

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL GAS )  
COMPANY, INC. FOR AN ADJUSTMENT ) CASE NO. 2010-00116  
OF RATES )

REQUESTS FOR INFORMATION  
OF THE ATTORNEY GENERAL

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Request for Information to Delta Natural Gas Company, Inc. to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

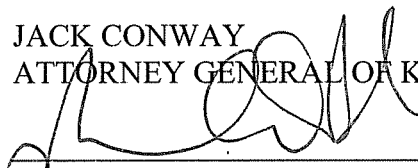
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

JACK CONWAY  
ATTORNEY GENERAL OF KENTUCKY



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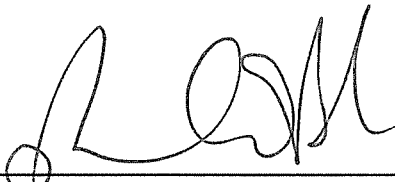
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**CERTIFICATE OF SERVICE AND NOTICE OF FILING**

I hereby give notice that this the 24<sup>th</sup> day of May, 2010, I have filed the original and ten copies of the foregoing with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

Honorable Robert M. Watt, III  
Stoll Keenon Ogden PLLC  
300 West Vine St., Suite 2100  
Lexington, KY 40507-1801

John B. Brown  
Chief Financial Officer, Treasurer and Secretary  
Delta Natural Gas Company, Inc.  
3617 Lexington Road  
Winchester, KY 40391

  
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Assistant Attorney General

**DELTA NATURAL GAS COMPANY, INC.**  
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**I. REVENUE REQUIREMENTS**

1. Please provide copies of June year-to-date financial, operating and/or statistical reports for 2006, 2007, 2008 and 2009 (when available).
2. Please provide a copy of the Board of Directors minutes for 2007, 2008, 2009 and 2010 to date.
3. Please explain in detail any major changes in accounting treatment for O&M expenses, retirements, replacements and removal costs instituted by the Company since 2003.
4. Please provide a copy of each out-of-period accounting adjustment (i.e., journal entry) recorded during the historical test period, the twelve months ending October 31, 2009, and past the test period to the present, along with an explanation of each adjustment.
5. Please provide an analysis (description, dates and amounts) of any gains or losses on utility property sold in 2007, 2008, 2009 and 2010 to date.
6. Please provide a complete breakdown of other income, net, for 2007, 2008, 2009 and 2010 to date. Identify the jurisdictional portion of each element.
7. Provide the monthly financial and operating reports for every month from October 2006 to the present.
8. Provide the twelve months-ending return on common equity for each month from January 2006 to the present.
9. Please supply a copy of Delta's latest Ten Year Demand Forecast.
10. Please list all year end closing and adjusting accounting entries, both internal and those made by your external auditors for 2006, 2007, 2008 and 2009.
11. List each change in accounting principles made by the Company during 2005, 2006, 2007, 2008, 2009 and 2010 to date.
  - a. For each such change, state the revenue and/or expense or capital impact in this filing.
12. Please list all procedures the Company follows to ensure that there was a proper assignment of costs to the test period and that the test period only includes charges incurred during the test period.

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13. Provide a copy of the Company's two most recent management letters and recommendations received from the Company's independent auditors.
14. List each internal audit completed, scheduled, or in progress at the Company for 2007, 2008, 2009 and 2010 to date. For each, list subject of audit, date of audit, date of report and title of report.
15. Provide a copy of the Company's most recent management and operations audit.
16. List each proposed pro forma entry which was considered in this filing but not made and state the reason(s) why the entry was not made.

**Rate Base**

17. Please provide an explanation of all items included in the following accounts (by subaccount if any) and provide the appropriate jurisdictional amounts for the year ended 2006, 2007, 2008 and 2009:
  - a. Other Accounts Receivable,
  - b. Accrued Utility Revenues,
  - c. Miscellaneous Deferred Debits,
  - d. Miscellaneous current and accrued liabilities, and
  - e. Other Deferred Credits.
18. Please provide a comparison by month, or if not available, by quarter, of budgeted versus actual retirements for each month of 2006, 2007, 2008, 2009 and 2010 to date. Please explain any significant variations.
19. Customer Advances.
  - a. What is the ratemaking treatment for customer advances proposed by the Company in its filing? Where is such proposal found in the filing?
  - b. Provide the monthly level of customer advances for the period December 2007 thru December 2009.
  - c. Provide the monthly interest expense paid by the Company on customer advances for the same period.
20. Customer Deposits.
  - a. What is the ratemaking treatment for customer deposits proposed by the Company? Where is such proposal found in the filing?
  - b. Provide the monthly level of customer deposits for the period December 2007 thru December 2009.

