

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:)	
)	
APPLICATION OF DELTA NATURAL GAS)	CASE NO. 2024-00353
COMPANY, INC. FOR ISSUANCE OF)	
INDEBTEDNESS)	
)	

APPLICATION OF DELTA NATURAL GAS COMPANY, INC.

Pursuant to KRS 278.300, Delta Natural Gas Company, Inc. (“Delta”) submits this application for authorization to issue indebtedness through long-term intercompany notes issued on or before June 2025. In support of this application, Delta states as follows:

1. Delta’s post office address, principal office, and place of business are located at 3617 Lexington Road, Winchester, Kentucky 40391. Delta’s full name is Delta Natural Gas Company, Inc. Delta can be reached at the email address of counsel set forth below.

2. Delta is a Kentucky corporation that was incorporated on October 7, 1949 and attests that it is currently in good standing under the laws of Kentucky.

3. Delta is a utility engaged in the natural gas business. Delta purchases, sells, stores, and transports natural gas in Bath, Estill, Montgomery, Menifee, Madison, Powell, Garrard, Jackson, Lee, Bourbon, Jessamine, Rowan, Bell, Knox, Whitley, Laurel, Lincoln, Clay, Leslie, Fayette, Fleming, Clark, Robertson, Mason, Lawrence, Johnson, Martin, Magoffin, Floyd, Pike, Perry, Knott, and Letcher Counties, Kentucky.

4. Delta is a wholly-owned subsidiary of PNG Companies LLC (“PNG”). PNG is a wholly-owned indirect subsidiary of Essential Utilities, Inc. (“Essential”).

5. Delta is requesting authority to issue long-term indebtedness up to \$34,000,000 in the form of a promissory note with PNG, a copy of which is attached as Exhibit 1. The debt will be issued in two tranches, with tranche one in the amount of \$15,111,111 and tranche two in the amount of \$18,888,889. The term of tranche one is not expected to exceed seven years and the term of tranche two is not expected to exceed the note is not expected to exceed twenty-seven years. The purpose of the debt is to refinance a portion of Delta's short-term debt that has been borrowed to finance capital expenditures and to rebalance Delta's capital structure to be in line with its projections. The new long-term debt is expected to be issued on or before June 2026, with the first tranche at an anticipated interest rate of 4.01% and the second tranche at an anticipated interest rate of 5.40%.

6. PNG will obtain the funds described in the preceding paragraph to be lent to Delta from Essential, pursuant to a promissory note between PNG and Essential ("Essential Promissory Note"). The full terms and conditions of the Essential Promissory Note are expected to be similar to the form of the PNG Promissory Note provided as Exhibit 2. Essential will issue 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 shall form the basis for the interest rate and maturity date under the Essential Promissory Note, which in turn will establish 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 associated with the note will be reasonable in light of the market coupon rates.

7. A portion of the unamortized debt issuance expenses incurred by Essential will be allocated to Delta. The issuance costs that will be allocated to Delta are expected to be between 1 to 2.5 percent of the principal allocation amount.

8. Exhibit 3 to this Application contains the financial exhibit required by 807 KAR 5:001, Section 18(2)(a), as described by 807 KAR 5:001, Section 12. It also contains information required by 807 KAR 5:001, Section 18(2)(b).

9. Delta has no outstanding mortgages.

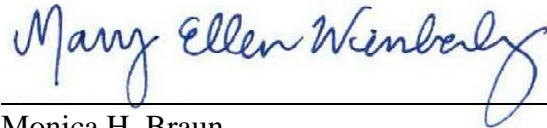
10. No contracts have been made for the disposition of any of the securities which Delta proposes to issue, or for the proceeds of such sale.

11. Other requirements of the Commission's regulations regarding this Application, 807 KAR 5:001, Section 18, including (1)(c) regarding the amount and kind of notes, etc., (1)(d) regarding the use to be made of the proceeds, (1)(e) regarding the intended construction use of the proceeds, and (1)(f) regarding the obligations being refunded have been supplied in the preceding paragraphs of this Application.

WHEREFORE, Delta respectfully requests authority to issue indebtedness through long-term intercompany notes issued on or before June 2025 in the amount and form described herein.

Dated: December 27, 2024

Respectfully submitted,

A handwritten signature in blue ink that reads "Mary Ellen Wimberly". The signature is written in a cursive style and is positioned above a horizontal line.

