRACTICE NO. P-13 PAGE 1 OF 1
ISSUED BY John Brown APPROVED BY Glenn R. Jennings
DATE EFFECTIVE July 01, 2009 CANCELING All Previous

COURT LEAVE

Full-time employees shall be entitled to a leave of absence without loss of time or pay for that amount of time necessary to comply with subpoenas by any court to serve as a juror or a witness. This leave shall include necessary travel time. If relieved from duty as a juror or witness during his/her normal working hours, the employee shall return to work.

VOTING LEAVE

The company strongly encourages all employees to exercise their right to vote. All employees should make every attempt to vote before or after work hours. In the event the normal work schedule will not permit this, the company shall allow employees up to one hour to vote without loss of regular compensation.

DEATH

The company shall grant leave with pay when the employee has lost by death a spouse, parent, child, brother, sister, grandparent, parent-in-law, or spouse of any of them. Employees will be allowed a maximum of 3 days (24 hours) for this leave.

Requests for exceptions to any of the above practices shall be directed to the Manager-Corporate & Employee Services.

2025 BENEFITS OPEN ENROLLMENT GUIDE

Aqua/Delta/PNG Non-Union/IBEW/USW



WELCOME

to your benefits guide!

Essential Utilities recognizes how important benefits are to you. That's why we're committed to helping you and your family enjoy the best possible physical, financial, and emotional well-being.

It's also why we provide you with a comprehensive, highly-competitive benefits package, with the flexibility to make the choices that best meet your needs.

Use this guide to better understand the benefits offered by Essential Utilities, then be sure to enroll during your enrollment period, so that you receive the benefits you want for 2025.

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OPEN ENROLLMENT

The Open Enrollment period for 2025 benefits is November 4 – 15, 2024.

Passive Open Enrollment

This year's Open Enrollment will be PASSIVE. Passive enrollment means your current coverage will remain in place and roll-over into the new plan year, unless you want to make changes to your elections and/or covered dependents via Workday by November 15, 2024.

IMPORTANT: If you wish to continue to contribute toward a Flexible Spending Account (FSA) or Health Savings Account (HSA) you **MUST** make that election during Open Enrollment each year. Elections for the FSA and HSA **DO NOT** roll-over from one year to the next, in accordance with IRS regulations.

What to expect for 2025!

We have consolidated our benefit vendors across all of Essential to better manage our employee benefits plan.

- **Medical & Prescription Drug:** Your medical & prescription drug benefit will be offered through Independence Blue Cross and RxBenefits.
 - For PNG Non-Union, IBEW, and USW employees, you will now have access to important enhancements through IBX such as Progyny and Teladoc.
 - Tele-Dermatology is now available through Teladoc.
- **Dental:** The dental carrier will transition from Delta Dental to Metlife.

How to Enroll

After you've carefully considered your benefit options and anticipated needs, it's time to make your benefit selections. Log into Workday to enroll yourself and any eligible dependents in health and insurance benefits for 2025.



Enrolling via Workday

To get started, log in to the Workday self-service portal and go to your inbox, where you will see a **Benefits Enrollment Task**. Click on the Task to get started. Continue through all required screens to complete enrollment. Check the I Agree checkbox to provide an electronic signature. Click Submit, then Done to confirm your elections.

Need help enrolling?

Please contact the HR Service Desk at **888.366.3300** or email **HRServiceDesk@Essential.co**.

ELIGIBILITY & ENROLLMENT

Who Can Enroll in Benefits?

All full-time employees (averaging 30+ hours per week) are eligible to enroll in Essential Utilities' benefits program, with the following exceptions:

- **Basic and Voluntary Life/AD&D:** Must regularly work 40 hours per week (No waiting period)
- **Long-Term Disability (LTD):** Must regularly work 40 hours per week; waiting period of first day of the month that coincides with or follows the day the employee becomes eligible

In addition, the following family members are eligible for medical, dental and vision coverage:

- Your spouse
- Your domestic partner
- Your child(ren) up to age 26
- Your disabled dependent child(ren) of any age who meet plan criteria

Making Changes During the Plan Year

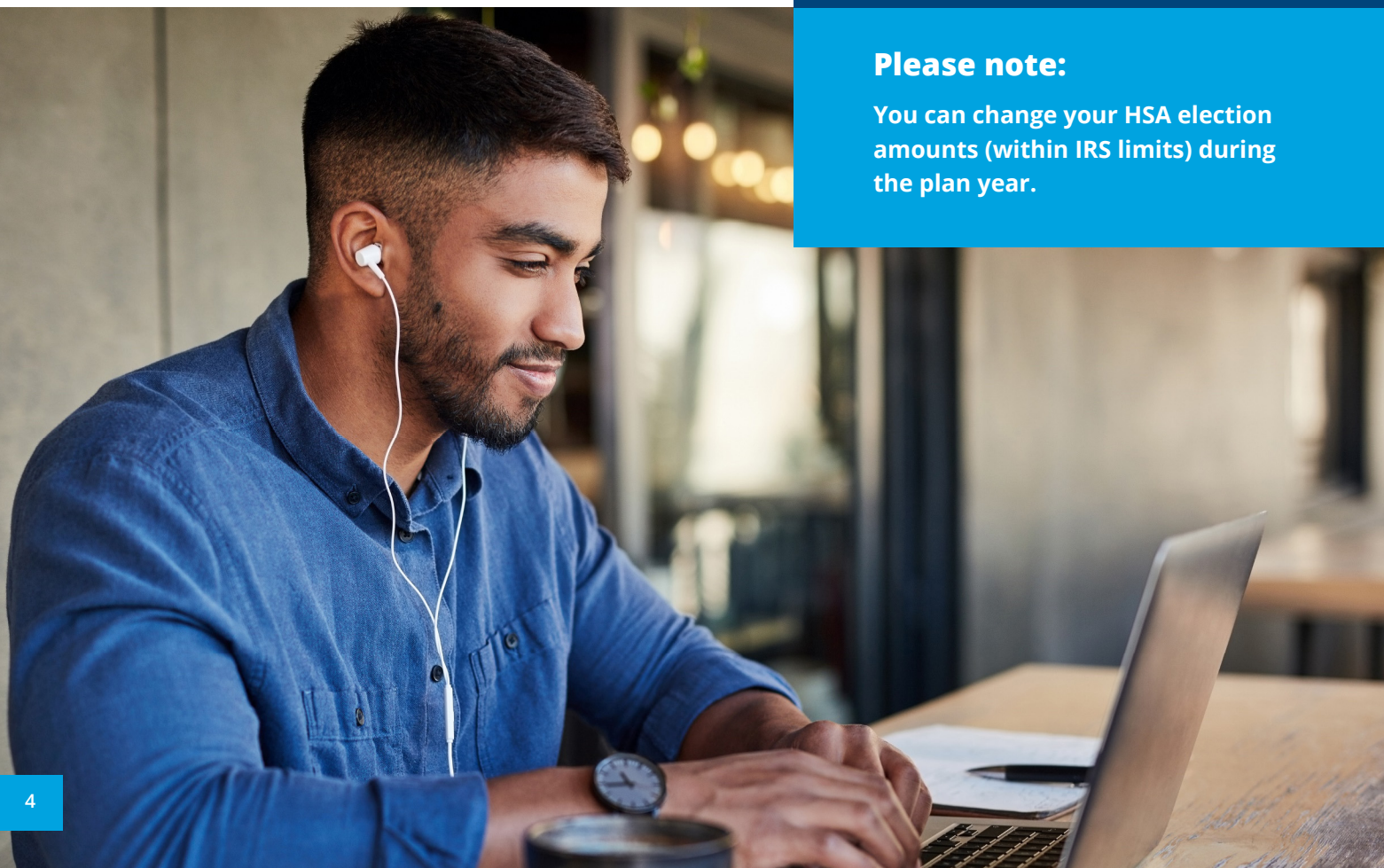
After your enrollment opportunity ends, you won't be able to change your benefits until the next Open Enrollment period, unless you experience a qualifying life event. Qualifying life events include:

- Marriage, divorce or legal separation
- Birth or adoption of a child
- Change in child's dependent status
- Death of a spouse, child or other qualified dependent
- Change in employment status or a change in coverage under another employer-sponsored plan

You must notify Human Resources within 30 days of a life event to change your benefits.

Please note:

You can change your HSA election amounts (within IRS limits) during the plan year.



ABOUT THE IBX MEDICAL PLANS

Quality health coverage is one of the valuable benefits you enjoy as an Essential Utilities employee. Our benefits program offers plans to help keep you and your family healthy and also provide important protection in the event of illness or injury.

Medical Plan Options

Essential Utilities offers two Preferred Provider Organization (PPO) plans and one High Deductible Health Plan (HDHP) through Independence Blue Cross (IBX). For additional information, visit www.ibx.com.

PPO 1 (Pay Later)

- \$1,000 individual deductible
- A preferred provider organization plan with copays for primary care and specialist services, including urgent care. Once you reach your deductible, the plan pays 80% up to your out-of-pocket maximum.

PPO 2 (Pay Now)

- \$500 individual deductible
- A preferred provider organization plan that has a higher payroll deduction with lower copays and out-of-pocket maximum. For eligible deductible services, the plan pays 100% once you meet your annual deductible.

HDHP \$1,650 Deductible Plan (HDHP with HSA)

- A high deductible health plan with a deductible that must be met before the plan starts paying. Once you reach your deductible, the plan pays 80% up to your out-of-pocket maximum.
- A Health Savings Account (HSA) is offered alongside the HDHP where you can contribute tax-free dollars to help cover the deductible. You have the ability to take the HSA account with you when you leave Essential Utilities. **Essential Utilities will make a \$1,000 contribution to the HSA for single coverage, and \$1,500 for family coverage.** For more information, see page 11.

Key Features of All Plans:

- Flexibility to see any provider you want, although you'll save money when you stay in-network
- Free in-network preventive care, with services such as:
 - Annual physicals
 - Recommended immunizations
 - Well-woman & well-child exams
 - Flu shots
 - Routine cancer screenings
- Prescription drug coverage included
- Choice of 7 (seven) coverage levels: Employee Only, Employee + Spouse, Employee + 1 Child, Employee + Children, Employee + Family, Employee + Domestic Partner, Employee + Child(ren) + Domestic Partner



Effective 1/1/2025, the Medical Waiver Credit will be eliminated for PNG non-union employees, employees represented by IBEW, and employees represented by USW who were hired after February 5, 2023.

MEDICAL BENEFITS: INDEPENDENCE BLUE CROSS

You have the choice of enrolling in three medical plans, outlined below. Each medical plan includes prescription drug benefits, outlined on the following page. **Please refer to Workday and/or the rate sheets for employee contributions. Note:** Out-of-network benefits are the same for all three plans. For more information, visit www.ibx.com or call **800.275.2583**. **Please note: In order for the HDHP to stay HSA compliant, the in-network deductible was increased to \$1,650/\$3,300.**

BENEFITS	PPO 1 Plan (Pay Later)		PPO 2 Plan (Pay Now)		HDHP with HSA	
	IN-NETWORK	OUT-OF-NETWORK	IN-NETWORK	OUT-OF-NETWORK	IN-NETWORK	OUT-OF-NETWORK
Annual Deductible (Individual/Family)	\$1,000/\$3,000*	\$5,000/\$15,000*	\$500/\$1,500*	\$5,000/\$15,000*	\$1,650/\$3,300**	\$5,000/\$15,000**
Out-of-Pocket Max (Individual/Family)	\$3,000/\$9,000	\$15,000/\$45,000	\$1,000/\$3,000	\$15,000/\$45,000	\$3,000/\$6,000	\$15,000/\$45,000
Preventive Care Services	Plan pays 100%; no deductible	You pay 50% ¹	Plan pays 100%; no deductible	You pay 50% ¹	Plan pays 100%; no deductible	You pay 50% ¹
Primary Care Physician (PCP) Required?	No		No		No	
PCP Office Visit	\$35 copay; no deductible	You pay 50% ¹	\$20 copay; no deductible	You pay 50% ¹	You pay 20% ¹	You pay 50% ¹
Specialist Office Visit	\$50 copay; no deductible	You pay 50% ¹	No charge ¹	You pay 50% ¹	You pay 20% ¹	You pay 50% ¹
Diagnostic Laboratory	X-Ray: You pay 20% (deductible does not apply) Blood work: No charge	You pay 50% ¹	No charge ¹	You pay 50% ¹	You pay 20% ¹	You pay 50% ¹
Diagnostic X-Ray/Imaging ² (MRI, CT-Scan)	You pay 20% ¹	You pay 50% ¹	No charge ¹	You pay 50% ¹	You pay 20% ¹	You pay 50% ¹
Emergency Room	You pay 20% ¹		No charge ¹		You pay 20% ¹	
Urgent Care Center	\$50 copay/visit (deductible does not apply)	You pay 50% ¹	No charge ¹	50% after deductible	You pay 20% ¹	You pay 50% ¹
Inpatient Hospital ²	\$200/day; max \$1,000 per admission	You pay 50% ¹	No charge ¹	You pay 50% ¹	You pay 20% ¹	You pay 50% ¹
Outpatient Surgery ²	You pay 20% ¹	You pay 50% ¹	No charge ¹	You pay 50% ¹	You pay 20% ¹	You pay 50% ¹

* The single deductible is embedded in the family deductible, so no one family member can contribute more than the individual deductible amount during the plan year. Once the member meets their single deductible, they will start paying copays and/or coinsurance until they have reached their out-of-pocket maximum.

** The entire family deductible must be met before plan pays any benefits. If you cover any dependents under the plan, the full family deductible must be met before the plan pays any benefits. However, once any individual meets the individual out-of-pocket maximum, the plan will begin to pay benefits and that individual has no further liability for the balance of the year. Other members of the family will continue to pay toward the family deductible and out-of-pocket maximum.

¹ After deductible

² Precertification may be required for certain services

PRESCRIPTION PLANS: RXBENEFITS

If you enroll in one of the IBX medical plans, you are automatically enrolled in the corresponding prescription drug plan. This coverage is offered through RxBenefits, a full-service pharmacy benefits administrator, and utilizes the Express Scripts formulary. To access your account online, visit www.express-scripts.com or call **800.334.8134**.

PPO 1 Plan (Pay Later)

PPO 2 Plan (Pay Now)

HDHP with HSA

RETAIL PHARMACY: UP TO A 30-DAY SUPPLY

	PPO 1 Plan (Pay Later)	PPO 2 Plan (Pay Now)	HDHP with HSA
Generic	\$10 copay	\$5 copay	You pay 20% after deductible
Preferred Brand	\$25 copay	\$25 copay	You pay 20% after deductible
Non-Preferred Brand	You pay 20% (\$50 min/\$100 max)	\$50 copay	You pay 20% after deductible
Specialty Medications	You pay 20% (\$50 min/\$100 max)	\$50 copay	You pay 20% after deductible

MAIL-ORDER: UP TO A 90-DAY SUPPLY

	PPO 1 Plan (Pay Later)	PPO 2 Plan (Pay Now)	HDHP with HSA
Generic	\$20 copay	\$10 copay	You pay 20% after deductible
Preferred Brand	\$50 copay	\$50 copay	You pay 20% after deductible
Non-Preferred Brand	You pay 20% (\$100 min/\$200 max)	\$100 copay	You pay 20% after deductible
Specialty Medications	You pay 20% (\$100 min/\$200 max)	\$100 copay	You pay 20% after deductible

How much can you save when you use Mail Order? Compare for yourself!*

RETAIL PHARMACY	MAIL ORDER	ANNUAL SAVINGS
Preferred Brand-Name Copay \$50	Preferred Brand-Name Copay \$100	\$200
Annual Cost (\$50 per month x 12 fills) \$600	Annual Cost (\$100 per order x 4 fills per year) \$400	

* Example amounts are based off of the PPO 2 (Pay Now) Plan

Please note:

Essential no longer has a mandatory mail order requirement. Members can now obtain a 90-day prescription at any in-network retail pharmacy and/or have the option to choose home delivery.