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- c. Provide the monthly interest expense paid by the Company on customer deposits for the same period.

21. Customer Deposits.

- a. What is the contractual interest rate on customer deposits?
- b. Identify the tariff or statute that establishes the interest rate.
- c. Does the Company accrue interest on inactive customer deposits?
- d. How often is interest on customer deposits paid?
- e. Is interest on customer deposits paid by check, in the form of a bill credit, or credited as an addition to the customer deposit balance?
- f. What is the Company's policy on customer deposits for collection, refund, and use as an offset against an uncollectible balance?
- g. Provide a copy of the Company's policy(s) relating to customer deposits.

22. For the test period and the preceding two 12-month periods, has the Company sold any property which had formerly been included in Plant Held for Future Use or devoted to utility service? If so, for each sale, describe the property sold; state whether, when and in what manner it had been included in rate base; show the details of how the gain or loss was calculated; indicate when the sale occurred; explain how and whether the Company is amortizing such gain or loss; and show how such amortization was computed.

23. The following questions are related to the Company's policies regarding accounting for CWIP, plant in service and depreciation:

- a. For each item of CWIP which the Company has transferred into utility plant in service for purposes of this filing, has a full 12 months of depreciation expense been included in the cost of service?
- b. For each item of CWIP which the company has transferred into utility plant in service for the purposes of this filing, has an amount representing a full 12 months of depreciation expense been added to the total accumulated depreciation by which rate base is reduced?
- c. Provide the same information as requested in subsection b. above for the deferred taxes related to the depreciation timing differences.

24. For major plant construction projects representing plant additions costing more than \$1 million added during 2006, 2007, 2008, 2009 and 2010 to date, please state the following:

- a. Description of project.
- b. Any economic feasibility studies done in a relationship to the project.
- c. Any related cost savings achieved as a result of adding the addition.

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- d. Whether the project was for replacement, for new growth, environmental, or other.
  - e. Description of why the project was necessary.
25. Explain in detail the Company's procedure for accruing AFUDC and provide examples of AFUDC accrued during 2006, 2007, 2008, 2009 and 2010 to date. Discuss specifically how the Company computes the AFUDC rate, computes AFUDC monthly, adjusts AFUDC for the impact of the Alternative Minimum Tax and for interest that is capitalized for federal income tax purposes. Show examples of each calculation. Also provide references to PSC Orders which authorize or approve the calculation methods used by the Company.
26. Identify how much of the Company's materials and supplies balance at October 30, 2006, 2007, 2008 and 2009 is related to construction activities.

**Taxes**

27. Please provide detailed calculations of federal income taxes (budgeted and actual) for the following accounting periods:
- a. The years ending 2007, 2008 and 2009.
28. Please provide workpapers detailing the calculation of each statutory addition and deduction used in arriving at taxable income in the above calculation. Also provide a narrative explanation of the effect of each statutory addition and deduction on tax and/or book income, and the Internal Revenue Code Section or Treasury Regulation calling for the adjustment.
29. For 2007, 2008 and 2009, please provide a copy of the U.S. Corporation Income Tax Return, and the Kentucky Corporate Income Tax Return and all other Kentucky Tax Returns, with supporting schedules. If separate returns were not prepared, please provide the detailed worksheets that were used to prepare the consolidated return.
30. Please provide the following information regarding deferred income taxes included in the test-year tax expense:
- a. Calculation of all timing differences reflected in DFIT; show book amount and tax amount; indicate when amounts were included in book and in tax returns;
  - b. Tax rate applied to each timing difference;
  - c. Calculation of actual DFIT;
  - d. If different, reconcile book amount per cost of service and book amount in DFIT calculation. Identify and quantify all reconciling items.