Monica H. Braun
Mary Ellen Wimberly
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
Telephone: (859) 231-3000
Fax: (859) 253-1093
monica.braun@skofirm.com
maryellen.wimberly@skofirm.com

Counsel for Delta Natural Gas Company, Inc.

CERTIFICATE OF COMPLIANCE

In accordance with 807 KAR 5:001, Section 8 and the Public Service Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was electronically transmitted to the Public Service Commission on December 27, 2024 and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.

A handwritten signature in blue ink that reads "Mary Ellen Wimberly". The signature is written in a cursive style and is positioned above a horizontal line.

Counsel for Delta Natural Gas Company, Inc.

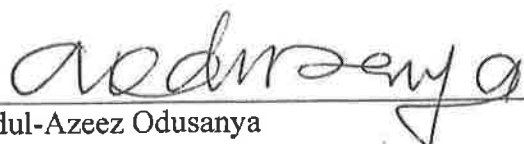
VERIFICATION

COMMONWEALTH OF KENTUCKY)

) SS:

COUNTY OF CLARK)

The undersigned, **Abdul-Azeez Odusanya**, being duly sworn, deposes and says that he is Controller of Delta Natural Gas Company, Inc., that he has personal knowledge of the contents of this Application and that to the best of his information, knowledge and belief they are correct.


Abdul-Azeez Odusanya

Subscribed and sworn before me, a public notary in the said County and State on

DECEMBER 23, 2024.


Public Notary

My Commission Expires: 2-7-27



INTERCOMPANY PROMISSORY NOTE

\$____,____,____ _____, 20__

For Value Received, DELTA NATURAL GAS COMPANY, INC., a corporation formed under the laws of the State of Kentucky (the "Borrower"), hereby promises to pay to the order of PNG COMPANIES LLC or registered assigns (the "Lender"), a limited liability company formed under the laws of the State of Delaware, the principal sum of _____ (\$____,____,____), together with interest (computed on the basis of a 360 day year of twelve 30-day months) on the unpaid balance thereof at the rate per annum from the date hereof as noted on Exhibit A.

Payments of principal of and interest on this Note are to be made in lawful money of the United States of America at the principal office of the Lender in Pittsburgh, Pennsylvania or at such other place as the Lender shall have designated by written notice to the Borrower.

This Note is subject to optional prepayment, in whole or in part, from time to time, at a redemption price of 100% or the principal amount prepaid, plus accrued interest thereon. Prepayments of this Note shall be noted on Exhibit B. attached hereto and made a part hereof; provided that the failure of the Lender to make any such recordation shall not limit or otherwise affect the obligations of the Borrower hereunder.

The Borrower represents that (a) it has full power and authority, not restricted by any law or governmental regulation, to execute and deliver this Note and to perform hereunder; (b) this Note evidences its valid and legally binding obligation, enforceable in accordance with its terms; and (c) its execution, delivery and performance of this Note do not and will not contravene any bylaw or contractual restriction binding on or affecting it.

This Note may not be changed or modified orally, nor any right or provision hereof be waived orally, but in each instance only by an instrument in writing signed by the party against which enforcement of such change, modification or waiver is sought.

No failure on the part of the Lender to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Lender of any right, remedy or power hereunder preclude any other or future exercise thereof or the exercise of any other right, remedy or power.

Each and every right, remedy and power hereby granted to the Lender or allowed it by law or other agreement shall be cumulative and not exclusive the one of any other and may be exercised by the Lender from time to time.

Every provision of this note is intended to be severable; if any term or provision of this note shall be invalid, illegal or unenforceable for any reason whatsoever, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the Commonwealth of Pennsylvania excluding choice-of-law principles of the law such Commonwealth that would require the application of the laws of a jurisdiction other than such Commonwealth.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the day and year first above written

ATTEST:

DELTA NATURAL GAS COMPANY INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ATTEST:

PNG COMPANIES LLC

By: _____

Name: _____
Title: _____

By: _____

Name: _____
Title: _____

EXHIBIT B
RECORD OF PREPAYMENTS

Amount Prepaid	Date Prepaid

INTERCOMPANY PROMISSORY NOTE

No. 2024-1

July 31, 2024

\$2,118,000,000.00

For Value Received, PNG COMPANIES LLC, a limited liability company formed under the laws of the State of Delaware (the “Borrower”), hereby promises to pay to the order of ESSENTIAL UTILITIES, INC. or registered assigns (the “Lender”), a corporation formed under the laws of the Commonwealth of Pennsylvania, the principal sum of TWO BILLION ONE HUNDRED EIGHTEEN MILLION DOLLARS (\$2,118,000,000.00), together with interest (computed on the basis of a 360 day year of twelve 30-day months) on the unpaid balance thereof at the rate per annum from the date hereof as noted on Exhibit A.