FERTILITY BENEFIT: PROGYNY

Note: This benefit is available to members enrolled in one of the Independence Blue Cross medical plans.

Progyny Fertility Benefits

Eligible employees have access to fertility benefits through Progyny, the country's leading fertility benefits solution.

The Progyny benefit includes comprehensive treatment coverage leveraging the latest technologies and treatments, access to high-quality care through a premier network of fertility specialists, and personalized emotional support and guidance for every path to parenthood from dedicated Patient Care Advocates (PCAs).

Members are eligible for up to 2 IVF cycles through Progyny. Only employees and their covered dependents, enrolled in one of our IBX medical plans are eligible for this benefit.

Get started with Progyny today!

For more information, visit: www.progyny.com
or call **866.878.7191**.



VISION BENEFITS: VSP

Having vision coverage allows you to save money on eligible eye care expenses, such as periodic eye exams, eyeglasses, contact lenses, and more for yourself and your covered dependents. **Vision is a separate election** — you can elect to receive vision coverage even if you are waiving Essential Utilities' medical coverage. **Please refer to Workday and/or the rate sheets for employee contributions.** You have the following two vision plans to choose from: a base plan and a buy-up option. For more information, visit www.vsp.com or call **800.877.7195**.

VSP Basic Vision Plan

BENEFITS	IN-NETWORK	OUT-OF-NETWORK REIMBURSEMENT
Exam	\$0 copay	Up to \$45
Prescription Glasses	\$20 copay	See Lenses
Frames (Copay included in prescription glasses)	\$175 allowance for wide selection; \$195 allowance for featured frame brands, plus 20% off amount over allowance; \$100 Costco allowance	Up to \$70
Lenses Single Vision Bifocal Trifocal Progressive	Copay included in prescription glasses	Up to \$30 Up to \$50 Up to \$65 Up to \$50
Contact Lenses (in lieu of eyeglasses)	\$150 allowance; up to \$50 copay for fitting/evaluation	Up to \$105
Frequency Vision Exam Lenses Frames		Once per calendar year Once per calendar year Once per calendar year

* Important Update:

Effective January 1, 2025, Protec Prescription Safety Glasses will be removed from our VSP insurance plan. For those that require prescription safety glasses, employees can go to their eye doctor, pay out of pocket, and then submit the reimbursement to the Benefits team. The cost is 100% reimbursed by Essential.

* No change in process for Peoples employees.

VSP Buy-Up Vision Plan

With the EasyOptions Buy-Up plan, you can choose to upgrade your vision plan based on your needs. You may choose **one** of the following:

- \$250 frame allowance
- Anti-reflective lenses
- Progressive lenses
- Photochromic Lenses
- \$200 contact lens allowance (in lieu of glasses)



DENTAL BENEFITS: METLIFE

Healthy teeth and gums are important to your overall wellness. That's why it's important to have regular dental checkups and maintain good oral hygiene. You have two dental plans to choose from for 2025. You can elect to receive dental coverage even if you are waiving Essential Utilities' medical coverage. **Our MetLife dental plans allow you to use any dentist you wish; however, selecting a participating dentist will significantly reduce your out-of-pocket costs. Please refer to Workday and/or the rate sheets for employee contributions.** For more information, please visit www.metlife.com or call **800.275.4638**.

BENEFITS	Base Plan		Buy-Up Plan	
	IN-NETWORK	OUT-OF-NETWORK	IN-NETWORK	OUT-OF-NETWORK
Annual Deductible (Individual/Family)	\$0/\$0	\$50/\$100	\$0/\$0	\$50/\$150
Annual Maximum	\$2,000	\$1,500	\$2,500	\$2,500
Preventive & Diagnostic Services	Covered 100%	Covered 100%	Covered 100%	Covered 100%
Basic Services	You pay 15%	You pay 35%	You pay 10%	You pay 10%
Major Services	You pay 30%	You pay 35%	You pay 30%	You pay 30%
Oral Surgery	You pay 10%	You pay 50%	You pay 10%	You pay 10%
Prosthodontics	You pay 40%	You pay 60%	You pay 30%	You pay 30%
Orthodontia Benefits *	You pay 50%	You pay 50%	You pay 50%	You pay 50%
Orthodontia Lifetime Maximum (per patient)	\$1,500	\$1,000	\$1,500	\$1,500

* Orthodontia benefits eligibility for the base plan is dependent child(ren) up to age 26. Eligibility for the buy-up plan includes both adults and their dependent child(ren) up to age 26



Diagnostic & Preventive (D&P) Maximum Waiver

With D&P Maximum Waiver, costs for covered diagnostic and preventive dental services don't accrue against your plan year maximums. Enrollees will effectively have more dollars to use for other needed dental services.

Money-saving tip!

Remember, you can use your Healthcare Flexible Spending Account or Health Savings Account for qualified out-of-pocket dental expenses.

HEALTH SAVINGS ACCOUNT: HEALTHEQUITY

HSA Overview

If you participate in a qualified High Deductible Health Plan (HDHP) you may be eligible to participate in a Health Savings Account (HSA). An HSA is a great way to save money by allowing you to set aside pre-tax dollars, via payroll deductions, to efficiently pay for qualified healthcare, dental and vision expenses.

HSA Eligibility

In order to qualify for an HSA, you must be an adult who meets the following qualifications:

- You have coverage under an HSA-qualified, high deductible health plan (HDHP)
- You (or your spouse, if applicable) have no other health coverage (excluding other types of insurance, such as dental, vision, disability, or long-term care coverage)
- Are not enrolled in Medicare
- You cannot be claimed as a dependent on someone else's tax return

HSA Advantages:

- There is no "use it or lose it" provision with an HSA. If you don't use the money in your account by the end of the year, don't worry! Unused funds will roll over year after year.
- You can save and invest unused HSA money for future healthcare needs
- Your HSA is portable. When you retire or leave the company, your HSA funds go with you
- HSA contributions are tax deductible, you can spend the money tax-free, and any growth is tax free.

HSA Contributions

The maximum amount that can be contributed to the HSA in a tax year is established by the IRS and is dependent on whether you have individual or family coverage in the HDHP plan.

For 2025, the contribution limits are:

- \$4,300 for individual coverage
- \$8,550 for family coverage
- \$1,000 annual catch-up contribution for age 55+

IMPORTANT: Employer Contribution

For the 2025 plan year, Essential Utilities will make a \$1,000 contribution to the HSA for single coverage, and \$1,500 for family coverage. When making your HSA election, remember to factor in and account for these funding amounts.

HSA-Qualified Healthcare Expenses

You can use the funds in your HSA to pay for qualified healthcare expenses such as:

- Doctor visits
- Dental care, including extractions and braces
- Vision care, including contact lenses, prescription sunglasses and LASIK surgery
- Prescription medications
- Chiropractic services
- Acupuncture
- Hearing aids and batteries
- Over the counter (OTC) medications
- Menstrual care products



For more details on HSA eligibility, and for a full list of eligible expenses, visit www.irs.gov.

FLEXIBLE SPENDING ACCOUNTS: HEALTHEQUITY

FSA Overview

Flexible spending accounts, or FSAs, provide you with an important tax advantage that can help you pay healthcare and dependent care expenses on a pre-tax basis. By anticipating your family's healthcare and dependent care costs for the next plan year, you can lower your taxable income.

Healthcare FSA

The Healthcare FSA allows you to set aside pre-tax dollars via payroll deductions to pay for qualified healthcare expenses for you and your dependents. For 2025, the annual maximum amount you may contribute is \$3,300 per calendar year.

The Healthcare FSA can be used for:

- Doctor office copays
- Non-cosmetic dental procedures (crowns, dentures, orthodontics)
- Prescription contact lenses, glasses, and sunglasses
- LASIK eye surgery

Dependent Care FSA

The Dependent Care FSA lets you use pre-tax dollars toward qualified dependent care expenses. The annual maximum amount you may contribute is \$5,000 (or \$2,500 if married and filing separately) per calendar year.

The Dependent Care FSA can be used for:

- The cost of child or adult dependent care
- The cost for an individual to provide care either in or out of your house
- Nursery schools and preschools (excluding kindergarten)

For a full list of FSA eligible expenses, visit www.irs.gov and see Publications 502 and 503.

Use it or lose it!

FSAs are “use-it-or-lose-it” accounts, meaning you will forfeit any unused amount remaining in the account at the end of the plan year. In addition, you can incur expenses up until March 15, 2026, and have money withdrawn from your 2025 FSA.

Additionally, you have 90 days from the end of the plan year (until March 31, 2026) to submit any claims that you incurred anytime during 2025 but had not submitted for reimbursement.

After this run-out period, any remaining balances from the prior year are forfeited.

Managing your FSA

When you enroll in a Healthcare FSA, HealthEquity will send you a debit card, which you can use to pay for eligible expenses.

Depending on the transaction, you may need to submit receipts or other documentation to HealthEquity. You can review claims and manage your accounts online at www.healthequity.com or by using HealthEquity's EZ Receipts mobile app.



NOTE: If you elect the HDHP for medical, you cannot participate in the Healthcare FSA.

COMMUTER BENEFITS: HEALTHEQUITY

Commuter Benefits Overview

Commuter Benefits allow you to pay for eligible work-related transit and parking expenses through pre-tax payroll deductions from your paycheck.

You are able to make changes to your pre-tax election amount on a month to month basis. Once you make your election, you will receive a debit card that can be used to pay for work-related transit and parking expenses. Your debit card is loaded with your pre-tax deductions each time a deduction is taken from your paycheck.

Each time you use your debit card to pay for transit purchases, the funds are automatically debited from your transit account.

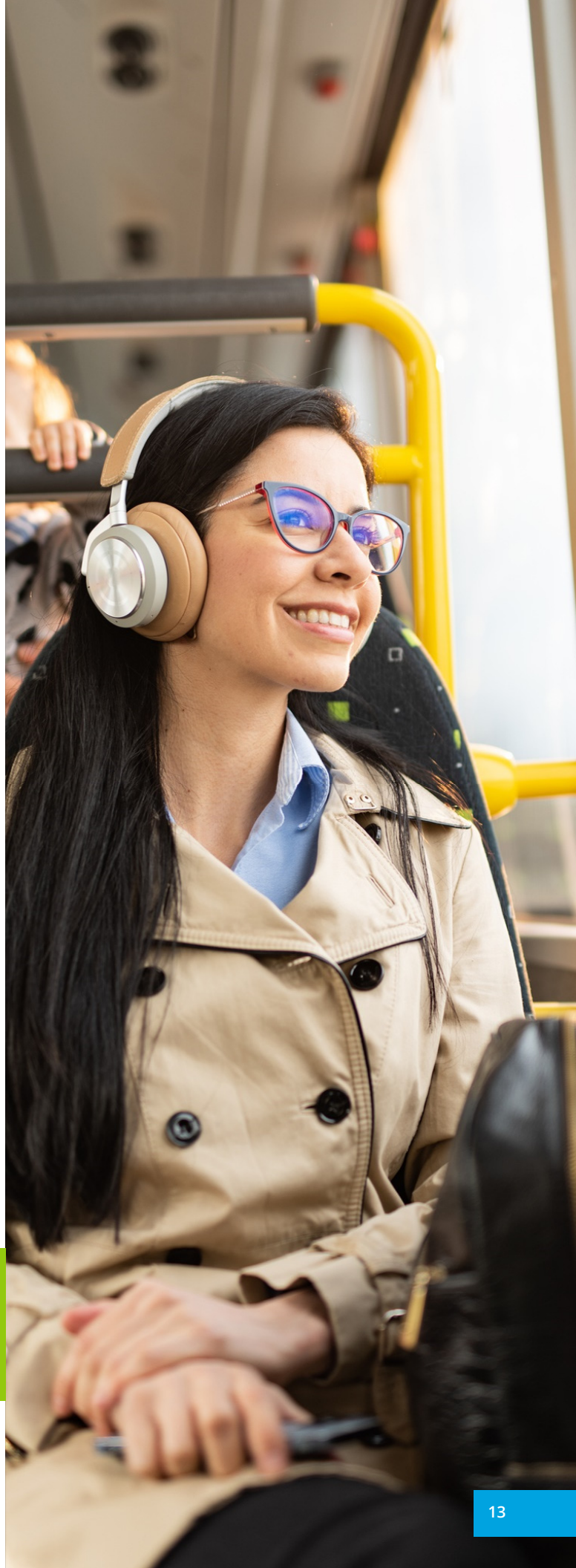
2025 Contribution Limits

- **Transit:** You may contribute up to \$325 per month for transit expenses (mass transit, bus, light rail, regional rail, streetcar, trolley subway or ferry, vanpool).
- **Parking:** You may contribute up to \$325 per month for parking expenses (incurred at or near your work location or near a location from which you commute using mass transit).

How to Register

Visit www.healthequity.com/wageworks and select "LOG IN/REGISTER" and then "Employee Registration". You'll need to answer a few simple questions and create a username and password.

Please note: Commuter elections will be made through HealthEquity directly (either online or through the app), NOT in Workday.



BASIC LIFE, AD&D AND DISABILITY: NEW YORK LIFE

Basic Life/AD&D Insurance

The company provides you with basic life and accidental death and dismemberment (AD&D) insurance through New York Life Group Benefit Solutions (NYL GBS) so that you can protect those you love from the unexpected.

For more details about this coverage, visit [Workday](#).

Long-Term Disability (LTD)

Company-paid LTD provides you with income continuation in the event your illness or injury lasts beyond 180 days. This helps ensure you have a continued income if you are unable to work due to a covered sickness or injury.

For more details about this coverage, visit [Workday](#).

Have you named a beneficiary?

Be sure you've selected a beneficiary for your life insurance policy. The beneficiary will receive the benefit paid by a policy in the event of the policyholder's death. It's important to designate a beneficiary and keep that information up to date.

To update your beneficiaries, please log in to the Workday self-service portal and click on Benefits and select Beneficiary Change under the Benefits Event Type. You can also find Workday User Guides in the HR Service Center location on the Pipeline.

For Union Groups, please reference your CBAs for more details.



VOLUNTARY LIFE AND AD&D: NEW YORK LIFE



Voluntary Life/AD&D Insurance

If you want added protection, you can purchase voluntary supplemental life and AD&D insurance through NYL GBS for yourself, your spouse, and your children. You pay the full cost of this benefit through payroll deductions.

