

1 **COMMONWEALTH OF KENTUCKY**
2 **BEFORE THE PUBLIC SERVICE COMMISSION**

3
4 **IN THE MATTER OF:**

5 **ELECTRONIC APPLICATION OF DELTA)**
6 **NATURAL GAS COMPANY, INC. FOR AN)** **CASE NO. 2024-00346**
7 **ADJUSTMENT OF GAS RATES)**
8

9 **DIRECT TESTIMONY**

10 **AND EXHIBITS**

11 **OF**

12 **DAVID N. DITTEMORE**

13
14 **ON BEHALF OF THE**

15 **KENTUCKY ATTORNEY GENERAL**

16
17
18 **FEBRUARY 18, 2025**

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1 I have been a Board Member of the Financial Research Institute (University of Missouri),
2 a member of the NARUC Subcommittee on Accounting, the Vice-Chair of the
3 Accounting Committee of the National Association of State of Utility Consumer
4 Advocates (“NASUCA”), and an active participant in NASUCAs’ Natural Gas and Water
5 Committees.

6 Overall, I have thirty-five years of experience in public utility regulation and have
7 presented testimony as an expert witness on many occasions. A detailed overview of my
8 background is attached to my testimony as Exhibit DND-1.

9 **Q. On whose behalf are you testifying?**

10 **A.** I am testifying on behalf of the Office of the Attorney General of the Commonwealth of
11 Kentucky (OAG).

12 **Q. Have you previously testified before the Kentucky Public Service Commission?**

13 **A.** Yes. I have filed testimony in the following two cases:

14 1) Application of Columbia Gas, seeking to increase base rates in Case Number 2021-
15 00183, and

16 2) Application of Bluegrass Water Utility Operating Company seeking to increase
17 rates in Case Number 2022-00432.

18 **Q. Was your testimony in this proceeding prepared by you?**

19 **A.** Yes.

20 **Q. What is the purpose of your direct testimony in this proceeding?**

Exhibit No.	Description
DND-1	Summary of Qualifications
DND-2	Summary of OAG Revenue Requirement Recommendation
DND-3	Calculation of Revenue Requirement Impact of OAG Rate of Return Recommendation
DND-4	Calculation of OAG Cash Working Capital Recommendation
DND-4.1	Calculation of Pro-Forma Interest Expense
DND-5	Summary of Short and Long Term Incentive Compensation Adjustment
DND-6	Identification of Employee Medical Expense Adjustment
DND-7	Elimination of External Lobbying Costs
DND-8	Elimination of Indirect Lobbying Costs
DND-9	Elimination of AGA Dues
DND-10	Calculation of Gross Revenue Conversion Factor

1

2 **Q. What is the revenue requirement increase you are supporting in this proceeding?**

3 **A.** I recommend a base rate revenue increase of \$6,808,077 as outlined in Exhibit DND-2.¹ I
4 have summarized my recommendations in the table below:

5 **Table 1**

6 Amounts in Millions

Line No.	Item	Exhibit No.	Nominal Adjustment Amount	Gross Revenue Conversion Factor	Revenue Requirement Change
1	Base Rate Increase Requested by the Company				\$ 10.881
2	AG ROE and Capital Structure Changes	DND-3	-2.187	1.006131	-2.200
3	Rate Base Adjustments				
4	To Correct Cash Working Capital Calculation	DND-4	-0.197	1.006131	-0.198
5	AG Operating Income Adjustments				
6	To eliminate Short Term Incentive Compensation	DND-5	-0.203	1.006131	-0.205
7	To eliminate Long-Term Incentive Compensation	DND-5	-0.255	1.006131	-0.256
8	To Correct Employee Medical Benefits Forecast	DND-6	-1.152	1.006131	-1.159
9	To Eliminate External and Allocated Lobbying Charges	DND-7	-0.008	1.006131	-0.008
10	To Eliminate Overhead Labor Associated with Lobbying	DND-8	-0.023	1.006131	-0.023
11	To Eliminate AGA Dues	DND-9	-0.023	1.006131	-0.023
12	OAG Recommended Rate Increase				<u>\$ 6.808</u>

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¹ Amounts identified in Exhibits are truncated.

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III. GROSS REVENUE CONVERSION FACTOR

Q. Can you please explain the nature of the Gross Revenue Conversion Factor cited in Table 1 above?

A. Yes. The Gross Revenue Conversion Factor (GRCF) is the ratio applied to revenue and expense adjustment to convert the nominal revenue or expense adjustment amount to a revenue requirement amount. I have applied the same factors supported by the Company within Tab 61 of its Minimum Filing Requirements and measured the impact of a revenue or expense adjustment on the Company’s Uncollectible Expense and Utility Assessment Fee. The factor of 1.006131 is set out on line 5 of Exhibit DND-10.

The overall GCRF shown in line 15 of Exhibit 15 is applied to adjustments to the capital structure and rate base to determine the corresponding revenue requirement impact. The larger GRCF includes the tax implication of adjustments to rate of return and rate base. Tax implications on pro-forma adjustments to revenue and expenses are not present. Thus, the tax-gross-up conversion calculations, as shown on lines 6 – 14 of Exhibit DND-10, do not apply to adjustments to revenue and expenses.

IV. RATE OF RETURN

Q. Have you calculated the revenue requirement impact of Mr. Baudino’s capital structure and cost of capital recommendations?

A. Yes. The comparison of Delta’s proposed capital structure and rate of return and that of OAG witness Baudino is outlined in Exhibit DND-3. As reflected in line 3, Delta’s

1 proposed rate of return is 7.91%, while the OAG's proposed rate of return is 7.03%.
2 Including the impact of the tax gross-up, the two proposed pre-tax rates of return are
3 9.83% and 8.62%, respectively. The difference between the two pre-tax rates of return is
4 1.21%, as reflected on line 7. This difference of 1.21% applied to the Company's
5 proposed rate base of \$180,570,376 reflects the revenue requirement impact of
6 \$2,186,575 from the OAG's proposed capital structure before the application of the
7 GRCF. When applied to the GRCF, the total revenue requirement impact is \$2,199,982,
8 as set forth in Exhibit DND-2.

9 **Q. Does the Commission's determination of the rate of return in this proceeding have**
10 **implications on other aspects of the Company's revenue requirement?**

11 **A.** Yes. The Company has incorporated pro-forma Pipeline Replacement Program (PRP)
12 revenue of \$2,041,917² in this proceeding based upon its proposed overall rate of return
13 of 7.91%. The pro-forma PRP revenue credit should be re-calculated based upon the
14 Commission's ultimate determination of the appropriate rate of return in this proceeding,
15 with the PRP return on equity further adjusted as recommended by Mr. Baudino.