Payments of principal of and interest on this Note are to be made in lawful money of the United States of America at the principal office of the Lender in Bryn Mawr, Pennsylvania or at such other place as the Lender shall have designated by written notice to the Borrower.

This Note is subject to optional prepayment, in whole or in part, from time to time, at a redemption price of 100% or the principal amount prepaid, plus accrued interest thereon. Prepayments of this Note shall be noted on Exhibit B. attached hereto and made a part hereof; provided that the failure of the Lender to make any such recordation shall not limit or otherwise affect the obligations of the Borrower hereunder.

The Borrower represents that (a) it has full power and authority, not restricted by any law or governmental regulation, to execute and deliver this Note and to perform hereunder; (b) this Note evidences its valid and legally binding obligation, enforceable in accordance with its terms; and (c) its execution, delivery and performance of this Note do not and will not contravene any bylaw or contractual restriction binding on or affecting it.

This Note may not be changed or modified orally, nor any right or provision hereof be waived orally, but in each instance only by an instrument in writing signed by the party against which enforcement of such change, modification or waiver is sought.

No failure on the part of the Lender to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Lender of any right, remedy or power hereunder preclude any other or future exercise thereof or the exercise of any other right, remedy or power.

Each and every right, remedy and power hereby granted to the Lender or allowed it by law or other agreement shall be cumulative and not exclusive the one of any other and may be exercised by the Lender from time to time.

Every provision of this note is intended to be severable; if any term or provision of this note shall be invalid, illegal or unenforceable for any reason whatsoever, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

EXHIBIT 2

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the Commonwealth of Pennsylvania excluding choice-of-law principles of the law such Commonwealth that would require the application of the laws of a jurisdiction other than such Commonwealth.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the day and year first above written

ATTEST: DocuSigned by:

By: Mike Turzai
24BB1A3694FC414
(Assistant) Secretary

PNG COMPANIES LLC

DocuSigned by:
By: Michael Huwar
7E926DACA0AE432...
Name: Michael Huwar
Title: President

ATTEST: Signed by:

By: Tracy McGonigle
1130F47F9F7A4E3...
(Assistant) Secretary

ESSENTIAL UTILITIES, INC.

DocuSigned by:
By: Brian Dingerdissen
4FEB3157EA13487...
Name: Brian Dingerdissen
Title: Vice President Investor Relations and Treasurer

EXHIBIT 2

PNG COMPANIES LLC

EXHIBIT A

LONG TERM DEBT SCHEDULE

Structure	Interest Rate	Issue Date	Maturity Date	Amount
Senior Unsecured Note	2.704%	4/15/20	4/15/30	\$456,552,165.00
Senior Unsecured Note	3.351%	4/15/20	4/15/50	\$547,862,599.00
Senior Unsecured Note	2.40%	4/19/21	5/01/31	\$273,364,586.00
Senior Unsecured Note	5.30%	5/20/22	5/01/52	\$341,705,733.00
Senior Unsecured Note	3.01%	11/03/16	11/03/31	\$35,000,000.00
Senior Unsecured Note	3.19%	11/03/16	11/03/34	\$20,000,000.00
Senior Unsecured Note	3.566%	04/26/19	05/01/29	\$191,084,000.00
Senior Unsecured Note	4.276%	04/26/19	05/01/49	\$252,430,917.00
Total				\$2,118,000,000.00

FORM OF AMENDMENT TO PNG COMPANIES LLC NOTE

This Amendment, dated as of July 31, 2024, is attached to and made part of the following instrument:

Promissory Note dated December 31, 2023, by PNG Companies LLC, a limited liability company formed under the laws of the State of Delaware, in favor of Essential Utilities, Inc, a corporation formed under the laws of the Commonwealth of Pennsylvania, in the original principal sum of \$1,993,000,000.00.

The undersigned parties hereby confirm the principal amount of the above-referenced Promissory Note has been increased by \$125,000,000.00.

ATTEST:

PNG COMPANIES, LLC

DocuSigned by:
By: Mike Turzai
24BB1A3694FC414...
(Assistant) Secretary

DocuSigned by:
By: Michael Huwar
7F926DACA0AE432...
Name: Michael Huwar
Title: President

ATTEST:

ESSENTIAL UTILITIES, INC.