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- e. The gross and net additions to deferred taxes. Please breakdown such additions by sub-account, providing the number and name for each account and sub-account. For each item by year, please reconcile the gross to net additions and explain how that reconciliation was derived.
31. Please provide worksheets which reconcile book and tax income and tax liability on the books and on the tax return for 2007, 2008 and 2009.
32. Please list and explain in detail the allocation methods used to allocate state and federal tax liability and tax credits between the Company and its subsidiaries. Please provide worksheets which show a detailed derivation of the allocations for 2007, 2008 and 2009. The derivation should include separate listing of contributions, indebtedness cost, NOL (current, carryforwards and carrybacks), each credit by type (such as the investment tax credit, jobs credit), and intercompany transactions.
33. Please provide for each year from 2000 through 2008 the gross and net additions to deferred taxes. Please breakdown such additions within each year by sub-account, providing the number and name for each account and sub-account.
  - a. For each item by year please reconcile the gross to net additions and explain how that reconciliation was derived.
34. Please provide the beginning and ending balances for 2007, 2008 and 2009 for Accumulated Deferred Income Taxes and Provisions for Deferred Income Taxes broken down by sub-account with the name and number of each sub-account.
35. Please provide the following amounts for 2007, 2008 and 2009:
  - a. Income tax expense, current, deferred, deferred-credit, investment tax credit deferred and investment tax credit amortized from prior years. Identify by Uniform System Account number.
  - b. Identify the benefit giving rise to each charge, as shown in the example below.
  - c. Separate federal and state amounts.
  - d. Cite the order or ruling on which the Company bases rate treatment of these benefits (normalized or flow-through). Note the rate treatment (normalized or flow-through).
  - e. State the accumulated total for each as it appears on the test period balance sheets. Identify by Uniform System Account Number.
  - f. State the rate base treatment of each item (e.g. deducted from rate base, cost-free capital, treated as equity, etc.).
  - g. Cite the order or ruling on which the Company bases treatment identified in f.



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36. Regarding the investment tax credit, please provide the amount of 3%, 4%, 7%, 10%, and 11% credits the company generated, booked for ratemaking purposes, and/or used as a credit against federal tax liability for each year from 2006 through 2009 and the derivation of each of those amounts.
37. For each distinct tax-timing difference for which the Company has provided deferred taxes, please identify the amount of excess deferred income taxes (i.e. deferred taxes accrued by the Company at federal tax rates higher than the current corporate tax rate, the excess is the difference over the current rate) existing on the Company's books at December 31, 2009 which can be flowed back to ratepayers on an accelerated basis (i.e. such amortization is not prohibited by the normalization requirements of the Internal Revenue Code). Show how these amounts are calculated.
38. Will the amount of investment tax credits utilized be increased if the Company is granted its requested rate increase in these proceedings? If not, why not? If so, provide calculations showing the Company's best estimate as to how much ITC will be utilized.
39. Provide detailed descriptions of any IRS audit, settlements with the Internal Revenue Service, or audit adjustments made during the three years ending December 31, 2009.
40. Provide a copy of any and all revenue ruling requests, IRS responses, and correspondence between the Company and the IRS during the ten years ending December 31, 2009.
41. List total property taxes and property tax refunds or abatements each year, for the test period and the most recent three years for which actual information is available. Describe and show the accounting treatment accorded to each item, showing journal entries, dates, accounts, amounts and descriptions.
42. List all amounts of property taxes under dispute at December 31, 2009, and indicate the tax year and the taxing district to which each relates.
43. List all property tax refunds, by geographical area and taxing authority, by year, received in the most recent three years through 2009.
44. Please explain and provide all workpapers and source documents supporting the derivation of the taxable bases for Kentucky property taxes for 2007, 2008 and 2009.
45. Provide full supporting documentation, workpapers and correspondence associated with refunds of any and all taxes other than income taxes received in 2007, 2008 and 2009. Indicate which accounts were affected and the associated dollar amounts.

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Also describe how the Company intends to treat this/these item(s) for rate case purposes.

46. Please state whether any settlements, penalties or interest resulting from audits by taxing authorities are included in expense per books in 2007, 2008 and 2009. If so, provide full details including the periods and issues resolved, the dollar amounts of settlement by issue, the taxing authority penalty or interest by issue, the taxing authority involved, the date of settlement, the current status of the payment, and the final resolution of the matter or status of the protest if unresolved.