16 **Q. Does the PRP revenue reduce the base rate increase sought by the Company?**

17 **A.** Yes.

18 **Q. Should the PRP credit be recalculated based upon the Commission's determination**
19 **of the appropriate rate of return in this proceeding?**

² See Delta OAG 1-51 (Attachment).

1 A. Yes. The PRP revenue credit should be trued-up to reflect the Commission's rate of
2 return determination, further adjusted for the ten basis point reduction in return on equity
3 recommended by Mr. Baudino. A reduction in the PRP revenue credit would increase the
4 residual revenue required from base rates.

5 **V. RATE BASE ADJUSTMENTS**

6 **Q. What is Delta's proposed Rate Base in this proceeding?**

7 A. Delta is supporting a Rate Base of \$180,570,376.

8 **Q. Are you sponsoring any adjustments to Rate Base?**

9 A. Yes. I am sponsoring an adjustment to the Company's calculation of their Cash Working
10 Capital Requirement.

11 **1. Cash Working Capital**

12 **Q. What has the Company proposed, and what is your recommendation?**

13 A. The Company is proposing a positive Cash Working Capital required of \$1,399,833.³ I
14 recommend a negative rate base component of \$883,180, reflecting Cash Working
15 Capital provided by operations, for a net Rate Base adjustment of \$2,283,013. The Cash
16 Working Capital calculation I am supporting is found on Exhibit DND-4. The revenue
17 requirement impact of this adjustment is \$197,943 as reflected in Exhibit DND-2.

18 **Q. Provide an overview of the components to the Cash Working Capital adjustment**
19 **contained in the adjustment.**

³ See Delta response to PSC DR 1-54, tab 55 page 1.

1 A. The point of reference for this discussion is the Company's Cash Working Capital
2 calculation found in response to PSC Discovery Response 1-54, tab 55 page 1. The Cash
3 Working Capital adjustment incorporates the following modifications to the Company's
4 calculation:

- 5 • The Company calculates a cash working requirement associated with the
6 lag it incurs in collecting its revenues.
- 7 • The Company calculates a cash working requirement associated with
8 Sales Taxes, School Taxes and Franchise Fees.
- 9 • There is no demonstration that the Company actually pays income taxes.
10 Thus, income taxes represent a non-cash expense and should not factor
11 into the calculation of Cash Working Capital.
- 12 • Incorporating OAG adjustments to Operating Expense and Interest
13 Expense into the Cash Working Capital calculation.

14 **Q. Please begin by explaining the first issue you've identified above that the Company**
15 **has incorrectly calculated a Cash Working Capital requirement associated with the**
16 **lag in collecting its revenue.**

17 A. The purpose of a Cash Working Capital calculation is to determine the amount of cash
18 required to finance a utility's operations. Instead, the Company's Cash Working Capital
19 (CWC) includes a \$7,764,653 additional rate base component representing the revenue
20 collection lag. The Company's calculation, which translates its revenue lag into an
21 addition to its Cash Working Capital requirement, is fundamentally inconsistent with the
22 nature of the Cash Working Capital computation. Instead of calculating the value of the

1 regulatory lag associated with revenue, cash working capital requires the calculation of
2 the revenue lag in a weighted day calculation. It then compares the average lag days for
3 revenue with the average lead days for its cash operating expenses. These weighted
4 lag/lead days are netted and then applied to the average daily cash operating expenses to
5 arrive at the appropriate level of Cash Working Capital. A positive cash-working capital
6 value results if the weighted revenue lag days are greater than the weighted expense lead
7 days. If, instead, as is the present case, the expense lead days exceed the revenue lag
8 days, negative Cash Working Capital value results, reflecting that the Company's
9 operations provide a positive cash flow to the Company. This negative value reflects a
10 reduction in the level of Rate Base financed by investors. In the current case the revenue
11 lag is 38.21 days, reflecting the delay incurred by the Company between the date it
12 provides service and the date it is compensated for such service. The expense lag is
13 45.47 days, reflecting the delay enjoyed by the Company between the time period the
14 Company receives a service and the date by which the service is paid for.

15 **Q. Why is the Company's calculation of a value for its revenue lag associated with the**
16 **collection of revenues inappropriate?**

17 **A.** The Cash Working Capital calculation aims to determine the level of cash provided
18 (negative Cash Working Capital value) or required (positive Cash Working Capital value)
19 necessary to pay its cash operating expenses. Calculating a rate base value associated
20 with the revenue lag is outside the definition, or purpose of a Cash Working Capital
21 study.

22 **Q. Does the Company's methodology include a rate base value associated with non-**
23 **cash expenses?**

1 **A.** Yes. The Company has indirectly included the revenue associated with non-cash
2 expenses in computing its Cash Working Capital addition to Rate Base. It has identified
3 its proposed revenue requirement and applied the daily portion of such total to its
4 weighted lag days. The total proposed revenue requirement, by definition, includes non-
5 cash items such as depreciation expense and net income (return on equity). This
6 calculation can be seen on the top portion of the response to PSC 1-54, tab 55. The
7 Commission rejected including non-cash items within Cash Working Capital calculations
8 in its Order in Docket No. 2021-00183.⁴ The Company’s calculation of the revenue lag
9 on its revenue requirement is flawed as an initial premise and it is further flawed by the
10 inclusion of non-cash items within the revenue requirement claim.

11 **Q.** **Please discuss the second point identified above, that the Company has included a**
12 **positive value to Rate Base for the lag in collecting Sales Taxes, School Taxes and**
13 **Franchise Fees.**

14 **A.** The Company has included an identical positive and offsetting negative rate base value
15 for Sales Taxes, School Taxes and Franchise Fees. This reflection within its Cash
16 Working Capital schedule belies the nature of these accounts. These funds do not
17 represent an expense of the Company. Instead, the Company is merely the means from
18 which taxing authorities collect taxes from the Company’s customers. The Company
19 collects these taxes from its customers, and then, at a later date, it submits its collection to
20 the appropriate taxing authority. In the interim period, the Company has the use of these

⁴ See the Commission’s Order in Case No. 2021-00183, page 14, December 28, 2021.

1 funds. The collection of these funds is recurring each month, providing the Company
2 with a constant source of cost-free capital.