VOLUNTARY LIFE/AD&D INSURANCE*		
	AQUA, DELTA, PNG NON-UNION, & USW	IBEW
Employee Benefit	1-5x annual compensation; Maximum benefit: Lesser of 5x annual compensation or \$1,000,000"	An amount elected in units of \$25,000; Maximum benefit: \$150,000
Spouse Benefit	Increments of \$5,000 up to a maximum benefit of \$500k (can't exceed 100% of employee's election)	An amount elected in units of \$5,000; Maximum benefit: \$150,000
Child(ren) Benefit (Age 6 months to age 19, or 26 if full-time student)	Maximum of \$10k; Maximum benefit for child(ren) less than 14 days old: \$1,000; Maximum benefit for child(ren) age 14 days - 6 months: \$2,000	An amount elected in units of \$2,500; Maximum benefit: \$10,000
Employee Guaranteed Issue	Greater of: 1. Lesser of 3x annual compensation or \$300k or 2. Amount equal to life insurance benefit in effect on termination date of prior plan	Greater of: 1. \$150,000 or 2. Amount equal to life insurance benefit in effect on termination date of prior plan
Spouse Guaranteed Issue	Greater of: 1. \$75,000 or 2. Amount equal to life insurance benefit in effect on termination date of prior plan	Greater of: 1. \$25,000 or 2. Amount equal to life insurance benefit in effect on termination date of prior plan
Child(ren) Guaranteed Issue	\$10,000	\$10,000

* If you are in a union, please refer to your CBA for more details on your plan design.

Evidence of Insurability (EOI)

Evidence of insurability will be required for voluntary life and AD&D elections if:

- You declined coverage when first eligible OR wish to purchase additional coverage at open enrollment or after experiencing a qualifying life event.

Have you named a beneficiary?

Be sure you've selected a beneficiary for your life insurance policy. The beneficiary will receive the benefit paid by a policy in the event of the policyholder's death. It's important to designate a beneficiary and keep that information up to date.

To update your beneficiaries, please log in to the Workday self-service portal and click on Benefits and select Beneficiary Change under the Benefits Event Type. You can also find Workday User Guides in the HR Service Center location on the Pipeline.

ADDITIONAL VOLUNTARY BENEFITS: VOYA

Critical Illness Insurance

When a serious illness strikes, such as a heart attack, stroke, or cancer, critical illness insurance can provide a lump-sum benefit to cover out-of-pocket expenses for your treatments that are not covered by your medical plan.

You can also use the money to take care of your everyday living expenses, such as housekeeping services, special transportation services, and daycare. Plus, you can use the benefits more than once. Diagnoses must be at least 12 months apart or the conditions can't be related to each other.

Levels of Coverage

You will have the following levels of coverage to choose from: \$10,000, \$15,000, \$20,000, and \$30,000.

Examples of covered illnesses include:

- Heart attack
- End-stage renal (kidney) failure
- Coronary artery bypass
- Stroke
- Coma
- Major organ failure
- Cancer

Wellness Benefit

Your Critical Illness insurance includes a wellness benefit. This benefit provides an annual payment if you complete a health screening test. Employees and spouses will each receive \$50 for completing. Children receive 50% of an employee's wellness benefit amount (up to a maximum of \$100 for all children).

See pages 27–28 of this guide for critical illness rates and cost of coverage.



ADDITIONAL VOLUNTARY BENEFITS: VOYA



Accident Insurance

Accident insurance supplements your primary medical plan by providing cash benefits in cases of accidental injuries. You can use this money to help pay for medical expenses not paid by your medical plan (such as your deductible or coinsurance) or for anything else (such as everyday living expenses). If you apply, you automatically receive the base plan — no health questions to answer. Benefits are paid directly to you (unless assigned to someone else).

You receive a cash benefit up to a specific amount for:

- Accidental death or dismemberment
- Dislocation or fracture
- Initial hospital confinement
- Intensive care
- Ambulance and other medical expenses
- Outpatient physician's treatment

Voluntary Accident Rates

TIER	LOW PLAN	HIGH PLAN
Employee Only	\$1.52	\$5.30
Employee + Spouse	\$2.93	\$10.39
Employee + Children	\$3.18	\$10.92
Employee + Family	\$4.59	\$16.01

Hospital Indemnity Insurance

A trip to the hospital can be stressful, and so can the bills. Even with a major medical plan, you may still be responsible for copays, deductibles, and other out-of-pocket costs.

A voluntary hospital indemnity insurance plan can help by supplementing your major medical insurance coverage with cash benefits when you're admitted to the hospital due to a covered sickness or accident. This money is paid directly to you — unless assigned to someone else — that you can use to cover expenses that your medical plan doesn't cover.

Hospital Indemnity Daily Benefit

- **Low plan:** \$100 per day
- **High plan:** \$200 per day

Use this money to help cover the cost of your hospital stay and time out of work. Hospital indemnity benefits are paid in addition to any other insurance. There are no pre-existing condition exclusions with this plan, but similar to medical insurance, benefits are subject to carrier review. You can select the benefit coverage amount based on your individual needs and budget.

Voluntary Hospital Indemnity Rates

TIER	LOW PLAN	HIGH PLAN
Employee Only	\$4.55	\$9.31
Employee + Spouse	\$11.98	\$24.53
Employee + Children	\$8.46	\$17.34
Employee + Family	\$15.90	\$32.55

Want to learn more?

For more information about these benefits, visit <https://go.voya.com/eu> or call **877.236.7564**.

VOLUNTARY LEGAL BENEFIT: LEGALSHIELD

LegalShield allows members access to a lawyer for most personal matters, no matter how trivial or traumatic, all without worrying about high hourly legal costs. LegalShield provides identity theft protection, consulting and restoration.

LegalShield membership includes:

- Legal advice for personal legal issues
- Letters/calls made on your behalf
- Contracts & documents reviewed up to 15 pages
- Residential Loan Document Assistance
- Attorneys prepare your Will, your Living Will and your Healthcare Power of Attorney
- Moving Traffic Violations (available 15 days after enrollment)
- Uncontested Divorce, separation, adoption and/or name change representation (available 90 days after enrollment)
- IRS audit assistance
- 25% preferred member discount (bankruptcy, criminal charges, other matters)
- 24/7 emergency access for covered situations

LegalShield Coverage

LegalShield plans cover the member, member's spouse, never married dependent children under age 26 living at home; dependent children under age 18 for who the member is legal guardian; never married dependent children up to age 26 if a full-time college student; and physically or mentally disabled dependent children.

Getting started

Visit www.benefits.legalshield.com/essential or call **888.807.0407**. The cost per pay for this benefit is \$9.81.



TELEMEDICINE & IBX CONDITION CARE

Teladoc Telemedicine

Teladoc is a national network of U.S. board-certified doctors available 24/7/365 to diagnose, treat and prescribe medication when necessary for many common medical issues.

Teladoc uses digital devices such as computers and smartphones, and in most cases, video conferencing. Using Telemedicine is a convenient option when it's not possible to visit your doctor's office for non-emergency medical conditions such as:

- Allergies
- Asthma
- Acne
- Pink eye
- Ear infections
- Sinus issues
- Respiratory infections
- Urinary tract infections
- Cold and flu symptoms

Teladoc also provides dermatology services from licensed dermatologists for persistent or serious skin issues like acne, rosacea, psoriasis, moles or rashes.

Employees will also have access to Behavioral Health Services like addiction, grief, and loss, parenting issues, men's and women's issues, relationship issues and more.

Getting started with Teladoc

Why wait for the care you need? Contact Teladoc and feel better now! Download the Teladoc mobile app, call **800.835.2362** or visit **www.teladoc.com**.

IBX Disease/Condition Care Management

Available to employees enrolled in one of the Independence Blue Cross medical plans

Your Independence Blue Cross medical plan options provide certain disease/condition management services under the plan.

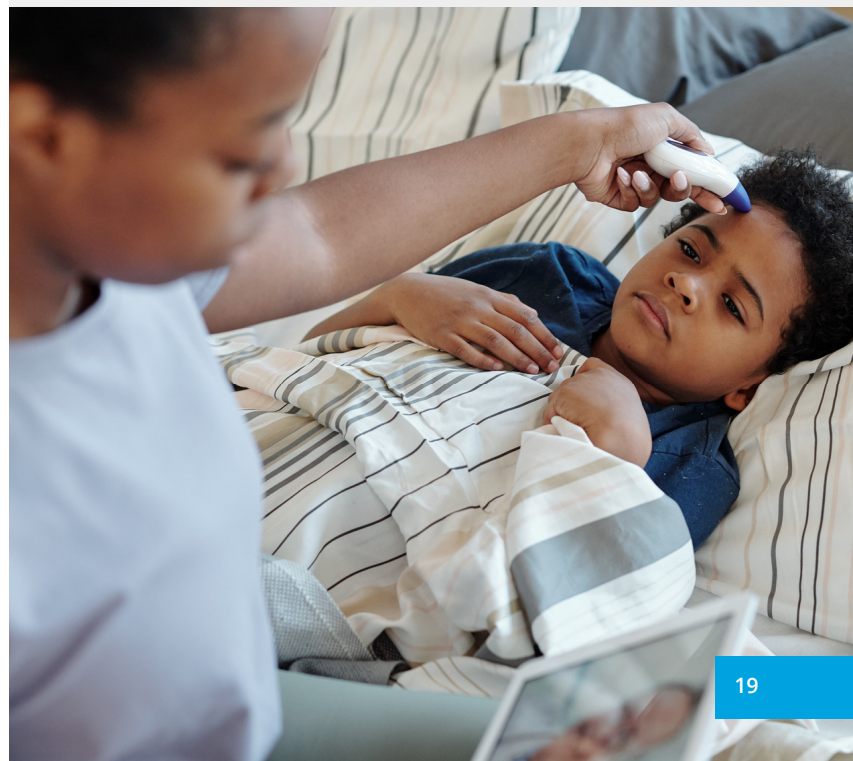
Registered Nurse Health Coaching

You can talk to a Registered Nurse Health Coach 24/7 to get answers to your health-related questions and concerns, big or small.

These nurses can help you answer questions related to health issues, treatment instructions, tests, or procedures, understand your medications and why you take them, prepare for a planned admission or procedure, and coordinate your discharge and follow-ups, and work with you and your doctor to address health concerns.

You or a family member may receive calls and assistance from a nurse related to an upcoming hospital stay, your discharge from the hospital, chemotherapy treatment, or a complex medical situation.

Please contact your medical carrier at the number on your ID card if you have any questions.



DIABETES/HYPERTENSION MANAGEMENT: TELADOC

Teladoc Diabetes Support

Essential will continue to partner with Teladoc for the same great benefits for diabetic members. Members enrolled in the Diabetes program will also receive support for hypertension, weight loss, and mental health. Please consult your health coach for more information.

Diabetes Management

With Teladoc, you receive health monitoring devices, unlimited strips and lancets, personalized insights, support from health coaches you can trust, and more.

More Than a Standard Meter

The Teladoc meter is connected and provides real-time tips and automatically uploads a member's blood glucose readings, making log books a thing of the past.

Strips at No Cost to Members

Members get the strips and lancets they need at no extra cost. When members are about to run out, Teladoc ships more strips and lancets, right to their door.

Coaching Anytime and Anywhere

Teladoc coaches are Certified Diabetes Educators who are available anytime by phone, text, or mobile app to give members guidance on their nutrition and lifestyle.

Hypertension Management

Teladoc for Hypertension helps make managing blood pressure easier with advanced technology and expertise from health coaches. If you and your family are enrolled in an Essential Utilities medical plan and you or a family member has hypertension, you can participate in Teladoc's hypertension management program.

The program offers:

- An advanced blood pressure monitor and cuff
- Personalized messages
- 24/7 coaching from chronic condition professionals



Getting started

Essential Utilities is happy to cover 100% of the costs of this program to help employees and their families with their hypertension diagnosis. Teladoc will reach out to you and your dependents so you can choose to opt in.

To get started with Teladoc, download the Teladoc mobile app, call **800.835.2362** or visit **www.teladoc.com**.

WELLNESS RESOURCES

You play an important role in managing your healthcare costs by maintaining or moving toward a healthy lifestyle. Essential Utilities' wellness programs and resources are here to help you.

IBX Wellness Discounts

Available to employees enrolled in one of the Independence Blue Cross medical plans

In addition to complimentary nutrition and wellness counseling, you can also receive reimbursements and discounts through Independence Blue Cross for the following:

- Weight-loss programs and gym memberships
- Smoking cessation
- Alternative health services including acupuncture

Visit www.ibx.com to learn more.

Take advantage of preventive care

- Good preventive care can help you stay healthy and detect any "silent" problems early, when they're most likely to be treatable. Most in-network preventive services are covered in full, so there's no excuse to skip it.
- Have a routine physical exam each year. You'll build a relationship with your doctor and can reduce your risk for many serious conditions.
- Get regular dental cleanings. Numerous studies show a link between regular dental cleanings and disease prevention — including lower risks of heart disease, diabetes, and stroke.
- See your eye doctor at least once every year. If you have certain health risks, such as diabetes or high blood pressure, your doctor may recommend more frequent eye exams. Essential Utilities provides benefits for an eye exam once every year.

Employee Assistance Program (EAP)

Balancing work and home life can sometimes be a challenge. We are pleased to announce that SupportLinc is available with emotional wellbeing and work-life balance resources to help keep you at your best. Administered by CuraLinc Healthcare, your program offers guidance to address and resolve everyday issues at no cost to you or your family.

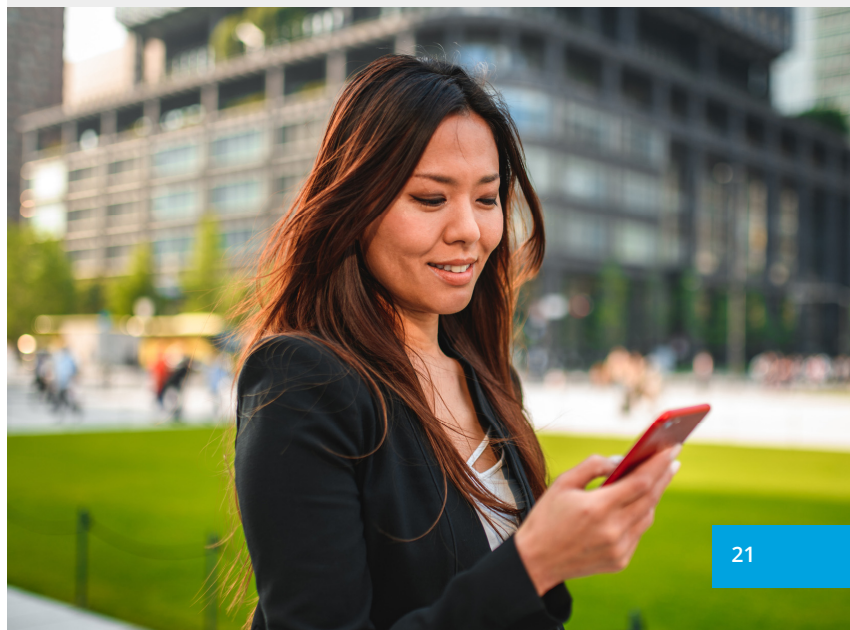
Features include:

- In-the-moment support
- Short-term counseling
- Coaching
- Work-life benefits
- Web portal and mobile app
- Text therapy
- Self-guided digital therapy
- Digital group support
- Mental health navigator

Contacting SupportLinc

All requests for information or assistance are free and completely confidential. You can contact SupportLinc 24/7/365. Access support whenever needed, wherever it is most convenient for you.