**Expenses**

47. Please provide a copy of the Company's five-year (or shorter if 5 years is not prepared) operating, maintenance, and capital budgets prepared in 2007, 2008 and 2009.
48. For the budgets supplied in response to the preceding question, please provide a description of all variations from actual expense levels which are due to known and certain changes, providing supporting documentation. Indicate all variations from actual levels which result from the application of inflation or escalation factors. In those instances where inflation or escalation factors were utilized, explain the derivation of the factors used in each case. If a single factor was used, a summary description will suffice.
49. Please indicate, if known and quantifiable, any anticipated changes in jurisdictional allocation factors and the impacts thereof on the test period in this case.
50. Indicate the number of and expenses related to temporary or seasonal employees included in 2007, 2008 and 2009 jurisdictional expenses.
51. Please provide a schedule showing the percentage of increase in salaries and wages for both union and non-union employees for the test period and the three preceding 12-month periods. Break out non-union employees between CEO, executives making more than \$150,000 and management making less than \$150,000.
52. Please provide jurisdictional totals and amounts by payee, and an explanation of the services provided, for all amounts charged to outside services during 2007, 2008 and 2009.
53. Please provide copies of any studies or analyses prepared by or for the Company regarding the level of the Company's wages compared to the wages paid by other utilities, service companies, or any other entity.

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54. Please provide the FICA wage base dollars included in total wages paid for the years ended December 31, 2007 and 2008.
55. Please provide the FICA wage base anticipated for the base and test periods and explain its derivation.
56. Please provide the percent of wages, employee benefits, overheads by type, employment taxes and other expenses charged to O&M on the basis of labor dollars (by the various labor categories, if possible) for 2007, 2008 and 2009. Please indicate the causes of any differences between the percentages (over 3 percent) from year to year.
57. State whether the filing includes any provision for corporate performance awards. If so, list the dollar amount for each program. Identify into which accounts and in what amounts it has been accrued.
58. Does overtime include normal pay plus premium or just premium? Identify the level of premium pay for 2007, 2008 and 2009.
59. Please provide a copy of any Company labor productivity analyses which have been performed during the past three years.
60. Please provide a copy of the Company's most recent pension plan and post-retirement benefits actuarial studies.
61. With regard to pension expense:
  - a. Please provide the most recent actuarial study.
  - b. Please identify the amount of pension expense included in 2007, 2008 and 2009. Also please provide workpapers showing the derivation of these amounts.
  - c. Please state whether the pension expense provided in part b, includes interest charges or earnings based on the time of payment. If yes, please identify the amount and provide workpapers or supporting documentation.
  - d. Please state the frequency with which pension contributions are made and the relationship of the payment date(s) to the period for which the contribution is being made. If the pension contributions are paid to the parent or service company, please identify both Company payment date(s) and the date(s) on which the contribution is actually made by the affiliate.
  - e. Please identify where pension expense has been included in the last working capital study and how the pension contribution date was recognized in determining the lag days for that category.
  - f. Please describe and quantify the effects FASB 87, 88 and 158 had on the pension plans for the Company for 2007, 2008 and 2009 if fully reflected.

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62. What rate of interest is the Company currently earning on its pension plan fund balance?
63. Has the Company considered reducing the amount of post retirement health care, dental and life insurance coverage? If yes, provide details of any proposed reductions. If no, provide an explanation of why not.
64. Provide a complete copy of any and all actuarial reports prepared by or for the Company during the past three years concerning the cost of post retirement benefits other than pensions.
65. Post Retirement benefits other than pensions (OPEB's).
  - a. Please provide complete workpapers showing the derivation of OPEB expense for 2007, 2008 and 2009.
  - b. Please show all assumptions and the basis of all calculations.
66. List expense amounts for workers compensation insurance and claims for each year 2007, 2008 and 2009. Indicate in which expense accounts these items are recorded.
67. Please state whether any amounts have been booked during the test period by the Company for the liability created pursuant to any employment severance compensation agreements.
68. Please list all steps the Company has taken to reduce the cost of medical insurance.
  - a. Does the Company's insurance coverage require a coordination of benefits and, if so, how does it function?
  - b. Does the Company plan require a co-pay percentage by the employee? If so, what is the percentage and has it increased over the past three years? State the various levels over the past three years.
69. List employee relocation expense for the base and test periods and the previous three years. Indicate annually the amounts and accounts in which such expense is recorded.
70. Provide a complete copy of the Company's policy with respect to employee relocation, including full details as to cost reimbursement.
71. Provide the following information for the total company operations. If any amounts were allocated, show a calculation of the factor used to allocate each amount.