3 **Q. What is the appropriate treatment for these items in the Cash Working Capital**
4 **calculation?**

5 **A.** The appropriate treatment is to eliminate the positive Rate Base value as calculated by the
6 Company. I have eliminated approximately \$494 thousand associated with these items
7 included by the Company in Rate Base. The Company's treatment of these items within
8 the Expense lead calculation is appropriate and I have not adjusted this aspect.

9 **Q. Turn to the third point identified above, eliminating the lag associated with state**
10 **and federal income taxes.**

11 **A.** The Company is in a Net Operating Loss situation, which is indicative of an entity that
12 does not currently have an income tax obligation. This loss may be applied to future
13 income tax obligations should they arise. Therefore, it is not clear that the Company has
14 a cash obligation regarding state or federal income tax expense and I have removed this
15 expense from the Cash Working Capital calculation.

16 **Q. What is your final adjustment to the Company's Cash Working Capital calculation?**

17 **A.** I have adjusted various Operating and Maintenance (O&M) expense values within the
18 calculation to reflect the O&M adjustments I am sponsoring as discussed below. I have
19 also adjusted pro-forma interest expense to reflect the recommended Rate Base supported
20 by the OAG as well as the capital structure supported by Mr. Baudino.

21 **Q. What is the Rate Base you are supporting in this proceeding?**

1 A. I support a pro-forma Rate Base of \$178,287,363, as shown in Exhibit DND-4.1.

2 **VI. OPERATING INCOME ADJUSTMENTS**

3 **1. Incentive Compensation**

4 **Q. Please begin by identifying the nature of your first adjustment to Operating**
5 **Expenses.**

6 A. I recommend eliminating a portion of short-term incentive compensation and all of the
7 long-term incentive compensation included in the Company's revenue requirement
8 request. These respective revenue requirement adjustments of \$204,706 and \$256,475
9 are set out in Exhibit DND-2 based upon the calculations contained in Exhibit DND-5.
10 These values were derived by multiplying the nominal amount of the adjustment by the
11 GRCF.

12 **Q. What is the amount of short-term and long-term incentive compensation Delta is**
13 **seeking to recover in its application?**

14 A. The Company is seeking to recover \$505,220 in short-term incentive compensation and
15 \$254,912 in long-term incentive compensation as outlined in the table below.

16

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20

1

Table 2

Incentive Compensation	Net O&M
I. Short Term Incentive Compensation Charged to O&M	
Delta	\$ 255,390
PNG	\$ 92,742
Essential	\$ 157,088
Total Short Term Incentive Compensation	\$ 505,220
II Long Term Incentive Compensation Charged to O&M	
Delta	\$ 104,304
PNG	\$ 34,980
Essential	\$ 115,628
Total Long-Term Incentive Compensation	\$ 254,912

2

3

The amounts above include those costs allocated to Delta from its affiliate, Peoples’

4

Natural Gas, and its parent company, Essential Utilities.

5

Q. What is the Commission’s policy regarding the recovery of incentive compensation

6

costs within utility revenue requirements?

7

A. The Commission has disallowed incentive costs related to incentivizing employees to

8

achieve goals primarily benefiting shareholders as measured by financial performance.⁵

9

The Commission has also indicated in Delta’s most recent rate case order that the

10

Company should be prepared to demonstrate that any portion of incentive compensation

11

costs related to controlling operating and maintenance expenses benefit ratepayers and

12

are not premised upon increasing such costs within a test period.

⁵ See, e.g., *In Re* Electronic Application of Duke Energy Kentucky, Inc. for: An Adjustment of the Electric Rates, etc., Case No. 2017-00321, Final Order dated April 13, 2018, pp. 20-22.

1 **Q. With these two caveats in mind, please begin by discussing your recommendation**
2 **regarding the level of short-term incentive compensation included in the Company’s**
3 **proposed revenue requirement.**

4 **A.** OAG request 1-35 requested a copy of all internal documents maintained by the
5 Company that described its short-term and long-term incentive compensation plans. The
6 response included those metrics applicable to Delta. Specifically, short-term incentive
7 costs for Delta are weighted based on the following:

8 **Table 3**

Delta Short Term Incentive	Weight
Individual Goals	60%
Safety Metrics	15%
Customer Satisfaction	10%
Environmental Stewardship	15%

9
10 I also reviewed the definition of these elements and further sampled the individual goals
11 of select employees. In each instance, I found the criteria reasonable and the goals to
12 benefit customers. For these reasons, I am not sponsoring an adjustment to remove any
13 portion of Delta’s short-term incentive costs from the Company’s revenue requirement.

14 **Q. Explain your findings regarding the proposal to recover \$92,742 in allocated short-**
15 **term incentive costs from Delta’s affiliate Peoples Natural Gas (PNG).**

16 **A.** The metrics supporting the payment of PNG short-term incentive compensation were
17 provided in response to OAG 2-13 and are as follows:

18

19

1

Table 4

PNG Short Term Incentive	Weight
Financial	50%
Safety	20%
Customer Satisfaction	10%
Environmental	10%
Individual	10%

2

3

Based upon this table and information provided in the response to OAG 2-13, I am recommending a fifty percent disallowance of PNG allocated short-term incentive costs results in a reduction in the Company’s revenue requirement of \$46,655 ($\$46,371 * \text{GRCF of } 1.006131$) as set out in Exhibits DND-5 and DND-2.

4

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Q. What is your recommendation regarding the recovery of the short-term incentive costs allocated to Delta from its parent Essential Utilities?

8

9

A. The short-term incentive metrics associated with Essential Utilities were not clearly identified in response to OAG 1-35. Therefore, I have eliminated 100% of the short-term incentive compensation costs forecasted from Delta’s parent company, Essential Utilities. This results in a revenue requirement reduction of \$158,051 ($\$157,088 * 1.006131$) as identified in Exhibits DND-5 and DND-2.

10

11

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14

Q. Provide an overview of the Company’s long-term incentive compensation program.

15

A. The Company’s long-term incentive program is comprised of two distinct components: Restricted Share Units (RSU) and Performance Share Units (PSU).

16

1 RSU's have no performance metrics associated with them. Instead, they are stock awards
2 that vest over time. The value of these awards to the recipient increases when the market
3 price of the stock increases.

4 PSUs vest over time as well, but employees' PSU awards are based upon the following
5 performance goals:

- 6 • Total Shareholder Return (TSR)
- 7 • Rate Base Growth through Acquisitions
- 8 • Maintaining O&M Expenses within established thresholds

9 **Q. What is your recommendation regarding the Company's inclusion of long-term**
10 **incentive compensation costs within its revenue requirement?**

11 **A.** I am recommending the Commission exclude one hundred percent of the Company's
12 long-term incentive compensation costs.