- Phone: **888.881.5462**
- Website: www.supportlinc.com (group code: **essentialutilities**)
- Email: support@curalinc.com



HEALTH ADVOCACY: BENEFITS MAC

Do you need help resolving a benefits issue?

The Benefits Member Advocacy Center (Benefits MAC), provided by Conner Strong & Buckelew, allows you to speak to a specially trained Member Advocate who can help you get the most out of your benefits.

You can contact the Benefits MAC for assistance if you:

- Believe your claim was not paid properly
- Need clarification on information from the insurance company
- Have a question regarding a medical bill
- Are unclear on how your benefits work
- Need information about adding or removing a dependent
- Need help resolving a benefits problem you've been working on

You can contact the Benefits MAC in any of the following ways:

- Via phone: **800.563.9929**, Monday through Friday, 8:30 am to 5:00 pm
- Via the web:
www.connerstrong.com/memberadvocacy
- Via e-mail: cssteam@connerstrong.com
- Via fax: **856.685.2253**

Member Advocates are available Monday through Friday, 8:30 am to 5:00 pm (Eastern Time). After hours, you will be able to leave a message with a live representative and receive a response by phone or email during business hours within 24 to 48 hours of your inquiry.



VALUE-ADDED SERVICES: CONNER STRONG

Benefit Perks Rewards Program

CSB Benefit Perks is a discount and rewards program provided by Conner Strong & Buckelew (CSB) that is available to all employees at no additional cost. The program allows employees to receive discounts and cash back for hand-selected shopping online at major retailers.

Employees can also print coupons to present at local retailers and merchants for in-person savings, including movie theatres and other services.

Start saving today by registering online at www.connerstrong.corestream.com.

HealthyLearn

HealthyLearn covers over a thousand health and wellness topics in a simple, straightforward manner. The data and information is laid out in an easy-to-follow format. HealthyLearn includes the following interactive features and services:

- Symptom Checker and Encyclopedia
- Health News
- Medical Self-Care Guides
- Stress Management
- Health Trackers
- Monthly Wellness Newsletter
- And much more!

Learn more and get started on your path to wellness today by visiting HealthyLearn at www.healthylearn.com/connerstrong

Download the HealthyLife Mobile App for access on-the-go!

Enter the Conner Strong & Buckelew special access code: **CSB** (all caps). Note: You must use the special access code above each time you open the app.

GlobalFit

GlobalFit's Gym Network 360 provides exclusive savings to over 8,000 gyms and specialty studios across the country. You can expect to save on initiation fees and receive 5-20% savings on monthly membership dues. Exclusive savings can be found on popular top brands nationwide. To browse locations in your area, simply log in and search by zip code.

Workout at Home

Not a traditional gym goer? GlobalFit has you covered! Gym Network 360 provides various options for anyone looking to exercise wherever they choose and at their convenience. You will receive exclusive savings to virtual workout programs and have access to a free online library of fitness, wellness, and nutrition videos from top trainers across the country!

GlobalFit Anywhere

Available for a one-time fee of \$4.95 through Gym Network 360, GlobalFit Anywhere is the first app connecting users to in-person and virtual studios, gyms and trainers using dynamic pricing. No monthly membership required. No expensive cancellation fees.

Visit www.globalfit.com/connerstrong or call **800.294.1500** to learn more about how you can save with GlobalFit!



CARRIER CONTACTS

Contact the HR Service Desk at **888.366.3300** or email **HRServiceDesk@Essential.co** for general benefit questions. You can also contact the appropriate provider listed below to learn more about a specific benefit plan.

BENEFIT PLAN	CARRIER	PHONE	WEBSITE
Medical	Independence Blue Cross	800.275.2583	www.ibx.com
Prescription Drug	RxBenefits	800.334.8134	www.express-scripts.com
Fertility Benefit	Progyny	888.597.5065	www.progyny.com
Vision	VSP	800.877.7195	www.vsp.com
Dental	MetLife	800.275.4638	www.metlife.com
Flexible Spending Accounts and Health Savings Account	HealthEquity	FSA: 877.924.3967 HSA: 866.346.5800	www.healthequity.com
Telemedicine	Teladoc	800.835.2362	www.teladoc.com
Diabetes & Hypertension Management	Teladoc	800.945.4355	https://well.livongo.com/ESSENTIALUTILITIES/register
Disease Management	Independence Blue Cross	800.275.2583	www.ibx.com
Employee Assistance Program	SupportLinc	888.881.5462	www.supportlinc.com (group code: essentialutilities)
Advocacy	Conner Strong & Buckelew (Benefits MAC)	800.563.9929	www.connerstrong.com/memberadvocacy
Voluntary Accident, Critical Illness, Hospital Indemnity	Voya	877.236.7564	https://go.voya.com/eu
Basic & Voluntary Life/AD&D and Long-Term Disability	New York Life	888.842.4462	www.newyorklife.com/group-benefit-solutions/employees
Legal Services	Legal Shield	888.807.0407	https://benefits.legalshield.com/essential
401(k)	Fidelity	800.835.5095	www.netbenefits.com
ESPP	Computer Share	800.205.8314	www.computershare.com/us

GLOSSARY OF BENEFIT TERMS

Balance Billing

Balance billing, sometimes called surprised billing, is a medical bill from a healthcare provider billing a patient for the difference between the total cost of services being charged and the amount the insurance pays.

Coinsurance

The amount or percentage that you pay for certain covered healthcare services under your health plan. This is typically the amount paid after a deductible is met, and can vary based on the plan design.

Copayment/Copay

A flat fee that you pay toward the cost of covered medical services.

Covered Expenses

Healthcare expenses that are covered under your health plan.

Deductible

A specific dollar amount you pay out of pocket before benefits are available through a health plan. Under some plans, the deductible is waived for certain services.

Dependent

Individuals who meet eligibility requirements under a health plan and are enrolled to receive benefits from the plan as a qualified dependent.

Flexible Spending Account (FSA)

An account that allows you to save tax-free dollars for qualified medical and/or dependent care expenses that are not reimbursed. You determine how much you want to contribute to the FSA at the beginning of the plan year. Most funds must be used by the end of the year, as there is only a limited carryover amount.

Health Savings Account (HSA)

An employee-owned medical savings account used to pay for eligible medical expenses. Funds contributed to the account are pre-tax and do not have to be used within a specified time period. HSAs must be coupled with qualified high-deductible health plans (HDHP).

High Deductible Health Plan (HDHP)

A qualified health plan that combines very low monthly premiums in exchange for higher deductibles and out-of-pocket limits. These plans are often coupled with an HSA.

In-network

Healthcare received from your primary care physician or from a specialist within an outlined list of healthcare practitioners.

Inpatient

A person who is treated as a registered patient in a hospital or other healthcare facility.

Medically Necessary (or medical necessity)

Services or supplies provided by a hospital, healthcare facility or physician that meet the following criteria: (1) are appropriate for the symptoms and diagnosis and/or treatment of the condition, illness, disease or injury; (2) serve to provide diagnosis or direct care and/or treatment of the condition, illness, disease or injury; (3) are in accordance with standards of good medical practice; (4) are not primarily serving as convenience; and (5) are considered the most appropriate care available.

Medicare

An insurance program administered by the federal government to provide health coverage to individuals aged 65 and older, or who have certain disabilities or illnesses.

GLOSSARY OF BENEFIT TERMS

Member

You and those covered become members when you enroll in a health plan. This includes eligible employees, their dependents, COBRA beneficiaries and surviving spouses.

Out-of-network

Healthcare you receive without a physician referral, or services received by a non-network service provider. Out-of-network healthcare and plan payments are subject to deductibles and coinsurance.

Out-of-pocket Expense

Amount that you must pay toward the cost of healthcare services. This includes deductibles, copayments and coinsurance.

Out-of-pocket Maximum (OOPM)

The highest out-of-pocket amount that you can be required to pay for covered services during a benefit period.

Preferred Provider Organization (PPO)

A health plan that offers both in-network and out-of-network benefits. Members must choose one of the in-network providers or facilities to receive the highest level of benefits.

Premium

The amount you pay for a health plan in exchange for coverage. Health plans with higher deductibles typically have lower premiums.

Primary Care Physician (PCP)

A doctor that is selected to coordinate treatment under your health plan. This generally includes family practice physicians, general practitioners, internists, pediatricians, etc.

Usual, Customary and Reasonable (UCR) Allowance

The fee paid for covered services that is: (1) a similar amount to the fee charged from a healthcare provider to the majority of patients for the same procedure; (2) the customary fee paid to providers with similar training and expertise in a similar geographic area, and (3) reasonable in light of any unusual clinical circumstances.



APPENDIX: CRITICAL ILLNESS RATES

The tables below and on the following page show the per-pay cost of coverage for voluntary critical illness insurance, based on the amount of coverage chosen (\$10,000, \$15,000, \$20,000, or \$30,000)

Employee: \$30,000 / Spouse: \$15,000 / Child(ren): \$15,000 (Wellness Included)

ATTAINED AGE	EE ONLY	EE + SP	EE+ CH	EE + FAM
Under 25	\$3.07	\$4.68	\$4.11	\$5.72
25 – 29	\$4.04	\$6.07	\$5.08	\$7.11
30 – 34	\$5.42	\$8.08	\$6.46	\$9.12
35 – 39	\$6.81	\$10.02	\$7.85	\$11.05
40 – 44	\$9.30	\$13.62	\$10.34	\$14.65
45 – 49	\$15.81	\$22.89	\$16.85	\$23.93
50 – 54	\$19.96	\$28.78	\$21.00	\$29.82
55 – 59	\$24.81	\$35.70	\$25.85	\$36.74
60 – 64	\$31.04	\$44.56	\$32.08	\$45.60
65 – 69	\$39.58	\$57.37	\$41.08	\$58.41
70+	\$42.12	\$60.35	\$44.54	\$61.38

Employee: \$20,000 / Spouse: \$10,000 / Child(ren): \$10,000 (Wellness Included)

ATTAINED AGE	EE ONLY	EE + SP	EE+ CH	EE + FAM
Under 25	\$2.24	\$3.51	\$2.93	\$4.20
25 – 29	\$2.88	\$4.43	\$3.58	\$5.12
30 – 34	\$3.81	\$5.77	\$4.50	\$6.46
35 – 39	\$4.73	\$7.06	\$5.42	\$7.75
40 – 44	\$6.39	\$9.46	\$7.08	\$10.15
45 – 49	\$10.73	\$15.65	\$11.42	\$16.34
50 – 54	\$13.50	\$19.57	\$14.19	\$20.26
55 – 59	\$16.73	\$24.18	\$17.42	\$24.88
60 – 64	\$20.88	\$30.09	\$21.58	\$30.78
65 – 69	\$26.88	\$38.63	\$27.58	\$39.32
70+	\$28.27	\$40.62	\$28.96	\$41.31

APPENDIX: CRITICAL ILLNESS RATES

The tables below show the per-pay cost of coverage for voluntary critical illness insurance, based on the amount of coverage chosen (\$10,000, \$15,000, \$20,000, or \$30,000)

Employee: \$15,000 / Spouse: \$7,500 / Child(ren): \$7,500 (Wellness Included)

ATTAINED AGE	EE ONLY	EE + SP	EE+ CH	EE + FAM
Under 25	\$1.82	\$2.92	\$2.34	\$3.44
25 – 29	\$2.31	\$3.61	\$2.83	\$4.14
30 – 34	\$3.00	\$4.62	\$3.52	\$5.14
35 – 39	\$3.69	\$5.58	\$4.21	\$6.11
40 – 44	\$4.94	\$7.38	\$5.46	\$7.91
45 – 49	\$8.19	\$12.02	\$8.71	\$12.54
50 – 54	\$10.27	\$14.97	\$10.79	\$15.49
55 – 59	\$12.69	\$18.43	\$13.21	\$18.95
60 – 64	\$15.81	\$22.86	\$16.33	\$23.38
65 – 69	\$20.31	\$29.26	\$20.83	\$29.78
70+	\$21.35	\$30.75	\$21.87	\$31.27

Employee: \$10,000 / Spouse \$5,000 / Child(ren) \$5,000 (Wellness Included)

ATTAINED AGE	EE ONLY	EE + SP	EE+ CH	EE + FAM
Under 25	\$1.41	\$2.33	\$1.75	\$2.68
25 – 29	\$1.73	\$2.79	\$2.08	\$3.14
30 – 34	\$2.19	\$3.46	\$2.54	\$3.81
35 – 39	\$2.65	\$4.11	\$3.00	\$4.45
40 – 44	\$3.48	\$5.31	\$3.83	\$5.65
45 – 49	\$5.65	\$8.40	\$6.00	\$8.75
50 – 54	\$7.04	\$10.36	\$7.38	\$10.71
55 – 59	\$8.65	\$12.67	\$9.00	\$13.02
60 – 64	\$10.73	\$15.62	\$11.08	\$15.97
65 – 69	\$13.73	\$19.89	\$14.08	\$20.24
70+	\$14.42	\$20.88	\$14.77	\$21.23



This benefit summary provides selected highlights of the employee benefits program at Essential Utilities. It is not a legal document and shall not be construed as a guarantee of benefits nor of continued employment at the Essential Utilities. All benefit plans are governed by master policies, contracts and plan documents. Any discrepancies between any information provided through this summary and the actual terms of such policies, contracts and plan documents shall be governed by the terms of such policies, contracts and plan documents. Essential Utilities reserves the right to amend, suspend or terminate any benefit plan, in whole or in part, at any time. The authority to make such changes rests with the Plan Administrator.

2025 Per-Pay Employee Contributions

Delta Gas

While health care costs continue to rise, Essential Utilities is committed to keeping costs manageable. The amount you pay is deducted from your paycheck before taxes. Your specific cost is determined by your plan choice and coverage election. The charts below list the per-pay employee payroll contributions for 2025.

Medical/Prescription Plan Contributions

	PPO 1 Plan (Pay Later)	PPO 2 Plan (Pay Now)	HDHP with HSA
SALARY < \$65K PER-PAY CONTRIBUTIONS			
Employee Only	\$58.49	\$63.47	\$42.79
Employee + Spouse	\$129.54	\$142.20	\$90.91
Employee + Domestic Partner*	\$129.54	\$142.20	\$90.91
Employee + 1 Child	\$92.42	\$100.71	\$66.61
Employee + Children	\$134.25	\$146.91	\$93.91
Employee + Family	\$163.75	\$178.73	\$123.09
Employee + Child(ren) + Domestic Partner*	\$163.75	\$178.73	\$123.09
SALARY \$65K+ EMPLOYEE CONTRIBUTIONS			
Employee Only	\$68.81	\$74.67	\$51.36
Employee + Spouse	\$152.39	\$167.30	\$109.09
Employee + Domestic Partner*	\$152.39	\$167.30	\$109.09
Employee + 1 Child	\$108.72	\$118.49	\$79.93
Employee + Children	\$157.95	\$172.84	\$112.70
Employee + Family	\$192.65	\$210.27	\$147.71
Employee + Child(ren) + Domestic Partner*	\$192.65	\$210.27	\$147.71
OFFICERS EMPLOYEE CONTRIBUTIONS			
Employee Only	\$86.80	\$95.54	\$67.17
Employee + Spouse	\$192.22	\$211.12	\$142.68
Employee + Domestic Partner*	\$192.22	\$211.12	\$142.68
Employee + 1 Child	\$137.14	\$151.60	\$104.54
Employee + Children	\$199.22	\$217.99	\$147.40
Employee + Family	\$243.21	\$265.44	\$193.19
Employee + Child(ren) + Domestic Partner*	\$243.21	\$265.44	\$193.19

* Please note that for those covering Domestic Partners, the portion of your premium attributed to covering the Domestic Partner is taxable.