Signed by:
By: Tracy McGonigle
1130F47F9F7A4E3...
(Assistant) Secretary

DocuSigned by:
By: Brian Dingerdissen
4FEB3167EA13487...
Name: Brian Dingerdissen
Title: Vice President Investor Relations and Treasurer

DELTA NATURAL GAS COMPANY, INC.**DESCRIPTION OF PROPERTY AND ORIGINAL COST****September 30, 2024****INTANGIBLE PLANT**

Organization	\$	53,151
Franchise		-
Misc. Intangible		9,136,259

PRODUCTION PLANT

Production Land		-
Production Structures		-
Land & Land Rights	\$	97,055
Compressor Stations & Structures		1,117,148
Measuring & Regulating Equipment		369,207
Field Line - Gathering		2,728,323
Gathering ARO		10,790

STORAGE & PROCESSING PLANT

Storage Land	\$	74,295
Storage Right-of-Way		186,821
Gas Rights Wells		-
Gas Rights Storage		-
Storage Structures & Improvements		723,568
Storage Wells		9,377,002
Storage Rights		860,396
Storage Reservoirs		1,759,384
Non-Recoverable Natural Gas		294,307
Storage Lines		7,473,699
Storage Compressor Station Equipment		7,003,234
Storage Measuring & Regulating Equipment		1,194,447
Purification Equipment		6,563,626
Storage Other Equipment		109,795
Storage ARO		13,116

TRANSMISSION PLANT

Land & Land Rights-of-Way	\$	1,675,673
Land Rights		-
Structures & Improvements		355,403
Mains		53,928,539
Compressor Station & Equipment		8,903,248
Regulating Equipment		7,367,807
Other Equipment		391,134
Transmission ARO		37,068

DISTRIBUTION PLANT

Land & Land Rights	\$	358,954
Structure & Improvements		121,466
Mains		127,033,394
Regulating Equipment - General		3,167,249
Regulating Equipment - City Gate		933,554
Services		28,585,338
Meter & House Regulators		18,206,487
Meter & House Regulator Installations		4,695,088
Industrial Regulating Station Equipment		1,814,028

GENERAL PLANT

Land & Land Rights	\$	998,571
Structure & Improvements		7,842,363
Office Furniture & Equipment		8,002,068
Transportation Equipment		8,528,672
Tools, Shop & Garage Equipment		1,304,531
Laboratory Equipment		175,502
Power Operated Equipment		6,544,005
Communications Equipment		214,447
Miscellaneous Equipment		71,785
Other Tangible Property		265,540

GAS STORED UNDERGROUND**CONSTRUCTION WORK IN PROGRESS****PLANT ACQUISITION ADJUSTMENT**(580,759)**GAS UTILITY PLANT, AT COST****\$ 340,025,803****ASSET RETIREMENT COSTS**60,974**TOTAL GAS UTILITY PLANT****\$ 340,086,777**

DELTA NATURAL GAS COMPANY, INC.

**AMOUNT AND KINDS OF STOCK AUTHORIZED,
ISSUED AND OUTSTANDING
Sep 30, 2024**

Delta does not have authorized, issued or outstanding stock.

When PNG Companies acquired Delta in September 2017, all issued and outstanding shares of Delta were purchased by PNG Companies at that time. PNG Companies have since been acquired by Essential Utilities in March 2020.

DELTA NATURAL GAS COMPANY, INC.**LONG-TERM DEBT OUTSTANDING
AND MORTGAGE DESCRIPTIONS
Sep 30, 2024**

There are no mortgages outstanding.

The following long-term debts are in existence:

- (1) Delta's existing long-term debt note is with PNG Companies LLC, issued on November 30, 2017. The debt was approved by the Commission in Case No. 2017-00406, which authorized an issuance of \$50,499,999.95. The Series 2017-B Notes are unsecured, bear interest at a rate of 4.26% per annum, which is payable quarterly, and mature on December 20, 2031. The balance of the Long term portion as at September 30, 2024 was \$38,499,999.95 (\$1.5m is reported as Short-Term Debt). Long term interest paid in the 12-months ended September 30, 2024 was \$1,719,975.