13 **RSU's** The achievement of customer benefits is not a prerequisite for the issuance of
14 RSU's. The value of the RSU's will increase along with the market price of the
15 Company's stock. Therefore, there is an incentive to maximize earnings through any
16 means possible, including for example, a rate case regulatory proceeding. The Company
17 has not demonstrated that customer benefits accrue from the RSU portion of the
18 Company's long-term incentive compensation program.

19 **PSU's** Employees earn PSU's through the performance of Essential Utilities through the
20 three metrics identified above. The TSR metric is one that clearly benefits shareholders,
21 and it is not predicated on any direct benefit flowing to the Company's customers. The
22 second criteria – Rate Base growth through acquisitions – is similarly designed to benefit

1 shareholders. It cannot be assumed that any acquisition will necessarily provide benefits
2 to Delta customers. Finally, the Company has not shown that the O&M thresholds of
3 Essential Utilities, established as one of the performance criteria are meaningful or are
4 not easily obtained. The Company did not meet the requirement expressed by the
5 Commission in its order in Case No. 2021-00185 as follows:

6 *The Commission notes that controlling operations and maintenance expenses*
7 *based on reasonable targets is beneficial to ratepayers. However, the targets must*
8 *be reasonable and appropriately set. Targets that are easily achieved serve no*
9 *legitimate purpose and ultimately do not benefit ratepayers. Additionally,*
10 *maintaining or reducing operating and maintenance expenses between rate cases*
11 *only benefits ratepayers if those efforts are continued when the utility seeks a rate*
12 *adjustment. Therefore, Delta should be prepared in its next rate case to*
13 *demonstrate that this portion of its long-term incentive plan targets and payouts*
14 *benefit ratepayers. If Delta maintains its expense levels between rate cases only*
15 *to increase them during a rate case, customers do not benefit from this portion of*
16 *the long-term incentive plan.*

17 For these reasons, I recommend the elimination of the long-term incentive compensation
18 costs for all three entities, resulting in a reduction in the revenue requirement of \$256,475
19 (\$254,912 * 1.006131), as shown in Exhibits DND-5 and DND-2.

20 **2. Employee Medical Benefit Costs**

21 **Q. Now turn to your proposed adjustment to the Company's employee medical benefit**
22 **cost forecast.**

1 A. OAG Discovery Request 1-66 sought to obtain support for the Company’s forecasted
2 level of Employee Medical Benefit costs. The Company acknowledged an error within
3 its response to part c, indicating it had overstated its forecasted benefits by \$1,152,294. I
4 have set out this adjustment in Exhibit DND-6, which reduces the revenue requirement
5 \$1,159,358, as referenced in Exhibit DND-2.

6 **3. Direct Lobbying Costs**

7 **Q. Please continue with an explanation of the next adjustment you are sponsoring**
8 **related to lobbying costs.**

9 A. The adjustment identified in Exhibit DND-7 reflects additional lobbying costs identified
10 by the Company in responses PSC 1-13 and OAG 1-70. Specifically, the Company
11 indicated it understated its projected test period lobbying costs by \$3,664 within its
12 response to PSC Discovery Request 1-13. Further, in response to OAG Discovery
13 Request 1-70, the Company indicated that it failed to remove allocated labor costs
14 associated with lobbying from the revenue requirement of \$4,207. The nominal total of
15 these two adjustments is \$7,871, or \$7,919 on a revenue requirement basis (\$7,871 *
16 1.006131).

17 **4. Overhead Lobbying Costs**

18 **Q. Describe the next Operating Expense adjustment you support related to Overhead**
19 **Labor associated with Lobbying.**

20 A. The purpose of this adjustment is to recognize that internal resources (labor) will be
21 involved in the supervision and interaction with external lobbyists hired by the Company.
22 In this case, Delta relies upon Capital Link Services for its external lobbying work and

1 has excluded the estimated \$23,100 attributed to lobbying services from the base period.
2 In this sense, the Company has identified the incremental costs associated with lobbying.
3 However, this approach fails to identify the Delta internal resources that communicate
4 with Capital Link and oversee its work. Rather than this incremental cost approach to
5 identifying direct lobbying efforts, the Commission should require a fully distributed cost
6 approach to quantify the indirect resources associated with the lobbying function. Time
7 spent discussing the Company's priorities and developing strategic objects to be
8 accomplished by Capital Link should be quantified and translated to a cost designated as
9 lobbying and charged as a non-operating expense.

10 **Q. Do you have an accounting analogy you believe should be applied to the**
11 **determination of internal labor costs designated as lobbying?**

12 **A.** Yes. Construction costs not only include those direct costs associated with excavation
13 and laying pipe, but also the supervision of this direct labor, the development of
14 construction drawings and the planning for such work that is done off-site from the
15 construction location. In the same manner, indirect costs associated with the direct
16 lobbying work performed by Capital Link should be identified and charged as lobbying.
17 The definition of lobbying for accounting purposes should not be limited to those
18 individuals that are official registered lobbyists.

19 **Q. A portion of direct lobbying costs discussed above included an allocation of costs**
20 **from Delta's affiliate. Does this address your concern that indirect lobbying costs**
21 **have not been fully identified in the Company's revenue requirement request?**

1 A. No. The labor identified by the Company in response to OAG Discovery Request 1-70
2 relates to allocated labor from Delta's affiliate. The indirect labor I'm referring to would
3 be the Delta resources that interact with Capital Link.

4 **Q. How did you quantify your adjustment?**

5 A. There was no objective way to quantify this level of indirect Delta labor that should be
6 designated as associated with the lobbying effort. I assumed that the level of effort and
7 time spent on developing a strategy and interacting with external lobbying resources
8 would be equal in cost to the direct external lobbying costs associated with Capital Link.
9 Therefore, I have removed \$23,330 in costs as a proxy for the indirect labor costs
10 incurred by Delta in its lobbying effort, as reflected in Exhibit DND-8. This is a
11 reasonable estimate of such costs, given that Delta has not assigned any of its direct labor
12 costs to the lobbying function. The revenue requirement impact from this adjustment is
13 \$23,473 ($\$23,330 * 1.006131$), as contained in Exhibit DND-2.

14 **Q. Please describe your final adjustment to Operating Expenses.**

15 A. I recommend removing \$22,582 of American Gas Association (AGA) dues as set forth in
16 Exhibit DND-9. This amount was identified by the Company in response to OAG
17 Discovery Request 1-4. This amount is net of the removal of the portion of AGA dues
18 associated with lobbying. The revenue requirement impact of this adjustment is \$22,720
19 ($\$22,582 * 1.006131$).