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- a. An analysis of Miscellaneous General expenses for the test period. Include a complete breakdown of this account, including industry association dues, stockholder and debt service expenses, institutional advertising, conservation advertising, rate department load studies, director's fees and expenses, dues and subscriptions, and miscellaneous expenses. Provide detailed workpapers supporting this analysis. At a minimum, the workpapers should show the account number, date, vendor, reference (i.e., voucher no., etc.), dollar amount, and brief description of each expenditure of \$500 or more.
  - b. An analysis of Other Income Deductions for the test period. Include a complete breakdown of this account including donations, civic activities, political activities and other, and provide detailed workpapers supporting this analysis. At a minimum, the workpapers should show the account number, date, vendor, reference (i.e., voucher no., etc.), dollar amount, and brief description of each expenditure of \$500 or more.
72. Provide a detailed analysis of expenses incurred during the test period for professional services, including legal, engineering, accounting and other, and provide all workpapers supporting the analysis. At a minimum, the workpapers should show the payee, dollar amount, reference (i.e., voucher no., etc.), account charged, hourly rates and time charged to the company according to each invoice, and a description of the services provided.
73. Provide a detailed analysis of contributions for charitable and political purposes (in cash or services), if any, recorded in accounts other than Other Income Deductions. Show the amount of the expenditure, the recipient of the contribution, and the specific account charged. If amounts are allocated, show a calculation of the factor used to allocate each amount. Detailed analysis is not required for amounts less than \$100, provided the items are grouped by classes.
74. Describe Delta's lobbying activities and provide a schedule showing the name, salary, affiliation, all company-paid or reimbursed expenses or allowances, and the account charged for each individual whose principal function is lobbying on the local, state, or national level. If any amounts are allocated, show a calculation of the factor used to allocate each amount.
75. List each athletic and employee association to which the Company contributes, the associated amounts for the test period and preceding year and the accounts charged. State how the Company has treated these expenses in the test period.
76. List the dollar value of discounts for service and merchandise the Company provides to employees. Provide these amounts for the test period. Show in what accounts and amounts such expense was recorded. What employees are eligible to receive

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such discounts?

77. List all Company owned automobiles, other than service vehicles, and state the Company's policy for charging employees for the personal use of these automobiles and the Company policy of reporting the personal usage of these automobiles for Federal income tax purposes.
78. Does the Company maintain any recreational sites for the use of the public and/or Company employees? If so, please:
  - a. Identify each site and the type of recreational facility.
  - b. State whether each site is for public use or exclusively for employee use.
  - c. For each site identified in (a) above, state the amount of expense incurred during the test period to maintain it.
79. For the test period list all payments made for employee gifts, employee awards, employee luncheons and dinners, employee picnics and all other similar type items. For each, list the dollar amount paid, the payee, the account charged and state the purpose. Provide copies of invoices which exceed \$1,000.
80. Identify all expenses incurred during the test period for athletic events, tickets, sky boxes and all sporting activities.
  - a. Specifically identify the activity, dollar amount and account charged.
  - b. Provide copies of paid vouchers and invoices supporting these expenditures.
81. With regard to research and development (R&D) expenditures, please provide:
  - a. A monthly breakdown of the R&D expenses by project included in 2007, 2008 and 2009.
  - b. A comparison of actual vs. budgeted expenditures for 2007, 2008 and 2009.
  - c. A detailed explanation of the causes of any increase from 2005 levels to 2006 levels and from 2006 to 2007 levels and why such an increase is necessary and reasonable.
  - d. A summary description of each of the R&D projects identified and the benefit to be derived by ratepayers.
  - e. Please provide the costs by project for each year of 2007, 2008 and 2009.
82. With regard to R&D projects, does Delta's regulated operations realize any royalties, profits from commercialization, or other forms of reimbursement or funding? If yes, please identify the amounts of all such items in 2007, 2008 and 2009.