Contributions are continued on the following page.

Vision Plan Contributions

COVERAGE TIER	Vision Base Plan		Vision Buy-Up Plan	
	EMPLOYEES	OFFICERS	EMPLOYEES	OFFICERS
Employee Only	\$0.50	\$0.63	\$1.67	\$1.80
Employee + Spouse	\$1.01	\$1.26	\$3.35	\$3.60
Employee + Domestic Partner*	\$1.01	\$1.26	\$3.35	\$3.60
Employee + 1 Child	\$1.08	\$1.35	\$3.58	\$3.85
Employee + Children	\$1.08	\$1.35	\$3.58	\$3.85
Employee + Family	\$1.73	\$2.16	\$5.72	\$6.16
Employee + Child(ren) + Domestic Partner*	\$1.73	\$2.16	\$5.72	\$6.16

Dental Plan Contributions

COVERAGE TIER	Dental Base Plan		Dental Buy-Up Plan	
	EMPLOYEES	OFFICERS	EMPLOYEES	OFFICERS
Employee Only	\$2.47	\$4.01	\$5.40	\$6.06
Employee + Spouse	\$5.30	\$8.61	\$10.93	\$12.25
Employee + Domestic Partner*	\$5.30	\$8.61	\$10.93	\$12.25
Employee + 1 Child	\$6.49	\$10.54	\$11.79	\$13.43
Employee + Children	\$6.49	\$10.54	\$11.79	\$13.43
Employee + Family	\$10.09	\$16.39	\$18.69	\$21.21
Employee + Child(ren) + Domestic Partner*	\$10.09	\$16.39	\$18.69	\$21.21

* Please note that for those covering Domestic Partners, the portion of your premium attributed to covering the Domestic Partner is taxable.

Voluntary Life Insurance Contributions

Please note that your Voluntary Life Insurance is dependent on your age and benefit amount elected. Please login to Workday to see further details.



		2024 Employee and Employer Monthly Contributions								2025 Employee and Employer Monthly Contributions				
		Premium Equivalent	Employee Contributions	Employer Contributions	EE %	ER %	Premium Equivalent	Employee Contributions	Employer Contributions	EE %	ER %			
Delta	PPO1 - \$1,000 Deductible	Band 1	Employee	5	\$715.03	\$115.20	\$599.82	16%	84%	\$752.09	\$126.72	\$625.37	17%	83%
			Employee + Spouse	1	\$1,584.92	\$255.15	\$1,329.77	16%	84%	\$1,654.59	\$280.66	\$1,373.93	17%	83%
			Employee + Domestic Partner	0	\$1,584.92	\$255.15	\$1,329.77	16%	84%	\$1,654.59	\$280.66	\$1,373.93	17%	83%
			Employee + Child	0	\$1,125.91	\$182.03	\$943.88	16%	84%	\$1,278.55	\$200.24	\$1,078.31	16%	84%
			Employee + Children	0	\$1,642.24	\$264.44	\$1,377.80	16%	84%	\$1,729.80	\$290.88	\$1,438.92	17%	83%
			Employee + Family	0	\$2,197.88	\$322.54	\$1,875.34	15%	85%	\$2,331.47	\$354.80	\$1,976.67	15%	85%
			Employee + Child + Domestic Partner	0	\$2,197.88	\$322.54	\$1,875.34	15%	85%	\$2,331.47	\$354.80	\$1,976.67	15%	85%
			Employee + Child(ren) + Domestic Partner	0	\$2,197.88	\$322.54	\$1,875.34	15%	85%	\$2,331.47	\$354.80	\$1,976.67	15%	85%
		Band 2	Employee	2	\$715.03	\$135.53	\$579.49	19%	81%	\$752.09	\$149.09	\$603.00	20%	80%
			Employee + Spouse	0	\$1,584.92	\$300.16	\$1,284.75	19%	81%	\$1,654.59	\$330.18	\$1,324.41	20%	80%
			Employee + Domestic Partner	0	\$1,584.92	\$300.16	\$1,284.75	19%	81%	\$1,654.59	\$330.18	\$1,324.41	20%	80%
			Employee + Child	0	\$1,125.91	\$214.15	\$911.76	19%	81%	\$1,278.55	\$235.57	\$1,042.98	18%	82%
			Employee + Children	1	\$1,642.24	\$311.11	\$1,331.13	19%	81%	\$1,729.80	\$342.22	\$1,387.58	20%	80%
			Employee + Family	2	\$2,197.88	\$379.46	\$1,818.43	17%	83%	\$2,331.47	\$417.40	\$1,914.06	18%	82%
			Employee + Child + Domestic Partner	0	\$2,197.88	\$379.46	\$1,818.43	17%	83%	\$2,331.47	\$417.40	\$1,914.06	18%	82%
			Employee + Child(ren) + Domestic Partner	0	\$2,197.88	\$379.46	\$1,818.43	17%	83%	\$2,331.47	\$417.40	\$1,914.06	18%	82%
		Band 3	Employee	0	\$715.03	\$170.96	\$544.06	24%	76%	\$752.09	\$188.06	\$564.03	25%	75%
			Employee + Spouse	0	\$1,584.92	\$378.61	\$1,206.31	24%	76%	\$1,654.59	\$416.47	\$1,238.12	25%	75%
			Employee + Domestic Partner	0	\$1,584.92	\$378.61	\$1,206.31	24%	76%	\$1,654.59	\$416.47	\$1,238.12	25%	75%
			Employee + Child	0	\$1,125.91	\$270.12	\$855.78	24%	76%	\$1,278.55	\$297.14	\$981.41	23%	77%
			Employee + Children	0	\$1,642.24	\$392.41	\$1,249.83	24%	76%	\$1,729.80	\$431.65	\$1,298.15	25%	75%
			Employee + Family	0	\$2,197.88	\$479.05	\$1,718.83	22%	78%	\$2,331.47	\$526.96	\$1,804.51	23%	77%
			Employee + Child + Domestic Partner	0	\$2,197.88	\$479.05	\$1,718.83	22%	78%	\$2,331.47	\$526.96	\$1,804.51	23%	77%
			Employee + Child(ren) + Domestic Partner	0	\$2,197.88	\$479.05	\$1,718.83	22%	78%	\$2,331.47	\$526.96	\$1,804.51	23%	77%
	PPO2 - \$500 Deductible	Band 1	Employee	34	\$774.63	\$128.24	\$646.39	17%	83%	\$834.11	\$137.52	\$696.59	16%	84%
			Employee + Spouse	13	\$1,735.50	\$280.26	\$1,455.24	16%	84%	\$1,835.05	\$308.11	\$1,526.94	17%	83%
			Employee + Domestic Partner	0	\$1,735.50	\$280.26	\$1,455.24	16%	84%	\$1,835.05	\$308.11	\$1,526.94	17%	83%
			Employee + Child	8	\$1,229.09	\$203.18	\$1,025.90	17%	83%	\$1,417.99	\$218.21	\$1,199.78	15%	85%
Employee + Children			0	\$1,798.88	\$289.38	\$1,509.51	16%	84%	\$1,918.46	\$318.31	\$1,600.14	17%	83%	
Employee + Family			31	\$2,413.22	\$352.05	\$2,061.18	15%	85%	\$2,585.75	\$387.25	\$2,198.50	15%	85%	
Employee + Child + Domestic Partner			0	\$2,413.22	\$352.05	\$2,061.18	15%	85%	\$2,585.75	\$387.25	\$2,198.50	15%	85%	
Employee + Child(ren) + Domestic Partner			0	\$2,413.22	\$352.05	\$2,061.18	15%	85%	\$2,585.75	\$387.25	\$2,198.50	15%	85%	
Band 2		Employee	8	\$774.63	\$150.87	\$623.76	19%	81%	\$834.11	\$161.79	\$672.32	19%	81%	
		Employee + Spouse	7	\$1,735.50	\$329.72	\$1,405.78	19%	81%	\$1,835.05	\$362.49	\$1,472.56	20%	80%	
		Employee + Domestic Partner	0	\$1,735.50	\$329.72	\$1,405.78	19%	81%	\$1,835.05	\$362.49	\$1,472.56	20%	80%	
		Employee + Child	2	\$1,229.09	\$239.04	\$990.05	19%	81%	\$1,417.99	\$256.72	\$1,161.27	18%	82%	
		Employee + Children	1	\$1,798.88	\$340.44	\$1,458.44	19%	81%	\$1,918.46	\$374.48	\$1,543.97	20%	80%	
		Employee + Family	14	\$2,413.22	\$414.17	\$1,999.05	17%	83%	\$2,585.75	\$455.59	\$2,130.16	18%	82%	
		Employee + Child + Domestic Partner	0	\$2,413.22	\$414.17	\$1,999.05	17%	83%	\$2,585.75	\$455.59	\$2,130.16	18%	82%	
		Employee + Child(ren) + Domestic Partner	0	\$2,413.22	\$414.17	\$1,999.05	17%	83%	\$2,585.75	\$455.59	\$2,130.16	18%	82%	
		Employee	1	\$774.63	\$190.23	\$584.40	25%	75%	\$834.11	\$207.01	\$627.10	25%	75%	
		Employee + Spouse	0	\$1,735.50	\$415.85	\$1,319.65	24%	76%	\$1,835.05	\$457.43	\$1,377.61	25%	75%	
		Employee + Domestic Partner	0	\$1,735.50	\$415.85	\$1,319.65	24%	76%	\$1,835.05	\$457.43	\$1,377.61	25%	75%	

HDHP	Band 3	Employee + Child	0	\$1,229.09	\$301.40	\$927.68	25%	75%	\$1,417.99	\$328.46	\$1,089.53	23%	77%
		Employee + Children	0	\$1,798.88	\$429.37	\$1,369.51	24%	76%	\$1,918.46	\$472.31	\$1,446.15	25%	75%
		Employee + Family	1	\$2,413.22	\$522.84	\$1,890.38	22%	78%	\$2,585.75	\$575.12	\$2,010.63	22%	78%
		Employee + Child + Domestic Partner	0	\$2,413.22	\$522.84	\$1,890.38	22%	78%	\$2,585.75	\$575.12	\$2,010.63	22%	78%
		Employee + Child(ren) + Domestic Partner	0	\$2,413.22	\$522.84	\$1,890.38	22%	78%	\$2,585.75	\$575.12	\$2,010.63	22%	78%
	Band 1	Employee	1	\$533.14	\$92.66	\$440.49	17%	83%	\$741.56	\$92.72	\$648.84	13%	87%
		Employee + Spouse	0	\$1,139.86	\$196.83	\$943.03	17%	83%	\$1,631.44	\$196.96	\$1,434.47	12%	88%
		Employee + Domestic Partner	0	\$1,139.86	\$196.83	\$943.03	17%	83%	\$1,631.44	\$196.96	\$1,434.47	12%	88%
		Employee + Child	0	\$803.78	\$144.22	\$659.56	18%	82%	\$1,260.66	\$144.32	\$1,116.34	11%	89%
		Employee + Children	0	\$1,181.48	\$203.34	\$978.14	17%	83%	\$1,705.59	\$203.48	\$1,502.11	12%	88%
		Employee + Family	0	\$1,585.02	\$247.30	\$1,337.72	16%	84%	\$2,298.84	\$266.70	\$2,032.14	12%	88%
		Employee + Child + Domestic Partner	0	\$1,585.02	\$247.30	\$1,337.72	16%	84%	\$2,298.84	\$266.70	\$2,032.14	12%	88%
		Employee + Child(ren) + Domestic Partner	0	\$1,585.02	\$247.30	\$1,337.72	16%	84%	\$2,298.84	\$266.70	\$2,032.14	12%	88%
	Band 2	Employee	1	\$533.14	\$111.19	\$421.95	21%	79%	\$741.56	\$111.27	\$630.29	15%	85%
		Employee + Spouse	0	\$1,139.86	\$236.20	\$903.66	21%	79%	\$1,631.44	\$236.36	\$1,395.08	14%	86%
		Employee + Domestic Partner	0	\$1,139.86	\$236.20	\$903.66	21%	79%	\$1,631.44	\$236.36	\$1,395.08	14%	86%
		Employee + Child	0	\$803.78	\$173.06	\$630.72	22%	78%	\$1,260.66	\$173.18	\$1,087.47	14%	86%
		Employee + Children	0	\$1,181.48	\$244.02	\$937.46	21%	79%	\$1,705.59	\$244.19	\$1,461.41	14%	86%
		Employee + Family	1	\$1,585.02	\$298.25	\$1,286.77	19%	81%	\$2,298.84	\$320.04	\$1,978.80	14%	86%
		Employee + Child + Domestic Partner	0	\$1,585.02	\$298.25	\$1,286.77	19%	81%	\$2,298.84	\$320.04	\$1,978.80	14%	86%
		Employee + Child(ren) + Domestic Partner	0	\$1,585.02	\$298.25	\$1,286.77	19%	81%	\$2,298.84	\$320.04	\$1,978.80	14%	86%
	Band 3	Employee	0	\$533.14	\$143.23	\$389.92	27%	73%	\$741.56	\$145.53	\$596.03	20%	80%
		Employee + Spouse	0	\$1,139.86	\$304.27	\$835.59	27%	73%	\$1,631.44	\$309.14	\$1,322.29	19%	81%
		Employee + Domestic Partner	0	\$1,139.86	\$304.27	\$835.59	27%	73%	\$1,631.44	\$309.14	\$1,322.29	19%	81%
		Employee + Child	0	\$803.78	\$222.94	\$580.85	28%	72%	\$1,260.66	\$226.51	\$1,034.15	18%	82%
		Employee + Children	0	\$1,181.48	\$314.34	\$867.14	27%	73%	\$1,705.59	\$319.37	\$1,386.22	19%	81%
		Employee + Family	0	\$1,585.02	\$412.00	\$1,173.02	26%	74%	\$2,298.84	\$418.58	\$1,880.26	18%	82%
		Employee + Child + Domestic Partner	0	\$1,585.02	\$412.00	\$1,173.02	26%	74%	\$2,298.84	\$418.58	\$1,880.26	18%	82%
Employee + Child(ren) + Domestic Partner		0	\$1,585.02	\$412.00	\$1,173.02	26%	74%	\$2,298.84	\$418.58	\$1,880.26	18%	82%	

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-16

Witness: Brown, John **Title:** State President

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

16. Refer to the Direct Testimony of John Brown (Brown Direct Testimony), page 12, line 4.

a. Identify the location of each office Delta closed.

b. Describe what Delta did with the location upon closure of the office. Include in the response the disposition of the property.

c. Describe how customers were notified of these closures and any alternatives offered for in person interaction.