20 **5. AGA Dues**

21 **Q. What is the basis for the removal of AGA dues from the Company's revenue**
22 **requirement?**

1 **A.** The Commission, in its order in Delta’s last rate case, Case No. 2021-00185 found that
2 the Company had not sufficiently supported the inclusion of its dues within its revenue
3 requirement and eliminated all such dues. I do not believe the Company has provided
4 sufficient support justifying the inclusion of AGA dues within the revenue requirement.
5 The AGA is a diverse organization that provides various services to its members,
6 including being a national voice in promoting natural gas and natural gas utilities.

7 **Q.** **Does this conclude your testimony?**

8 **A.** Yes. However, I reserve the right to supplement my testimony if new information
9 becomes available.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN ADJUSTMENT OF GAS) Case No.
RATES) 2024-00346

AFFIDAVIT OF DAVID DITTEMORE

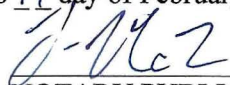
State of Tennessee)
)
)

David Dittimore, being first duly sworn, states the following:
The prepared Pre-Filed Direct Testimony, Schedules and Exhibits attached thereto constitute the direct testimony of Affiant in the above-styled case. Affiant states that he would give the answers set forth in the Pre-Filed Direct Testimony if asked the questions propounded therein. Affiant further states that, to the best of his knowledge, information and belief his statements made are true and correct. Further affiant saith naught.



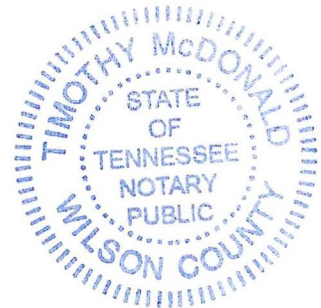
David Dittimore

SUBSCRIBED AND SWORN to before me this 14 day of February, 2025



NOTARY PUBLIC

My Commission Expires: 04/26/2026



Delta Natural Gas Company Inc.
Exhibit Listing
Case No. 2024-00346
For the Forecasted Period Ended June 30, 2026

Line No.	Exhibit No.	Description
1	DND-1	Summary of Qualifications
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4	DND-4	Calculation of OAG Cash Working Capital Recommendation
5	DND-4.1	Calculation of Pro-Forma Interest Expense
6	DND-5	Summary of Short and Long Term Incentive Compensation Adjustment
7	DND-6	Identification of Employee Medical Expense Adjustment
8	DND-7	Elimination of External Lobbying Costs
9	DND-8	Elimination of Indirect Lobbying Costs
10	DND-9	Elimination of AGA Dues
11	DND-10	Calculation of Gross Revenue Conversion Factor

David Dittmore

Exhibit DND-1

Utility Regulatory Experience (Listing of Testimony provided from 2015 – current is attached)

Principal – Blue River Consulting – July 2021 – Current

Provide expert witness testimony on behalf of clients in the areas of utility revenue requirement, regulatory policy, tariff provisions, and civil litigation.

Tennessee Attorney General's Office; Financial Analyst 2017 – July 2021

Developed recommendations on behalf of the TN AG's office representing retail customers in matters before the Tennessee Public Utility Commission. Responsible for preparing expert witness testimony and pre-filed exhibit as well as responding to cross-examination questions in contested technical hearings before the Commission. In this position I also spend a significant amount of time explaining technical regulatory issues to attorneys and other AG Staff.

Kansas Gas Service, Division of One Gas (OGS); Director Regulatory Affairs 2014 – 2017; Manager Regulatory Affairs, 2007 - 2014

Responsible for directing the regulatory activity of Kansas Gas Service (KGS), a division of ONE Gas, serving approximately 625,000 customers throughout central and eastern Kansas. In this capacity I formulated strategic regulatory objectives for KGS, formulated strategic legislative options for KGS and led a Kansas inter-utility task force to discuss those options, participated in ONE Gas financial planning meetings, hired and trained new employees and provided recommendations on operational procedures.

Principal Strategic Regulatory Solutions; 2003 -2007

Serving clients regarding revenue requirement and regulatory policy issues in the natural gas, electric and telecommunication sectors.

Kansas Corporation Commission; 1984- 1999

Utilities Division Director - 1997 - 1999; Responsible for managing employees with the goal of providing timely, quality recommendations to the Commission covering all aspects of natural gas, telecommunications and electric regulation; respond to legislative inquiries as requested; sponsor expert witness testimony before the Commission on selected key regulatory issues; provide testimony before the Kansas legislature on behalf of the KCC regarding proposed utility legislation; manage a budget in excess of \$2 Million; recruit professional staff; monitor trends, current issues and new legislation in all three major utility industries; address personnel issues as necessary to ensure that the goals of the agency are being met; negotiate and reach agreement where possible with utility personnel on major issues pending before the Commission including mergers and acquisitions.

Asst. Division Director - 1996 - 1997; Perform duties as assigned by Division Director.

Exhibit DND-1

Chief of Accounting 1990 - 1995; Responsible for the supervision of employees within the accounting section; areas of responsibility included providing expert witness testimony; hired and provided hands-on training for new employees; coordinated and managed consulting contracts on major staff projects such as merger requests and rate increase proposals;

Managing Regulatory Auditor, Senior Auditor, Regulatory Auditor 1984 - 1990; Performed audits and analysis as directed; provided expert witness testimony on numerous occasions before the KCC; trained and directed less experienced auditors on-site during regulatory reviews.

Education

- B.S.B.A. (Accounting) Central Missouri State University
- Passed CPA exam; (Oklahoma certificate # 7562) – Not a license to practice

Other

- Board Member – Financial Research Institute 2007 – 2017
- Vice Chair – NASUCA Accounting Committee, active member NASUCA Natural Gas and Water Committees