- (2) Effective 12/31/21, \$15,000,000.00 of pushdown debt was sent to Delta from Essential Utilities. There are two tranches. One for \$6,818,182 with an interest rate of 2.704% per annum and matures on April 15, 2030 and one for \$8,181,818 with an interest rate of 3.351% per annum and matures on April 15, 2050. Long term interest accrued in the 12-months ended September 30, 2024 was \$458,544

- (3) Effective 12/19/2013, \$137,600 of pushdown debt was sent to PKY from Essential Utilities with an interest rate of 4.25% per annum and matures on Dec 19, 2025. Long term interest accrued in the 12-months ended September 30, 2024 was \$5,848

DELTA NATURAL GAS COMPANY, INC.**SHORT-TERM DEBT OUTSTANDING
Sep 30, 2024**

Delta had outstanding at September 30, 2024 short-term debt as follows:

<u>LENDER</u>	<u>AMOUNT</u>
PNG Companies LLC	\$ 7,041,998

Short-term debt includes \$1.5m current portion of \$50.5m Long Term Debt Note with PNG Companies issued on November 30, 2017 and \$5,541,998 Notes Payable to PNG Companies

DELTA NATURAL GAS COMPANY, INC.

OTHER INDEBTEDNESS

Sep 30, 2024

There are no other indebtedness outstanding.

DELTA NATURAL GAS COMPANY, INC.**DIVIDENDS FOR LAST FIVE YEARS
Sep 30, 2024**

<u>MONTH AND YEAR PAID</u>	<u>RATE</u>	<u>ON SHARES OR VALUE</u>	<u>PAR VALUE</u>	<u>DIVIDEND AMOUNT</u>
9/30/2020	N/A	N/A	N/A	N/A
9/30/2021	N/A	N/A	N/A	N/A
9/30/2022	N/A	N/A	N/A	N/A

DELTA NATURAL GAS COMPANY, INC.**STATEMENT OF INCOME
12 MONTHS ENDED Sep 30, 2024
(UNAUDITED)**

OPERATING REVENUES	<u>\$ 55,383,886</u>
OPERATING EXPENSES AND TAXES	
Gas Purchased	\$ 14,372,847
Operations & Maintenance	17,958,820
Depreciation & Amortization	11,271,382
Property & Other Taxes	4,290,191
Total	<u>\$ 47,893,239</u>
Operating Income	\$ 7,490,647
OTHER INCOME (EXPENSE), NET	\$ 104,691
INTEREST EXPENSES	\$ 2,234,112
PROVISION FOR INCOME TAXES	\$ 729,084
NET INCOME	<u>\$ 4,632,142</u>

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
12 MONTHS ENDED Sep 30, 2024
(UNAUDITED)

ASSETS

Utility Plant	
Gross Utility Plant	\$ 340,086,777
Less - Accum Prov for Depr & Amort	(147,996,914)
Net Utility Plant	\$ 192,089,863
Gas Stored Underground, Non-Curr.	\$ 4,208,069
Total Utility Plant	\$ 196,297,933
Current Assets	
Cash	\$ 52,373
Receivables	2,178,634
Gas Stored - Current Portion	2,372,764
Materials and Supplies	1,404,435
Prepayments	114,952
Total Current Assets	\$ 6,123,158
Deferred Debits and Other	
Regulatory Assets	\$ 2,429,703
Unrecovered Purchased Gas Costs	5,358,321
Deferred Income Taxes	4,885,409
Deferred Debits	1,135,152
Other	4,016,923
Total Deferred Debits and Other	\$ 17,825,509
TOTAL ASSETS	\$ 220,246,599

LIABILITIES AND EQUITY

Capitalization	
Member's Equity	\$ 86,840,107
Long-Term Debt	53,639,074
Total Capitalization	\$ 140,479,181
Current Liabilities	
Notes Payable	\$ 5,541,998
Current Portion of Long-Term Debt	1,500,000
Accounts Payable	13,783,500
Accrued Taxes	6,134,267
Customers' Deposits	965,059
Accrued Interest	3,135
Other	3,425,614
Total Current Liabilities	\$ 31,353,573
Other Non-Current Liabilities	
Pension Liabilities	\$ 1,996,895
Asset Retirement Obligation and Other	171,733
Total Non-Current Liabilities	\$ 2,168,628
Deferred Credits	
Deferred Income Taxes	\$ 30,350,637
Other Regulatory Liabilities	14,469,087
Other	1,425,495
Total Deferred Credits	\$ 46,245,218
TOTAL LIABILITIES AND EQUITY	\$ 220,246,599