Response:

The location of each office Delta closed is listed below:

Berea Office

129 Glades Road

Berea, KY 40403

Nicholasville Office

501 Etter Avenue

Nicholasville, KY 40356

Corbin Office

2011 S. Main Street

Corbin, KY 40701

Owingsville Office

58 Water Street

Owingsville, KY 40360

Middlesboro Office

2110 Cumberland Avenue

Middlesboro, KY 40965

Upon closure of offices, each Delta location has continued to be utilized by one Administrative Assistant, one branch Supervisor, and our Field Service Representatives for the continuation of daily operations. The disposition of the property has remained the same with the exception of the drive thru window being closed. Delta customers were notified of these closures by notices given to each drive thru customer, notices placed on each drive thru window and each front door, notices were mailed and inserted with billing statements, as well as located on Delta's website.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-17

Witness: Morpew, Jonathan W **Title:** Operations Director

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

17. Refer to Brown Direct Testimony, page 12, lines 8-11.
- a. Provide the contract with the contractor for construction services.
 - b. Describe how the construction services contractor assists in securing competitive rates from vendors.
 - c. Confirm that Delta was allowed to choose its own contractor for these services. If not confirmed, explain how the contractor was chosen.

Response:

- a. See attached.
- b. Delta has utilized the same contractor for construction services on numerous projects. The solicitation of an additional contractor for bidding on certain 2024 projects created a competitive environment and promoted an awareness for the need of competitive, efficient bidding.
- c. Yes, after the competitive bidding process was completed Delta was allowed to choose the most efficient contractor for construction services needed.

PIPELINE CONSTRUCTION AGREEMENT

PIPELINE CONSTRUCTION AGREEMENT

THIS AGREEMENT, made entered into this 18TH day of July 2024, by and between Delta Natural Gas Company, Inc. a subsidiary of Essential Utilities Inc., having its principal office at 3617 Lexington Road, Winchester, Clark County, Kentucky 40391, hereinafter called "Company" and Roe Enterprises Inc. DBA: Swartz Pipeline Contracting, a Kentucky corporation having its principal office at PO Box 44 Olympia, Ky. 40358, hereinafter called "Contractor";

WITNESSETH:

THAT WHEREAS, the Company desires to have constructed and installed utilizing both open ditch and HDD pipeline construction methods in Jessamine County, Kentucky the following gas pipeline facilities:

- Approximately 43,000 feet of 8.6250 inch O.D. x .322 wall thickness steel main, API 5L, Grade X-52, coated and protected, including all necessary valves and appurtenances as herein described and as shown on the plans provided.

Scope of work to include, but not limited to, loading, hauling, unloading, stringing and installing all facilities, all right-of-way clearing and preparation, ditching, solid rock removal, fence crossing removal and replacement, fence gate installation when necessary, rock shield installation or soil padding in solid rock, all necessary crossings whether creek or road, all tie-ins, cutting and capping as required, installation of marker posts, all necessary gravel as directed by Company personnel, backfilling, jeeeping, testing pipeline and appurtenances in accordance with the plans, General Pipeline Specifications and Supplemental Specifications. Tapping of Mueller fittings, when required, to be done by Company

personnel. Right-of-way restoration to include, but not limited to, rock removal, grading, water breaks, seeding, spreading straw, tree and / or brush removal and / or disposal as per landowner request, or at the discretion of authorized Company personnel as per the General Conditions, Article XIV, 14.1 – Guidelines for Construction.

Authorizations, permits and easement acquisitions for this project are not complete at this time. The Company intends to complete these requirements in time to not cause a delay in the completion of the project. If the Company is unable, due to reasons beyond its control, to timely provide all authorizations, permits and easements which results in a delay of the project, the Contractor may request in writing an extension of the completion date or request to be released from the commitment to perform the work on the project.

AND WHEREAS, Contractor has become fully acquainted with said project, the general topography of the right-of-way, including the type and character of the soil, rock, grading, creek, street, highway and railroad crossings which may be encountered and has made satisfactory proposal for the performance of the work in connection with said construction.

NOW, THEREFORE, in consideration of the mutual covenants, promises and agreements herein contained, the parties hereto agree as follows:

- (1) The Contractor agrees to perform the work and do all things necessary for proper construction and completion of the gas pipelines and related facilities as described above, in accordance with the Company's General Pipeline Specifications, General Conditions, Supplemental Specifications, Plans and Bid Sheet submitted by Contractor, all of which are incorporated herein by reference. Contractor

acknowledges receipt of copies of said General Pipeline Specifications, General Conditions, Supplemental Specifications, Plans and Bid Sheet.

- (2) Contractor shall furnish all supervision, labor, tools and equipment necessary for the installation of proposed piping, fittings, test medium, and all right-of-way restoration. Contractor is responsible for delivery of all pipeline materials to the job site, which are not delivered by the vendor to the job site.
- (3) Contractor shall, at its own expense at the time of the execution of this Contract, furnish the Company a performance bond, an insurance certificate and also a payment bond in an amount equal to the sum of the total of Contractor's prices in form and substance with surety satisfactory to the Company, to insure the faithful and complete performance of the contract and the discharge of all obligations of the Contractor under the Contract. The performance bond and the payment bond may be in one or separate instruments in accordance with local law.
- (4) Contractor agrees to furnish to the Company for its approval, documentation of the Contractor's business operation as a certified Diversity Contractor, at the time of the execution of this agreement.
- (5) Company shall withhold a total of 15% retainage amount of all Contractor invoices submitted for the project as per Article XII, 7.5 - Terms of Payment section of the General Conditions. Performance retainage amounts withheld, shall be considered for reimbursement authorization by the terms of this agreement at the end of the project upon the satisfactory completion and approval of all project construction, testing and restoration.

- (6) Company shall furnish all pipeline materials, except as otherwise specified, including, but not limited to, pipe, valves, fittings, anodes, rock shield, tape, primer, coating patch material, fence gates, line marker posts and all material required for right-of-way restoration.
- (7) Work will commence on or about August 1, 2024. The Company intends and desires for the first 3.0 miles (15,750 feet) of the project to be installed by December 15, 2024 and the remainder of the project to be completed by June 30, 2025. If the facilities are not constructed in the required time except as provided for in Article XII, Force Majeure, of the General Conditions, or as provided for above, the Contractor may be required to pay One Thousand Dollars (\$1,000.00) per day for each day the construction period exceeds the required Contract period. Such sum being hereby agreed to as liquidated damages, and not as a penalty, for damages sustained by the Company as the result of the Contractor's failure, if any, to complete work within the required time. The Contractor will pay the liquidated damages herein specified where the Company does not exercise its right to take over the work pursuant to Section 6.5 of the General Conditions. Where the Company does not exercise its right to take over work, the damages provision of Section 6.5 of the General Conditions will be applicable.
- (8) The Company shall pay the Contractor for the performance of the Contract, subject to additions and deductions provided for in Section 2.4 of the General Conditions, in accordance with the unit prices set forth in the Bid Sheet attached hereto.
- (9) The Company may terminate this Contract at any time by giving at least ten (10) calendar days notice in writing to the Contractor. If the Contract is terminated by the Company as provided herein, the

Contractor will be paid according to the unit prices for completed work which is accepted by the Company up to the termination date.

(10) The Contractor shall return all executed Contract documents and necessary bonds to the Company prior to commencing any work.

(11) This Agreement shall be binding upon the parties hereto, their heirs, executors, administrators, successors and assigns.

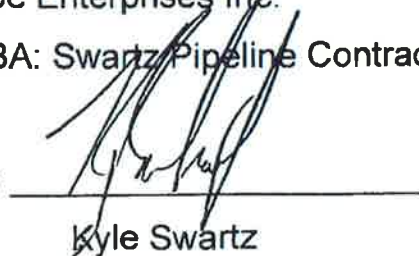
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

WITNESS:
AS TO CONTRACTOR



Roe Enterprises Inc.
DBA: Swartz Pipeline Contracting

BY:



Kyle Swartz

TITLE: Vice President

Roe Enterprises Inc.

DBA Swartz Pipeline Contracting

WITNESS:
AS TO COMPANY



DELTA NATURAL GAS COMPANY, INC.

BY:



Michael Huwar

TITLE: President, Peoples Gas

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-18

Witness: Brown, John **Title:** State President

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

18. Refer to Brown Direct Testimony, page 13, lines 18-21 and page 14, lines 1-10.
- a. Provide the cost justification for each nonrecurring charge discussed.
 - b. Confirm that the tasks are done in the course of the normal business day. If not confirmed, explain why not.

Response:

- a. See attached.
- b. Delta confirms that the tasks are done in the course of the normal business day unless overtime must be worked to complete the required customer service.

		HOURLY RATE	RECONNECTION		COLLECTION	
			HOURS	AMOUNT/ HR	HOURS	AMOUNT/ HR
I.	Field Expense Labor (1) (2)	40.60	1.5	\$ 60.90	0.5	\$ 20.30
II.	Clerical & Office Expense (3) Supplies/ postage Labor (4)	33.00	1.5	\$ 49.50	0.5	\$ 16.50
III.	Miscellaneous Expense (5) Transportation (6)	9.38	1.5	\$ 14.07	0.5	\$ 4.69
	TOTAL EXPENSE			\$ 127.47		\$ 44.49

- (1) Labor hours are an average estimated by operations personnel
- (2) Labor rate based on operations labor total annual salary, taxes and benefits as of 12/31/24
- (3) Depreciation for office equipment not included
- (4) Labor rate based on clerical labor total annual salary, taxes and benefits as of 12/31/24
- (5) Depreciation for tools not included
- (6) Average cost of transportation per hour worked

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-19

Witness: Feltner, Larry

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

19. Refer to the Direct Testimony of Larry Feltner (Feltner Direct Testimony), pages 21-23. Explain how Delta can reconcile the Cost of Service Study with the proposed allocation in Delta's application.

Response:

In a Cost-of-Service study, rate classes with rates of return greater than the overall proposed rate of return are paying subsidies to rate classes with rates of return lower than the total proposed rate of return. It is a well-established principle within the utility industry to apply gradualism in reducing subsidies based on the cost-of-service study when allocating the proposed increase to each rate schedule. Applying gradualism prevents rate shock among affected customer classes. The precise point at which one balances those two considerations can vary greatly depending on how much emphasis one puts on gradualism versus how much one puts on subsidy reduction. Often, it is common to group rate classes with similar rates of return in allocating proposed increases, because the bill impacts mitigate against strictly following what the cost-of-service study would suggest in reducing or eliminating the subsidy between classes. This is especially true if some classes require a significant decrease in order to reduce or eliminate subsidies. Calculating the increases or decreases required to equalize the class rates of return would require the following approximate increases and decreases for each class. This does not consider the bill impacts that will result from strictly following the cost-of-service study.

Residential - 51.6%

Residential Farm Tap - (-18.7%)

Small Non-Residential – 22.3%

Large Non-Residential – 12.6%

Interruptible – (-62.2%)

Special Contract – 101.9%

Off-System Transportation – 6.4%

Based upon my professional experience, these changes would be too extreme. As such, by grouping certain classes together, some extreme amounts were removed by strictly taking into consideration subsidy reduction and not considering bill impacts. The proposed allocation of the increase in this proceeding to each rate class is based on Delta's consideration on how to best balance the bill impacts resulting from the proposed increases with the goal of reducing subsidies between rate classes. Sometimes the bill impacts that result from reducing the subsidies between classes are so large that subsidies may not be able to be reduced for all classes. Also, rate classes with rates of return above the proposed overall company rate of return would receive a rate decrease, which would result in even larger rate increases for classes with rates of return below the overall proposed Delta rate of return. Due to the bill impacts, Delta has proposed that each class should receive a small increase to help minimize the bill impacts for all customers.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-20

Witness: Feltner, Larry

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

20. Refer to Feltner Direct Testimony, pages 26, lines 7-12. Explain why the farm tap class should receive a reduction in the delivery charge.

Response:

Because Farm Tap customers do not use Delta's distribution facilities to receive gas, distribution costs are minimal. The rate schedule also mirrors the Residential customer charge. Because Farm Tap customers had the second highest rate of return of any class at 17.36%, Farm Tap customers were allocated a minimal increase of 3%, or \$79,767. Mirroring the proposed Residential customer charge of \$33.60 resulted in the customer charge revenue increasing by \$331,069. This required the distribution charge to decrease by \$251,302 in order to achieve the \$79,767 net increase allocated to the Farm Tap rate class.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-21

Witness: Feltner, Larry

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

21. Refer to Feltner Direct Testimony. Explain why no consideration was given to separating the classes individually and reflecting the cost of service study more accurately.

Response:

As explained below, Delta did consider each rate class separately in developing its proposed rates in this proceeding. The cost-of-service study is set up according to Delta's rate schedules, which is how Delta has conducted cost-of-service studies in its prior rate cases.

For an explanation of how Delta analyzed the results of the cost-of-service study in developing its proposed rates, please see the response to Question 19 of this data request.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-22

Witness: Feltner, Larry

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

22. Refer to Feltner Direct Testimony, page 27, lines 5-9. Provide a detailed explanation of the proposed delivery charge for the Interruptible Service Class.

Response:

The Interruptible Service delivery charge utilizes a declining block rate, with the rate lowering as consumption increases. The proposed rates maintain the current relationship between each block and the block that came before it. For example, the current rate for block 1 is \$1.7143 and the rate for block 2 is \$1.2857. Block 1 is 1.3334 times the rate of block 2 ($1.7143/1.2857 = 1.3334$). The proposed rates maintain that relationship between those two blocks. The same process was followed for the other blocks.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-23

Witness: Feltner, Larry

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

23. Refer to Feltner Direct Testimony, page 28, lines 11-22 and page 29, line 1.
- a. Provide the name of the supplier who may allow direct connection to the nearby interstate pipe and bypass Delta service.
 - b. Provide the distance to the closest pipeline.
 - c. Confirm that that special contracts allow for revision pursuant to the application's proposals. If not confirmed, explain what Delta will have to do in order to amend the special contracts.

Response:

See attached. The attachment is confidential and provided under seal pursuant to a Petition for Confidential Protection.

**ATTACHMENT FILED UNDER SEAL PURSUANT TO THE
PETITION FOR CONFIDENTIAL PROTECTION FILED ON
JANUARY 3, 2025**

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-24

Witness: Wernert, Jeff

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

24. Refer to Direct Testimony of Jeffrey Wernert (Wernert Direct Testimony). Confirm that the lead lag study included non-cash items and balance sheets. If not confirmed, explain.

Response:

A lead lag study estimates the funds needed by a utility to cover the timing differences between when a utility expends cash for costs required to provide service and when it receives payment from customers for said service. The results of the study represent the cash that the utility and its investors have invested in or committed to cover the day-to-day operations of the business in the form of Cash Working Capital (“CWC”).

The lead lag study in this proceeding only looked at cash expenses and cash received by the Company to determine the expense leads and revenue lags. Non-cash items, such as depreciation expenses or prepaid items included in rate base, were not included because they do not require cash to cover the expense at the time it is incurred. While these items do have an impact on the cashflow of the Company, cash is not explicitly needed to cover the expense of these items in the same way that it is needed for the categories of expenses in the lead lag study. The expense leads that were evaluated in the lead lag study only looked at the categories that require cash to cover those expenses with one possible exception which is the “Other O&M” category. This category contains O&M expenses that were not included in any of the discrete categories already identified within the study. To the extent any non-cash items exist within the “Other O&M” category in the study to which expense lead days are applied, the effect of these items on the final CWC determination would be minimal.