	Jurisdiction - Docket/Case Number	Employee - E Consultant - C	Client/Employer	Utility
	Tennessee			
1	17-00014 Integra Water CCN	E	Tennessee Attorney General	Integra Water Utility
2	17-00108 Tennessee Water Service Emergency Rate Relief	E	Tennessee Attorney General	Tennessee Water Service
3	17-00138 Piedmont Natural Gas Integrity Management Rider	E	Tennessee Attorney General	Piedmont Natural Gas
4	17-00124 Tennessee American Water Company Capital Rider	E	Tennessee Attorney General	Tennessee American Water
5	17-00143 Kingsport Power Company Capital Rider Mechanism	E	Tennessee Attorney General	Kingsport Power Company
6	18-00022 Tennessee American Water Company Capital Rider	E	Tennessee Attorney General	Tennessee American Water
7	18-00067 Atmos Energy Corporation Annual Review Mechanism	E	Tennessee Attorney General	Atmos Energy Company
8	18-00097 Atmos Energy Corporation Annual Review Mechanism	E	Tennessee Attorney General	Atmos Energy Company
9	18-00017 Chattanooga Natural Gas Company Base Rate Case	E	Tennessee Attorney General	Chattanooga Gas Company
10	18-00034 Atmos Energy Corporation Tax Cuts and Jobs Act	E	Tennessee Attorney General	Atmos Energy Company
11	18-00038 Kingsport Power Company Tax Cuts and Jobs Act	E	Tennessee Attorney General	Kingsport Power Company
12	18-00039 Tennessee American Water Tax Cuts and Jobs Act	E	Tennessee Attorney General	Tennessee American Water
13	18-00040 Piedmont Natural Gas Tax Cuts and Jobs Act	E	Tennessee Attorney General	Piedmont Natural Gas
14	19-00007 Piedmont Natural Gas Integrity Management Rider	E	Tennessee Attorney General	Piedmont Natural Gas
15	19-00018 Atmos Energy Company - Annual Review Mechanism	E	Tennessee Attorney General	Atmos Energy Company
16	19-00031 Tennessee American Water Capital Rider Reconciliation	E	Tennessee Attorney General	Tennessee American Water
17	19-00057 Navitas Natural Gas Company LLC	E	Tennessee Attorney General	Navitas Natural Gas Company
18	19-00062 Aqua/Limestone Acquisition	E	Tennessee Attorney General	Aqua Utility/Limestone Water Operating Company
19	19-00071 Sontara Old Hickory CCN	F	Tennessee Attorney General	Sontara Old Hickory
20	19-00097 Cartwright Creek Capital Surcharge	E	Tennessee Attorney General	Cartwright Creek LLC
21	19-00105 Tennessee American Water Capital Rider Reconciliation	E	Tennessee Attorney General	Tennessee American Water Company
22	19-00106 Kingsport Power Company Capital Rider Mechanism	E	Tennessee Attorney General	Tennessee American Water Company
23	20-00128 Tennessee American Water Capital Rider Reconciliation	E	Tennessee Attorney General	Tennessee American Water Company
24	20-00049 Chattanooga Gas Company - Annual Review Mechanism	E	Tennessee Attorney General	Chattanooga Gas Company
25	20-00086 Piedmont Natural Gas Base Rate Case	E	Tennessee Attorney General	Chattanooga Gas Company
26	20-00126 Tennessee American Water Regulatory Asset	C	Tennessee Attorney General	Tennessee American Water
27	20-00139 CGC Performance Based Ratemaking	C	Tennessee Attorney General	Chattanooga Gas Company
28	21-00135 Piedmont Annual Review Mechanism	C	Tennessee Attorney General	Piedmont Natural Gas
29	21-00107 Kingsport Base Rate Case	C	Tennessee Attorney General	Kingsport Power Company
30	21-00048 CGC Annual Review Mechanism	C	Tennessee Attorney General	Chattanooga Gas Company
31	21-00053 Limestone and Cartwright Creek Acquisition	C	Tennessee Attorney General	Central States Water Company
32	21-00107 Kingsport Base Rate Case	C	Tennessee Attorney General	Kingsport Power Company
33	22-00004 CGC Tariff Amendments	C	Tennessee Attorney General	Chattanooga Gas Company
34	22-00072 Tennessee American Water Capital Rider Reconciliation	C	Tennessee Attorney General	Tennessee American Water
35	22-00087 Superior Base Rate Case	C	Tennessee Attorney General	Superior Wastewater Company
36	22-00010 Atmos Annual Review Mechanism	C	Tennessee Attorney General	Atmos Energy Company
37	22-00021 Tennessee American Water Capital Rider Reconciliation	C	Tennessee Attorney General	Tennessee American Water
38	23-00018 Tennessee American Water Capital Rider Reconciliation	C	Tennessee Attorney General	Tennessee American Water
39	23-00035 Piedmont Annual Review Mechanism	C	Tennessee Attorney General	Piedmont Natural Gas
40	24-00011 Tennessee American Water Capital Rider Reconciliation	C	Tennessee Attorney General	Tennessee American Water
41	24-00032 Tennessee American Water Base Rate Case	C	Tennessee Attorney General	Tennessee American Water
42	24-00036 Piedmont Annual Review Mechanism	C	Tennessee Attorney General	Piedmont Natural Gas
	Iowa			
43	24-0002 Iowa American Water Company - Base Rate Case (two additional cases contracted for but did not file testimony)	C	Iowa Office of Consumer Advocate	Iowa American Water Company
	Kansas			
44	23-FRPG-461-RTS-CON - Contract/Base Rate Approval	C	Freedom Pipeline	Freedom Pipeline
45	16-KGSG-491-RTS KGS Base Rate Case	E	Kansas Gas Service	Kansas Gas Service, a Division of ONE Gas
46	23-KGSG-719-TAR Kansas Gas Service Tariff Proposal	C	Kansas Corporation Commission Staff	Kansas Gas Service, a Division of ONE Gas
47	14-ANGG-119-COM Contract Litigation	C	Freedom Pipeline	Freedom Pipeline/Anadarko Petroleum
	Kentucky			
48	22-000432 Bluegrass Water	C	Kentucky Attorney General	Central States Water Company
49	2021-00183 Columbia Natural Gas Base Rate Case	C	Kentucky Attorney General	Columbia Natural Gas Company
	Massachusetts (Testimony not Filed)			
	DPU 23-08 Acuarion Water Company/Pinehills Water Company			
50	Acquisition	C	Massachusetts Attorney General	Acuarion Water Company
51	DPU 23-64 Whittinsilve Water Company	C	Massachusetts Attorney General	Whittinsville Water Company
	Ohio			
52	23-549-EL-RDR Duke Energy Distribution Capital Rider	C	Ohio Consumer's Counsel	Duke Energy
53	23-895-GA-ALT Dominion Energy Ohio - Alternative Regulatory Plan	C	Ohio Consumer's Counsel	Dominion Energy Ohio

Delta Natural Gas Company Inc.
Summary of OAG Pro-Forma Revenue Requirement
Case No. 2024-00346
For the Forecasted Period Ended June 30, 2026
(\$ Millions)

