

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-FIN-1

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

CASE NO. 2024-00353

FIRST PSC DATA REQUEST

DATED JANUARY 17, 2025

1. Refer to the Application, paragraph 6. Delta notes that PNG Companies LLC (PNG) will obtain the funds to be lent to Delta from Essential Utilities, Inc. (Essential) in the form of a promissory note between PNG and Essential (Essential Promissory Note), and that Essential will issue the underlying debt in the external debt market. Explain whether the interest rates for the Essential Promissory Note and Delta's promissory note with PNG will be the same as the interest rates Essential obtains from issuing the underlying debt in the external debt market. If different, explain the difference in a narrative format and provide support for this difference.

Response:

The interest rates for the Essential Promissory Note and Delta's promissory note with PNG will be the same as the interest rates Essential obtains from issuing the underlying debt in the external market.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-FIN-2 A

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

CASE NO. 2024-00353

FIRST PSC DATA REQUEST

DATED JANUARY 17, 2025

2. Refer to the Application, paragraph 5.

a. Explain the benefits of issuing the long-term debt (LTD) in two tranches, rather than a one-lump sum. Include in your response the net present value savings from issuing the LTD in two tranches.

Response:

The benefits of issuing the long-term debt (LTD) in two tranches, rather than a one-lump sum is avoidance of unnecessary interest expense. Delta's plan to incur \$15.1 million debt in December 2024 (now expected to be early 2025) is reasonably consistent with capital needs associated with its projected December 2024 rate base. For Delta to instead borrow \$34 million is to assume approximately \$11,000,000 more debt (after paydown of all short-term debt) than necessary to fund rate base. \$11,000,000 at the tranche two rate of 5.4% for the months of January – June 2025 equates to approximately \$300,000 of interest expense.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-FIN-2 B

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

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2. Refer to the Application, paragraph 5.

b. Explain whether Delta evaluated the alternative of issuing the full LTD amount of \$34 million between interest rates of 4.0 percent to 5.4 percent. If so, provide the results of that evaluation. If not, explain why not.

Response:

See Delta's response to part a.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-FIN-2 C

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

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2. Refer to the Application, paragraph 5.

c. Provide the expected amortization schedule of both tranches. Include in the response the yearly principal payments, interest expense, and total expense.

Response:

Principal payments of both tranches prior to the maturity dates are not anticipated.

The annual interest expense of tranche one is \$606,123. At seven years the total interest expense is \$4,242,864.

The annual interest expense of tranche two is \$1,020,000. At twenty-seven years the total interest expense is \$27,540,000.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-FIN-3 A

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

CASE NO. 2024-00353

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3. Refer to the Application, paragraph 5, and Exhibit 3, page 3.

a. Verify Delta's short-term balance as of December 27, 2024. If the balance differs from \$7,041,998, provide the updated current short-term debt balance along with all relevant calculations.

Response:

Delta cannot confirm its Short-Term Debt balance as of Dec 27, 2024 because the balance is computed at month end. The balance as of Dec 31, 2024 is \$19,176,393.52. Please note that this \$19.2 million balance is made up of \$1.5 million, which is the current portion of the \$50.5 million Long Term Debt Note with PNG Companies issued on November 30, 2017, and \$17.7 million Notes Payable to PNG Companies as of Dec 31, 2024. This balance understandably differs from the referenced September 30, 2024 balance of \$7,041,998. The short-term debt balance is increasing due to capital projects / increasing rate base. There are no calculations.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-FIN-3 B

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

CASE NO. 2024-00353

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3. Refer to the Application, paragraph 5, and Exhibit 3, page 3.
 - b. Provide the amount of short-term debt that will be refinanced with the promissory note.

Response:

Delta's capital funding projections reflect all but approximately \$1.3 million of short-term debt refinanced with the promissory note as of June 30, 2026.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-FIN-3 C

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

CASE NO. 2024-00353

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3. Refer to the Application, paragraph 5, and Exhibit 3, page 3.

c. Provide the purpose of the amount of the \$34 million indebtedness that exceeds the amount of short-term debt that Delta will refinance and explain how the total amount of the proposed note was determined.

Response:

Consistent with the response to part b, the proposed new long-term debt does not exceed the amount of short-term debt. The projected amounts of rate base, existing debt notes and equity at June 30, 2026 determined that \$34 million of new debt would result in the reasonable and supportable debt / equity capital structure proposed by the Company.

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-FIN-3 D

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

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3. Refer to the Application, paragraph 5, and Exhibit 3, page 3.

d. If the Commission were to approve Delta's proposed financing, provide the capital structure as of December 27, 2024, updated to reflect the new LTD.

Response:

Delta does not maintain mid-month (December 27, 2024) balance sheets. If the Commission were to approve Delta's proposed financing as reflected in its rate application, with \$15.1 million borrowed in December 2024, the capital structure as of December 31, 2024 is projected to be:

Equity \$ 87.93M

LTD 67.25M

STD 8.21M

\$163.39M

Company: Delta Natural Gas Company, Inc.

Question Number: PSC-FIN-4

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

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4. Refer to the Application, paragraph 5. Refer also to Case No. 2024-00346, Tab 63, page 3 of 3.2 The application in this case states that the new LTD is expected to be issued on or before June 2026. However, in Case No. 2024-00346, Delta states that the issue date of the new LTD was December 24, 2024, for the first tranche, and the expected issue date is June 2025 for the second tranche. Confirm that the first tranche of \$15.1 million was issued in December 2024, and the second tranche of \$18.9 million is expected to be issued in June 2025. If confirmed, please indicate the Case No. in which Delta received authorization from the Commission to incur this debt. If Delta is unable to provide this information, explain why Delta incurred LTD without Commission approval. If not confirmed, provide the corrected expected dates of issuance.

Response:

The first tranche of \$15.1 million was not issued in December 2024. At the time Delta's revenue requirement schedules were being prepared, an earlier Application for Issuance of Indebtedness and thus an earlier Commission Order approving the issuance was anticipated. To clarify, in Case No. 2024-00346 filed November 25, 2024, Delta indicated that the issue date of the new tranche one LTD was to be December 2024 (12/24), not December 24, 2024. Delta now expects the tranche one issuance date to be early 2025 after Delta receives approval to issue the debt. The second tranche of \$18.9 million is expected to be issued in June 2025.