The Company balance sheets were used as necessary in performing the lead lag study. Most notably, they were used in the calculation of the collection lag based on the receivables turnover methodology by dividing the average daily receivables by the average daily revenues and pass-through items that flow through customer bills.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-25

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

25. Refer to Direct Testimony of Paul Moul (Moul Direct Testimony). Confirm that Delta did not exclude any outliers in the return on equity evaluation. If Delta did exclude an outlier, identify all excluded outliers, and explain why they were excluded.

Response:

Several outliers were excluded from the Fundamental Risk Analysis, i.e., pages 9-15 of the Direct Testimony. Please refer to the tabs for NiSource and Southwest Gas in the electronic version of Attachment PRM-3 previously provided and the tabs for CenterPoint, Eversource, NiSource, NRG, PPL, Public Service in the electronic version of Attachment PRM-4 previously provided. There were also some exclusions on page 2 of Attachment PRM-15, but those were done in the Value Line source documents.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-26

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

26. Refer to the Moul Direct Testimony, pages 4 and 5, and Attachment PRM-3. The sample size of the Gas Group of proxy companies does not contain at least one relevant proxy. Explain why PNG Companies, LLC is not present in the Gas Group.

Response:

PNG Companies was excluded because it does not have traded stock. Traded stock provides prices that are necessary because stock price is needed to compute the dividend yield component of the DCF and the computation of the beta in the CAPM.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-27

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

27. Presume equally sized water utilities have similar characteristics as gas companies.

a. Explain why it is not reasonable to include water companies along with the gas companies as an additional proxy group of companies.

b. If it is not reasonable to include water utilities in the proxy group, compare and contrast the specific attributes of water utilities with those current Gas Group proxies that renders them unsuitable for use as proxies.

Response:

a. Water companies are the only utility whose product is ingested by its customers. This places water utilities in an entirely different risk class from energy utilities. Moreover, water utilities do not have the competitive forces that dominate the risks profile of the LDC industry.

b. As noted in (a) above, water companies face unique risks because they are the only public utility whose product is ingested by their customers.

Company: Delta Natural Gas Company, Inc.**Question Number: PSC-II-28**

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

28. Refer to the Moul Direct Testimony, page 7, lines 1-15.

a. Explain the percentage of Delta's annual revenue at risk due to by-pass, by industrial and/or transportation customers.

b. For each customer who could plausibly by-pass Delta, include in the response the distance from an interstate pipeline that could be used for by-pass, whether the pipeline is within the customer's facility footprint, and a breakdown of customer revenue derived from transportation service only.

c. Explain whether Delta currently has any industrial or transportation customers by-passing its system.

d. Explain whether Delta has had any industrial or transportation customers by-pass its system in either 2022 or 2023, and if so, include in the response an estimate of the load and revenue lost.

e. Explain whether Delta uses storage fields to store gas for third parties. Include in the response if any transportation customers utilize storage.

Response:

See attached. A portion of the attachment is confidential and is being filed pursuant to a petition for confidential protection.

PSC Question #28

A. Percentage of annual revenue at risk due to By-pass by industrial and offsystem transportation customers is 23%.

B.

Station #	Annual Revenue	Bypass Access
[REDACTED]	\$ 81,948.07	[REDACTED]
[REDACTED]	\$ 26,676.21	[REDACTED]
[REDACTED]	\$ 18,851.06	[REDACTED]

Industrial Customer	Annual Revenue	Accessible Interstate Pipeline	Distance from Alternative Pipeline
[REDACTED]	\$ 353,787.00	[REDACTED]	[REDACTED]
[REDACTED]	\$ 232,213.91	[REDACTED]	[REDACTED]
[REDACTED]	\$ 68,623.63	[REDACTED]	[REDACTED]
[REDACTED]	\$ 152,871.82	[REDACTED]	[REDACTED]
[REDACTED]	\$ 370,035.31	[REDACTED]	[REDACTED]
[REDACTED]	\$ 230,488.15	[REDACTED]	[REDACTED]
[REDACTED]	\$ 231,492.12	[REDACTED]	[REDACTED]
[REDACTED]	\$ 205,244.10	[REDACTED]	[REDACTED]

C. Delta currently has 10 Off-system transport customers bypassing its system. Delta is not aware of any industrial customers currently bypassing Delta.

D. Delta had 10 Off System transport customers by pass Delta in 2022 and 2023 have an estimated (based on last known production) annual load of 1,909,894 Dth, and lost revenue of \$ 600,000.

E. Delta does not use storage fields to store gas for third parties outside of Delta Natural Gas and affiliates.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-28

Witness: Moul, Paul **Title:**

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

28. Refer to the Moul Direct Testimony, page 7, lines 1-15.

f. Explain whether witness Moul agrees that natural gas is a preferred choice of many energy intensive industries and whether this dampens the competitive risk.

Response:

f. Mr. Moul would agree that natural gas is a preferred energy source for some industries. It cannot be said that this depresses the competitive risk associated with serving those customers because these industries could avail themselves the option of bypassing existing transportation arrangements or relocating their facilities to obtain alternative suppliers.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-29

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

29. Refer to the Moul Direct Testimony, page 16, lines 17-13, page 17, lines 1- 18, and Attachment PRM-6.

a. Explain how Delta obtains its debt capital financing. If the debt capital comes solely from its parent, explain how the parent obtains its debt capital and then transfers that to Delta or any other wholly owned affiliate.

b. Explain whether the short term debt belongs to Delta or Peoples KY. If the short term debt belongs to Delta, explain why it is not included in the capital structure.

c. Explain whether the Amortization of Issuance expense is being financed and considered debt and whether any of these expenses are attributable to Delta.

Response:

a. PNG obtains long-term debt for its own capital requirements and also provides a portion of that debt to Delta. Those long-term borrowings were previously undertaken by PNG directly with lenders and now through its parent company, Essential Utilities, Inc. More specifically, PNG obtains funds to be lent to Delta from Essential, pursuant to a promissory note between PNG and Essential ("Essential Promissory Note"). Essential issues the underlying debt in the external debt markets at competitive market rates and prices. The interest rates and maturity dates of long-term debt issued by Essential forms the basis for the interest rate and maturity date under the Essential Promissory Note, which in turn establishes the interest rate and maturity date for the note. Essential is following generally accepted debt placement procedures to ensure market-based interest rates and terms to be issued pursuant to the Essential Promissory Note. Therefore, the interest rates will be reasonable in light of the market coupon rates.

b. Short-term debt is likewise obtained from PNG who provides a portion of those funds to Delta. Note the STD is Delta's. PNG has its own line of credit through a revolving credit agreement and disperses those funds to Delta through an Intercompany Demand Note agreement. Please refer to the response to interrogatory AG-1-9a.

c. Issuance expense is paid from the gross proceeds of an offering with the net amount

invested in PP&E.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-30

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

30. Refer to the Moul Direct Testimony, pages 19-20, and to Attachment PRM-7. Provide an explanation for each of the three methods utilized to make a forward adjustment to the dividend yield, and the strengths and shortfalls of each method.

Response:

Please refer to footnote 7 on page 20 of the Direct Testimony for a description of each adjustment mechanism. The electronic version of Attachment PRM-7 previously provided shows the application of each adjustment. Each adjustment method is equally valid, which considers alternative factors.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-31

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

31. Refer to the Moul Direct Testimony, page 20, lines 1-2 and lines 10-11.
- a. Explain how the month end stock prices were adjusted.
 - b. Provide the average three, six, and twelve month dividend yields using the average monthly stock price as opposed to the adjusted month end stock prices.
 - c. Provide further explanation as to how the historic six month average dividend yield is a better selection of current capital costs rather than the three month average yield. Include in the explanation how the historic three month yield does not avoid spot yields, but the six month average yield does.

Response:

- a. Please refer to the Microsoft Excel spreadsheet in the electronic version of Attachment PRM-7 previously provided.
- b. It is not possible to adjust the average monthly stock price for the ex-dividend because there must be a defined date (i.e., 29, 30 or 31 of a given month) to calculate the time interval from that date to the ex-dividend date. An average price would be the product of any combination of distinct dates in a particular month.
- c. The six-month period is a reasonable representation of a current dividend yield, while avoiding use of a spot price or a yearly average.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-32

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

32. Refer to the Moul Direct Testimony, page 26, lines 4-10. Refer also to Attachment PRM-8.

a. The average of the three earnings per share growth estimates from IBES/First Call, Zacks, and Value Line is 6.13 percent. Provide further explanation of why 6.25 percent is reasonable.

b. Provide an updated growth rate calculation including dividend per share growth rates.

c. Explain and provide support for the statement that DCF growth rates should not be established by mathematic formulation.

d. Explain how the midpoint of the growth rate forecasts was determined.

Response:

a. Mr. Moul did not employ a simple average in his analysis. The 6.25% growth rate adopted by Mr. Moul is well within the range of 5.83% to 6.56%. As noted in the Direct Testimony, the reasonableness of the adopted growth rate is supported by continuation of future infrastructure spending for the companies in the proxy group.

b. Incorporating dividend per share growth rate would be inappropriate because there is no support for a constant payout ratio which would be necessary to include the dividend variable. Moreover, the "father" of the DCF for rate case purposes established that forecast earnings per share growth is the best measure in the DCF (see footnote 8 on page 25 of the Direct Testimony).

c. There is no empirical evidence that establishes that all investors weight growth values equally in the DCF.

d. The calculated midpoint of the growth rate is 6.20% ($5.83\% + 6.56\% = 12.39\%$ / 2). Mr. Moul employed 6.25% because he establishes his growth rate in one-quarter percentage point increments.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-33

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

33. Refer to the Moul Direct Testimony, pages 31, 36, and 41. Explain whether Delta was aware that the Commission has previously rejected portions of applications seeking adjustments for company size, flotation cost, and leverage adjustments for ratemaking purposes.

Response:

Mr. Moul has not researched prior Commission orders on these issues. Rather, he has made independent objective judgments regarding adjustments for size, flotation costs, and leverage.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-34

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

34. Refer to the Moul Direct Testimony, page 36, lines 20-21 and page 37, lines 1-5. Provide support that the beta values published by Value Line are not formulated on the basis of book-value capital structure.

Response:

The betas published by Value Line are based on stock prices, as explain on page 3 of Attachment PRM-14. The Value Line definition of its beta is provided below.

Beta - A relative measure of the historical sensitivity of the stock's price to overall fluctuations in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise (or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is derived from a regression analysis of the relationship between weekly percentage changes in the price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In the case of shorter price histories, a smaller time period is used, but two years is the minimum. The Betas are adjusted for their long-term tendency to converge toward 1.00.

Additionally, Value Line shows betas computed based on monthly total returns for the trailing three year, five-year and 10-year periods.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-35

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

35. Refer to the Moul Direct Testimony, pages 36-37 and 41.

a. Explain the time period and which stock index serves as the basis for the Value Line adjusted beta values.

b. Explain the time period and basis for Yahoo Finance beta calculations and why they could not also be included in the analysis.

c. Provide an update to the calculation found on Page 41 of the Moul Direct Testimony using unlevered Value Line beta values and including adjusted Yahoo Finance beta values. If Yahoo Finance beta values are unadjusted, provide the formula for adjusting the beta values.

Response:

a. Value Line uses a five-year period to calculate its betas. Its stock index is the NYSE Composite Index.

b. Yahoo Finance uses five years of monthly data. Their stock index is not revealed.

c. It would be inappropriate to blend the Value Line and Yahoo Finance betas for this purpose. It is not known if Yahoo Finance adjusts its betas for regression bias.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-36

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

36. Refer to the Moul Direct Testimony, page 39, lines 8-20. Refer also to Attachment PRM-13, page 1. Provide the reasoning for using both the “low” and “average” interest rate environments to calculate market return and yield on long term government bonds rather than solely the “average” interest rate environment.

Response:

During the Pandemic, interest rates were pushed down to unusually low levels. Since the end of the Pandemic, interest rates moved up as the FOMC battled the effects of higher rates of inflation that subsequently occurred. Today, the FOMC is moving toward a more normal posture of “neutral” interest rates. Hence, a market premium that rests between “low” and “average” interest rates would accommodate low interest rates that existed during the Pandemic and today’s position of higher interest rates.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-37

Witness: Moul, Paul

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

37. Refer to the Moul Direct Testimony, page 39, lines 16-19, and Attachment PRM-14. For the Value Line based forecasted market premium, explain how the Dividend Yield and the Median Appreciation potential were either derived or were found in a Value Line publication. If published by Value Line, provide a copy of the publication.

Response:

Please see attached. The procedure used to apply the Value Line data is revealed on the electronic version on page 2 of Attachment PRM-14 previously provided.



File at the front of the Ratings & Reports binder. Last week's Summary & Index should be removed.

August 30, 2024

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SCREENS

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The Median of Estimated PRICE-EARNINGS RATIOS
of all stocks with earnings

18.1

26 Weeks Ago	Market Low	Market High
17.5	3-23-20 11.0	7-16-24 18.2

The Median of Estimated DIVIDEND YIELDS
(next 12 months) of all dividend paying stocks

2.1%

26 Weeks Ago	Market Low	Market High
2.2%	3-23-20 3.7%	7-16-24 2.1%

The Median Estimated THREE-TO-FIVE YEAR PRICE APPRECIATION POTENTIAL
of all stocks in the VL Universe

45%

26 Weeks Ago	Market Low	Market High
50%	3-23-20 145%	7-16-24 45%

The Median Estimated 18-MONTH APPRECIATION POTENTIAL TO TARGET PRICE RANGE
of all stocks in the VL Universe

15%

26 Weeks Ago	Market Low	Market High
13%	3-23-20 72%	7-16-24 14%

ANALYSES OF INDUSTRIES IN ALPHABETICAL ORDER WITH PAGE NUMBER

Numeral in parenthesis after the industry is rank for probable performance (next 12 months).

	PAGE		PAGE		PAGE		PAGE
Advertising (75)	2382	Electric Util. (Central) (79)	901	Investment Co.(Foreign) (-)	417	Reinsurance (4)	2000
*Aerospace/Defense (38)	701	Electric Utility (East) (76)	132	Machinery (36)	1701	Restaurant (73)	349
Air Transport (21)	301	Electric Utility (West) (80)	2200	Maritime (47)	332	Retail Automotive (54)	2116
Apparel (42)	2101	Electronics (8)	1322	*Medical Services (9)	789	Retail Building Supply (61)	1143
Asset Management (53)	2213	Engineering & Const (32)	1008	Med Supp Invasive (70)	164	Retail (Hardlines) (27)	2166
Automotive (43)	101	Entertainment (64)	2331	Med Supp Non-Invasive (37)	201	Retail (Softlines) (35)	2189
Auto Parts (28)	962	Entertainment Tech (93)	1991	*Metal Fabricating (29)	728	Retail Store (49)	2136
Bank (39)	2501	Environmental (12)	406	Metals & Mining (Div.) (86)	1573	Retail/Wholesale Food (1)	1940
*Bank (Midwest) (44)	775	Financial Svcs. (Div.) (6)	2533	Natural Gas Utility (71)	535	Semiconductor (83)	1357
Beverage (69)	1957	Food Processing (46)	1901	Natural Gas (Div.) (88)	523	Semiconductor Equip (23)	1394
*Biotechnology (85)	827	Furn/Home Furnishings (34)	1152	Oil/Gas Distribution (56)	585	Shoe (10)	2156
Brokers & Exchanges (66)	1790	*Healthcare Information (77)	817	Oilfield Svcs/Equip. (84)	2405	*Steel (15)	737
Building Materials (18)	1101	Heavy Truck & Equip (16)	144	Packaging & Container (11)	1171	Telecom. Equipment (31)	942
Cable TV (50)	999	Homebuilding (3)	1131	Paper/Forest Products (87)	1163	Telecom. Services (62)	916
Chemical (Basic) (45)	1590	Hotel/Gaming (65)	2349	Petroleum (Integrated) (13)	501	Thrift (19)	1501
Chemical (Diversified) (60)	2422	Household Products (55)	1186	Petroleum (Producing) (74)	2390	Tobacco (2)	1974
Chemical (Specialty) (59)	545	Human Resources (52)	1630	Pipeline MLPs (58)	598	Toiletries/Cosmetics (91)	990
Computers/Peripherals (22)	1412	Industrial Services (5)	372	Power (81)	1212	Trucking (30)	316
Computer Software (67)	2577	Information Services (40)	424	Precious Metals (57)	1560	Water Utility (63)	1783
Cyber Security (82)	2008	IT Services (14)	2610	Precision Instrument (89)	113	Wireless Networking (78)	572
Diversified Co. (41)	1750	Insurance (Life) (7)	1550	Public/Private Equity (90)	2431		
Drug (68)	1600	*Insurance (Prop/Cas.) (17)	750	Publishing (24)	2375		
E-Commerce (72)	1811	Internet (25)	2627	Railroad (48)	339		
Educational Services (51)	1981	Investment Banking (20)	1802	R.E.I.T. (92)	1510		
Electrical Equipment (26)	1301	Investment Co. (-)	1202	Recreation (33)	2301		

*Reviewed in this week's issue.