Exhibit DND-2

<u>Line No.</u>	<u>Item</u>	<u>Exhibit No.</u>	<u>Nominal Adjustment Amount</u>	<u>Gross Revenue Conversion Factor</u>	<u>Revenue Requirement Change</u>
1	Base Rate Increase Requested by the Company				\$ 10.881
2	AG ROE and Capital Structure Changes	DND-3	-2.187	1.0061314	-2.200
3	Rate Base Adjustments				
4	To Correct Cash Working Capital Calculation	DND-4	-0.197	1.0061314	-0.198
5	AG Operating Income Adjustments				
6	To eliminate Short Term Incentive Compensation	DND-5	-0.203	1.0061314	-0.205
7	To eliminate Long-Term Incentive Compensation	DND-5	-0.255	1.0061314	-0.256
8	To Correct Employee Medical Benefits Forecast	DND-6	-1.152	1.0061314	-1.159
9	To Eliminate External and Allocated Lobbying Charges	DND-7	-0.008	1.0061314	-0.008
10	To Eliminate Overhead Labor Associated with Lobbying	DND-8	-0.023	1.0061314	-0.023
11	To Eliminate AGA Dues	DND-9	-0.023	1.0061314	-0.023
12	OAG Recommended Rate Increase				<u>\$ 6.808</u>

Delta Natural Gas Company Inc.
OAG Cost of Capital
Case No. 2024-00346
For the Forecasted Period Ended June 30, 2026
(\$ Millions)

Exhibit DND-3

Line No.	Item	Delta Proposed Capital Structure				
	Component	Capital Ratio	Component Costs	Weighted Avg Cost	Gross-Up Factor	Gross of Tax Cost
1	Equity	52.76%	10.95%	5.78%	1.332445	7.70%
2	Long Term Debt	47.24%	4.51%	2.13%	1	2.13%
3	Total			7.91%		9.83%

Line No.	Item	OAG Proposed Capital Structure				
	Component	Capital Ratio	Component Costs	Weighted Avg Cost	Gross-Up Factor	Gross of Tax Cost
4	Equity	50.00%	9.55%	4.78%	1.332445	6.36%
5	Long Term Debt	50.00%	4.51%	2.26%	1	2.26%
6	Total			7.03%		8.62%
7				Reduction in Pre-Tax Rate of Return		-1.21%

8	Rate Base Proposed by Delta	\$	180,570,376
9	Reduction in Pre-Tax Rate of Return		-1.21%
10	Revenue Requirement Reduction	\$	(2,186,575)

Delta Natural Gas Company Inc.
Cash Working Capital Calculation
Case No. 2024-00346
For the Forecasted Period Ended June 30, 2026
(\$ Millions)

Exhibit DND-4

Line No.	Item	Adjustments									
		Delta - Pro Forma Amounts	Incentive Comp.	Emp. Benefits	Lobbying	AGA Dues	To Remove Non-Cash Taxes	Interest Synchronization	Adjusted O&M	(Lead)/Lag Days	Dollar Days
1	O&M Expense										
2	Purchased Gas	\$ 16,227,683						\$ 16,227,683	(41.76)	(677,695,611)	
3	Payroll Expense.....	\$ 12,054,195			\$ 23,330			\$ 12,077,525	(11.01)	(132,956,760)	
4	Pension Expense.....	\$ 143,115						\$ 143,115	(11.01)	(1,575,497)	
5	Incentive Compensation.....	\$ 712,104	\$ (458,371)					\$ 253,733	(256.70)	(65,134,381)	
6	401k Match Expense.....	\$ 616,109						\$ 616,109	(11.01)	(6,782,504)	
7	Uncollectible Expense.....	\$ 614,533						\$ 614,533	(6.62)	(4,070,056)	
8	Charges from Affiliates.....	\$ 3,186,443						\$ 3,186,443	(36.75)	(117,102,555)	
9	Other O&M.....	\$ 2,809,671		\$ (1,152,293)	\$ 7,871	\$ (22,582)		\$ 1,642,667	(16.57)	(27,213,838)	
10	Total O&M Expenses	\$ 36,363,853						\$ 34,761,808		\$ (1,032,531,202)	
11	Income Tax Expense										
12	Current: Federal and State.....	\$ 3,233,710				\$ (3,233,710)		\$ -	-	-	
13	Deferred: Federal and State (EDIT Amort.).....	\$ (752,652)				\$ 752,652		\$ -	-	-	
14	Total Income Tax Expense	\$ 2,481,058								\$ -	
15	Taxes Other Than Income										
16	Property Tax Expense.....	\$ 2,491,300						\$ 2,491,300	(297.14)	(740,269,359)	
17	Payroll Tax Expense.....	\$ 853,479						\$ 853,479	(11.01)	(9,395,622)	
18	Other Taxes.....	\$ -						\$ -		-	
19	Interest Expense.....	\$ 3,845,087					\$ 175,254	\$ 4,020,341	(27.99)	(112,529,345)	
20	Sales Taxes.....	\$ 1,347,718						\$ 1,347,718	(50.30)	(67,786,515)	
21	School Taxes.....	\$ 1,695,608						\$ 1,695,608	(34.58)	(58,627,750)	
22	Franchise Fees.....	\$ 714,418						\$ 714,418	(76.25)	(54,474,274)	
23	Recap:							\$ 45,884,672		\$ (2,075,614,066)	
24	Expense Lead Days	-45.24						-45.24			
25	Revenue Lag Days PSA 1-54, Tab 55 p6	38.21									
26	Net Lead Days	-7.03									
27	Average Daily Operating Expenses	\$ 125,711									
28	Cash Working Capital Provided	\$ (883,180)									
29	Less: Delta Cash Working Capital Requested	\$ 1,399,833									
30	Adjustment to Reduce Cash Working Capital	\$ (2,283,013)									
31	OAG Sponsored Pre-Tax Return	8.62%									
32	Nominal Revenue Requirement Adjustment - before GRCF	\$ (196,737)									

Expenses Subject to Lead Lag Results	\$ 45,884,672	\$ (2,075,614,066)
Weighted Days - Lead Days for Operating Expenses	-45.24	
Average Daily Expense Subject to Lag	\$ 125,711	

Delta Natural Gas Company Inc.
Summary of OAG Rate Base and Interest Synchronization
Case No. 2024-00346
For the Forecasted Period Ended June 30, 2026
(\$ Millions)

Exhibit DND-4.1

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	<u>Source</u>
1	Rate Base Proposed by Delta	\$ 180,570,376	PSC 1-54 Tab 55 page 1
2	Less: OAG Cash Working Capital Adjustment	<u>\$ (2,283,013)</u>	Exhibit DND-4
3	Rate Base Proposed by OAG	\$ 178,287,363	
4	Weighted Cost of Debt	<u>2.26%</u>	
5	Pro-Forma Interest Expense	<u>\$ 4,020,380</u>	

Delta Natural Gas Company Inc.
Incentive Compensation Adjustment
Case No. 2024-00346
For the Forecasted Period Ended June 30, 2026

Exhibit DND-5

Line No.	Incentive Compensation	Net O&M	Exclusion %	O&M Adjustment
1	I. Short Term Incentive Compensation Charged to O&M			
2	Delta	1/ \$ 255,390	0%	\$ -
3	PNG	2/ \$ 92,742	50%	\$ 46,371
4	Essential	3/ \$ 157,088	100%	\$ 157,088
5	Total Short Term Incentive Compensation	\$ 505,220		\$ 203,459
6	II Long Term Incentive Compensation Charged to O&M			
7	Delta	4/ \$ 104,304	100%	\$ 104,304
8	PNG	5/ \$ 34,980	100%	\$ 34,980
9	Essential	6/ \$ 115,628	100%	\$ 115,628
10	Total Long-Term Incentive Compensation	\$ 254,912		\$ 254,912
11	Development of Exclusion Percentages			
12	Delta Short Term Incentive	7/ Weight	Exclusion %	Exclusion %
13	Individual Goals	60%	0%	0%
14	Safety Metrics	15%	0%	0%
15	Customer Satisfaction	10%	0%	0%
16	Environmental Stewardship	15%	0%	0%
17	PNG Short Term Incentive	8/ Weight	Exclusion %	Exclusion %
18	Financial	50%	100%	50%
19	Safety	20%	0%	0%
20	Customer Satisfaction	10%	0%	0%
21	Environmental	10%	0%	0%
22	Individual	10%	0%	0%
23	Delta/Peoples/Essential - Performance Units	Weight	Exclusion %	Exclusion %
24	Total Stockholder Return	38.46%	100%	38.46%
25	Rate Base Growth	30.77%	100%	30.77%
26	Maintain O&M Expenses	30.77%	100%	30.77%
27	Total Exclusion Essential Utilities Performance Units			100.00%
28	Essential Restricted Units	100%	100%	100%
29	Average Exclusion Essential Utilities			100%
30	1/ Response OAG 1-26			
31	2/ Response OAG 2-10			
32	3/ Response OAG 1-28			
33	4/ Response OAG 1-29			
34	5/ Response OAG 1-30			
35	6/ Response OAG 1-31			
36	7/ Response OAG 1-35			
37	8/ Response OAG 2-13			

Delta Natural Gas Company Inc.
Summary of OAG Adjustment to Correct the
Employee Benefit Forecast
Case No. 2024-00346
For the Forecasted Period Ended June 30, 2026
(\$ Millions)

Exhibit DND-6

Employee Benefit Cost Forecast

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	<u>Amount</u>
1	Revised Employee Benefits Pro-Forma Projection OAG 1-66	\$ 2,422,490	
2	Future Pro-Forma Future Test Year O&M - Response to PSC 1-54, Tab 57 D-2.2	<u>\$ 3,574,783</u>	
3	Adjustment to correct Medical Premiums Forecast		<u>\$ (1,152,293)</u>

Delta Natural Gas Company Inc.
Summary of OAG Adjustment to Remove Lobbying Costs
Case No. 2024-00346
For the Forecasted Period Ended June 30, 2026
(\$ Millions)

Exhibit DND-7

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	<u>Amount</u>
1	Additional Lobbying Costs Identified in Response to PSC DR 1-13	\$ 3,664	
2	Additional Lobbying Costs Identified in Response to OAG 1-70, related to Indirect Labor costs allocated to Delta.	<u>\$ 4,207</u>	
3	Total Lobbying Adjustment		<u>\$ (7,871)</u>

Delta Natural Gas Company Inc.
Summary of OAG Adjustment to Remove Delta
Overhead Lobbying Costs
Case No. 2024-00346
For the Forecasted Period Ended June 30, 2026
(\$ Millions)

Exhibit DND-8

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	<u>Amount</u>
1	Capital Link Services Lobbying - per Response to PSC 1-13	\$ 23,100	
2	Plus: 1% inflation increase	<u>230</u>	
3	Total Lobbying Charges Removed from Revenue Requirement	\$ 23,330	
4	Assumed Internal Delta Labor Costs incurred in Supervising/Managing Capital Link Services Lobbying Efforts		<u>\$ (23,330)</u>

Delta Natural Gas Company Inc.

**Summary of OAG Adjustment to Remove AGA Dues
Case No. 2024-00346**

**For the Forecasted Period Ended June 30, 2026
(\$ Millions)**

Exhibit DND-9

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	<u>Adjustment Amount</u>
1	AGA Dues Included in Gross Operating Expenses - Response to PSC Request 1-13	\$ 24,075	
2	Less: Lobbying Cost portion of AGA Due Excluded by Delta and OAG Adjustment; Response to PSC Request 1- 13.	<u>\$ (1,493)</u>	
3	Remaining Balance of AGA Dues		<u>\$ (22,582)</u>

Delta Natural Gas Company Inc.
Gross Revenue Conversion Factor (GRCF)
Case No. 2024-00346
For the Forecasted Period Ended June 30, 2026

Exhibit DND-10

Source: Delta Minimum Filing Requirements Tab 61

Line No	Item	Amount
1	Gross Income From Revenue	100.0000%
2	Less: Bad Debt Rate/Uncollectible Expense	0.4494%
3	Less: PSC/Utility Reg Assessment Fee	<u>0.1600%</u>
	Net Income After Uncollectibles and Regulatory	
4	Assessment Fee	99.3906%
5	Gross-Up Factor (Reciprocal of Line 5)	<u><u>100.6131%</u></u>
6	Pre-Tax Income	100%
7	State Income Tax Rate	<u>5%</u>
8	State Income Tax Rate	5%
9	Taxable Income for Federal Income Tax Computation	95.0000%
10	Federal Income Tax Rate	<u>21.0000%</u>
11	Effective Federal Income Tax	19.9500%
12	Plus: State Income Tax Rate	<u>5.0000%</u>
13	Total State and Federal Income Tax Rate	24.9500%
	Conversion Factor - Taxes Only = 1/(1-Composite Tax	
14	Rate	<u><u>1.332445</u></u>
15	Gross Revenue Conversion Factor applied to Rate Base	<u><u>1.340615</u></u>