In three parts: This is Part 1, the Summary & Index. Part 2 is Selection & Opinion. Part 3 is Ratings & Reports. Volume LXXX, No. 4.

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See back cover for important disclosures.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-38

Witness: Odusanya, Abdul-Azeez **Title:** Controller III

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

38. Refer to Direct Testimony of Azeez Odusanya (Odusanya Direct Testimony), page 7, lines 18-21.

- a. Describe the responsibilities of the Controller position, beyond reviewing allocations.
- b. Explain how much time, by hours per month, is spent reviewing the allocations from PNG.
- c. Describe the process for objecting to a particular allocation from PNG.
- d. Describe the process for objecting to an allocation that flowed through from Essential.

Response:

a. The Controller oversees all accounting functions for Delta. The Controller provides accurate and timely budget forecast information to assist management in planning and decision making. The Controller evaluates and makes improvements to accounting processes while ensuring methods comply with Essential's policies and local, state, and federal laws.

The day-to-day Responsibilities of the Controller include the following:

- Develop and implement the company's financial and accounting plans, policies and procedures.
- Manage input of data into the financial information systems including data entered by accounting staff and other personnel.
- Coordinate data processing and prepare detailed monthly and quarterly financial reports including the general ledger.
- Manage the monthly closing of books and the reconciliation/analysis of all accounts.
- Prepare the monthly financial statements in accordance with generally accepted

accounting principles, PSC rules, Sarbanes-Oxley and other regulations.

- Prepare and update the long-range financial plan and the Annual Operating Budget Package including variance reports.
- Ensure effective internal control processes and procedures are in place and followed for financial reporting.
- Assure protection of company assets with internal controls and audits.
- Prepare quarterly and year-end reports, PSC reports and compliance with bond indentures.
- Monitor performance against operating plans and standards, and reports and interpret the results of operations to all levels of management.
 - o Make recommendations and provide assessments for improving the operations based on financial metrics.
- Assist in the processing of rate applications, debt financing and other regulatory filings before the PSC.
- Provide input and support for financial analysis of acquisitions and operating contracts.
- Supervise the accounting team.
 - o Interview, hire, set high performance standards and manage performance in accordance with all applicable HR policies and procedures.
 - o Create an energized work environment, fostering an atmosphere that enables employee trust and engagement.
 - o Inspire confidence and motivate others to perform at their best.
 - o Develop and coach staff while effectively addressing performance issues.
- Perform other assignments as required.

b. Delta's Accounting team spends about 3-4 hours monthly reviewing allocations from PNG.

c. and d. The Controller sends emails, Teams messages and/or makes calls to discuss any issue(s) with the current month's allocations. Also, meetings and workshops are held annually to discuss the basis and appropriateness of current allocations.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-39

Witness: Packer, Jr., William

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

39. Refer to the Direct Testimony of William Packer (Packer Direct Testimony), page 5, lines 17-24. List all other utilities, in particular gas utilities, that Delta is referencing when stating that “the use of a GRCF is a long-standing practice in calculating the revenue requirement and is necessary to calculate the adjustment to income taxes, which vary in direct . . . requirement.”

Response:

Delta is not referencing any other specific utilities, including gas utilities. Rather, it simply states that a GRCF is commonly utilized in the utility ratemaking process.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-40

Witness: Packer, Jr., William

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

40. Refer to the Packer Direct Testimony, page 9, lines 20-23.

a. Provide the most recent wage study for Delta.

b. Explain whether employee compensation is equal to or better than the 50th percentile of the market with or without consideration of “at-risk” pay.

Response:

a. See attached. The attachments are confidential and provided under seal pursuant to a Petition for Confidential Protection.

b. As explained on page 11, lines 1-8 of Packer Direct Testimony, Delta benchmarks the 50th percentile based on all-in compensation, which includes “at-risk” pay.

**ATTACHMENTS FILED UNDER SEAL PURSUANT TO THE
PETITION FOR CONFIDENTIAL PROTECTION FILED ON
JANUARY 3, 2025**

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-41 A

Witness: Odusanya, Abdul-Azeez **Title:** Controller III

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

41. Refer to the Packer Direct Testimony, pages 10-11.

a. Provide the test-year amount of payments under Delta's long term incentive plan, short term incentive plan, and Achievement Awards.

Response:

Utilizing updated assumptions, the Company has decreased its original estimate of incentive compensation of \$712,104 to \$630,968, as broken out as requested on the attached schedule.

Delta Natural Gas Company, Inc.
Case No. 2024-00346
Forecasted Test Period 12 ME 06/30/26
Incentive Payments

FPFTP

Short Term	\$ 338,713
Long Term	\$ 137,955
Achievement	<u>\$ 31,300</u>
Total Direct Incentives	\$ 507,968
Indirect (ST)	\$ 123,000
Total Incentives	<u><u>\$ 630,968</u></u>

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-41

Witness: Packer, Jr., William

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

41. Refer to the Packer Direct Testimony, pages 10-11.

b. Explain how the short term incentive plan metrics are used to fund the plan and determine the payout amounts.

c. Explain how the long term incentive compensation plan is used to fund the plan and determine the payout amounts.

d. Explain whether Achievement Awards are ever rewarded based on financial performance measures.

Response:

b. As of 2024, the Short-Term Incentive program is based solely on non-financial measures. A copy of the plan is provided in response to Item No. 35 of the Attorney General's First Request for Information.

The safety, customer satisfaction, environmental stewardship, and individual goal metrics are all considered customer-based metrics. These are items important to the community, the employees, and lower costs to consumers.

- **Safety:** Lowering the number of injuries and accidents to employees as well as ensuring the safe delivery of gas to customers is critical to our success for customers.
- **Customer Satisfaction:** Responding to customer calls within established service levels is critical to customer satisfaction.
- **Individual Performance Goals:** encourage employees to perform at their best. Employee performance is critical to the customers as employees are constantly interacting with the public in performance of their duties.

The metrics are on the attached sheet.

c. The Long Term Incentive Program uses a blend of customer-based and financial based incentives for Essential Utilities as a whole. They include Total Shareholder Return Percentage as compared to peers, Average Rate Base Growth, and Achievement of Targeted Operating and Maintenance Expenses. Copies of the plan documents are provided in response to Item No. 35 of the Attorney General's First Request for Information. 20% of Long Term Incentive Program awards are based on the achievement of Targeted Operating and Maintenance Expenses, which is a critical measure of cost control that directly benefits our customers through measurable operating efficiencies. The remaining 80% of awards are based on Total Shareholder Return Percentage as compared to peers and Average Rate Base Growth.

2021 PSU Metrics		Weight	Performance	Extrapolation
Metric 1	TSR Peer Group	38.46%	0.00%	0.00%
Metric 2	Rate Base	30.77%	135.04%	41.55%
Metric 3	O&M	30.77%	118.28%	36.39%
				77.94%

d. Achievement awards are not based on financial performance measures. The Achievement Award program is a completely discretionary program awarded to hourly and lower level salaried employees who are not eligible to participate in the Short-Term Incentive Plan. It is based solely on individual performance and awarded at the discretion of the leadership team to deserving employees. It is budgeted at 2.5% of base salary for eligible non-union participants and administered during the annual merit process.

41. b.

The metrics are as follows:

Metric	Metric Component	Proposed Weight	Threshold		Maximum 110%
			90%	Target 100%	
Safety (25%)	Lost Time/Restricted Time Rate	10.00%	2.18	1.45	0.73
	Responsible Vehicle Accident Rate	5.00%	3.19	2.74	2.28
	Gas Damage Prevention	10.00%	4.64	4.48	4.32
Customer Satisfaction (10%)	Essential Service Level	10.00%	83.30%	84.30%	85.30%
Environmental Stewardship (5%)	Reduction - Leaks Outstanding	2.50%	10	5	0
	LTIP Mileage Replacement	2.50%	97.50%	100.00%	102.50%
Individual Goals (60%)		60.00%			

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-42

Witness: Packer, Jr., William

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

42. Refer to the Packer Direct Testimony, pages 12 and 13. Confirm that current employees do not participate in both a defined benefit plan and 401(k) matching. If this cannot be confirmed, identify the position titles, and provide the test year amount of 401(k) matching contributions provided to employees who participate in a defined benefit plan.

Response:

Confirmed. Effective in May 2021, the defined benefit plan was frozen for all employees that participated in that plan. In lieu of continuing to accrue additional benefits under the defined benefit plan, the employees who had their defined benefit plan benefit frozen in May 2021 are eligible to participate in the 401K which provides them with: (i) an employer matching contribution of 100% on up to 6% of the employee's contribution to the 401K; and (ii) an annual employer contribution of up to 3% of their eligible earnings. Employees who never participated in the defined benefit plan are eligible for the 401K benefits set forth in the preceding sentence.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-43

Witness: Odusanya, Abdul-Azeez **Title:** Controller III

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

43. Refer to Delta's responses to Staff's First Request, Item 39.

a. Explain the increase in Merit Compensation for Corporate Officers from zero percent in 2023 to a projected 3 percent and 2 percent in 2024 and 2025, respectively.

b. Explain the decrease in Merit Compensation for Non-Exempt Employees from 161,300 in 2023 to a projected 21,926 in 2024.

Response:

See attached.

Case 2024-00346
PSC Second Request

43. Refer to Delta's responses to Staff's First Request, Item 39.

- a. Explain the increase in Merit Compensation for Corporate Officers from zero percent in 2023 to a projected 3 percent and 2 percent in 2024 and 2025, respectively.

RESPONSE:

There is only 1 employee who is considered a Corporate Officer. John Brown's salary, effective 04/01/2023, was \$313,700. His salary had not changed since 02/23/2020. Therefore, the average merit % showed a 0% increase. Mr. Brown had a decrease in his salary, effective 09/01/2023, to \$232,000. This was to align his salary with the current market. Then, effective 04/01/2024, his salary changed to \$238,960. This was a merit increase of 3%. The salary budgeted for 2025 for Mr. Brown is \$243,394. This would be a merit increase of approximately 2%.

- b. Explain the decrease in Merit Compensation for Non-Exempt Employees from \$161,300 in 2023 to a projected \$21,926 in 2024.

RESPONSE:

The \$161,300 merit increase, effective 04/01/2023, included all Non-Exempt employees. This increase included employees who later became part of the Union that was effective 11/01/2023. The \$21,926 merit increase, effective 04/01/2024, only reflected Non-Exempt employees who were Non-Union. The \$145,390 merit increase, effective 05/01/2024, reflects the Union employees.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-44

Witness: Odusanya, Abdul-Azeez **Title:** Controller III

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

44. Refer to Delta's responses to Staff's First Request, Item 41, and DELTA_APP_TAB60.

a. Provide the attachments contained in Item 41 in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

b. Reconcile the discrepancy for Total Employee Benefits and Total Labor Dollars for the base period ending February 2025.

Response:

a. See attached.

b. Tab 60 is prepared on the accrual basis, more consistent with the financial statements. Item 41 is prepared on the cash basis, more consistent with W-2 Wage Statements. The attached reconciliation shows that Tab 60 excludes bonuses and incentive compensation while Item 41 includes those amounts. Additionally, Item 41 excludes Allocated Labor and Benefits while Tab 60 includes those amounts as well as some other listed benefits.

<u>Labor</u>	<u>Tab 60</u>	<u>Item 41</u>	
Per Schedule	11,316,935	11,127,741	
Bonus and Incentive	619,382		
Allocated Labor 2200		590,478	
Auto and Miscellaneous	19,998		
Accruals	<u>(238,096)</u>	<u>-</u>	
Reconciled	<u>11,718,219</u>	<u>11,718,219</u>	-

<u>Benefits</u>	<u>Tab 60</u>	<u>Item 41</u>	
Per Schedule	3,834,323	3,296,876	
Allocated Benefits 2200		80,415	
Non Service Cost Benefits		98,572	
Miscellaneous		28,372	
401k Accruals	(112,431)		
Other Accruals	<u>(217,657)</u>	<u>-</u>	
Reconciled	<u>3,504,235</u>	<u>3,504,235</u>	-

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-45

Witness: Packer, Jr., William

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

45. Refer to Confidential Tab 60 page 3 of 3. Provide an explanation of what is meant by non-regulated bonus amount.

Response:

In conjunction with reducing Mr. Brown's base compensation in 2023, Essential approved a bonus paid by the non-regulated affiliates of Delta (Delta Resources, Delgasco, and Enpro) to Mr. Brown based solely on the financial performance of the non-regulated affiliates. This non-regulated bonus is not recorded on the utility's books and thus is not included in the Base Period or the Fully Projected Future Test Period.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-II-46

Witness: Packer, Jr., William

CASE NO. 2024-00346

SECOND PSC DATA REQUEST

DATED DECEMBER 16, 2024

46. Explain the personal nature, pursuant to KRS 61.878(1)(a), of the Confidential response to Staff's First Request, Item 54, Tab 55.

Response:

Part 11 of Tab 55 contains names of customers who have advanced funds for construction along with the corresponding balance for each customer of the physical assets needed to serve each of those customers. Pursuant to Delta's Petition for Confidential Protection filed contemporaneously with its responses to Staff's First Request, Delta believes this information contains information of a personal nature and disclosure would constitute an unwarranted invasion of personal privacy. KRS 61.878(1)(a). That the customers are engaging in construction and the amount of such costs to serve those customers is private information that should be confidential. In the Commission's Order dated March 16, 2022 in Case No. 2021-00185, the Commission granted confidential protection for the same customer-identifying information in Tab 55 provided in Delta's last rate case, noting: "Tab 55 of the application contains information which identified eleven specific Delta customers and the cost of the physical assets needed to service each of those customers. . . . This is information for which Delta's customers have a reasonable expectation of privacy."