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83. With regard to all capital and expense accounts included in the filing, please provide:
- a. A monthly breakdown of the expense by capital project and/or expense account included in 2007, 2008 and 2009.
  - b. A comparison of actual vs. budgeted expenditures for 2007, 2008 and 2009.
  - c. A detailed explanation of the causes of any increase from 2005 levels to 2006 levels and from 2006 to 2007 levels and why such an increase is necessary and reasonable.
  - d. A summary description of each of the capital projects identified and the benefit to be derived by ratepayers.
  - e. Please provide the costs by project for each year of 2007, 2008 and 2009.
84. Please provide a detailed analysis of all charges booked during the test period for advertising expenditures. Include a complete breakdown, including but not limited to these categories: (1) sales or promotional, (2) institutional, (3) conservation related, (4) rate case, and (5) other. The analysis should specify the account charged, the purpose of the expenditure and the expected benefit to be derived.
85. For each advertising expense over \$5,000 recorded by the Company during the test period, state the payee, amount, date and purpose. Also provide a copy of the associated invoice and a copy of (or if a non-print ad, the text of) each advertisement.
86. Are there any advertising costs being incurred by the Company which cannot be identified with a specific advertisement? If so, please itemize and describe each such cost, and list the associated amounts for each year 2007, 2008 and 2009.
87. Break down the Company's advertising expense for the test period into its components, i.e., labor, overhead, materials and fees to agencies, etc.
88. Does the Company have any studies as to the effectiveness of its advertising and marketing programs? If so, describe by name, date and contents each study the Company has. Provide a copy of all such studies in the last three years.
89. Please list the trend in advertising expense per dollar of revenue for the five year period ending with 2007. If the Company has not made this calculation, please supply the information necessary to make it.
90. Please provide a listing of and a copy of any and all Commission Orders the Company has reviewed or relied upon in preparation of its filing in this case concerning the ratemaking treatment of costs for each distinct type of advertising expense it incurs, including but not limited to these categories: (1) sales or promotional, (2) institutional, (3) conservation related, (4) rate case, and (5) other.

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91. Does the Company's proposed rate increase include any claim for attrition or suppression of sales?
  - a. If so, please reference where this is presented.
  - b. Provide a complete copy of any and all attrition studies or analyses prepared by or for the Company during the period 2006 through 2007.
92. Explain the method used by the Company to project uncollectibles for the test period. Include an explanation of all assumptions used and a detailed explanation, including examples, of whether and how historical data was used in making this projection.
93. Provide for each year 2006, 2007, 2008 and 2009 the total dollar write-offs to uncollectibles reserve with and without subsequent recoveries.
94. Please list by customer and amount and by year for the period 2005 through 2008 any uncollectible accounts which have been written off and which exceeded \$1,000.00.
95. List and describe in detail any cost-saving programs implemented 2005 through the present.
  - a. For each program listed in response to this request, show the anticipated and achieved savings. Include calculations of savings amounts and explain any assumptions used in such calculations.
  - b. Provide the cost-benefit analyses for each such program.
  - c. Show the impact of any such cost-saving programs on the test period.
96. Provide a complete explanation of any and all expense reduction goals (cost savings programs) the Company had concerning the development of the 2007, 2008 and 2009 budgets.
97. List for the test period, the amount of country club initiation fees, stock purchase payments, if applicable, annual dues and expenses which were paid and to what account these fees were charged.
  - a. For each payment, list the individual whose name the membership is in or who uses the club, his (her) title, and name of the country club.
98. Provide a copy of the Annual Report of AGA and every other organization of which Company was/is a dues-paying member during 2007, 2008 and 2009.
99. Provide a copy of the formula used to compute, and the actual calculation of the



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Company's AGA dues in 2006, 2007, 2008 and 2009. Also, provide a complete copy of invoices received from AGA for dues for these years.

100. Please provide any documents in Delta's possession that show how AGA spends the dues it collects, including the percentage that goes to legislative advocacy, legislative policy research, regulatory advocacy, regulatory policy research, advertising, marketing, utility operations and engineering, finance legal, planning and customer service, and public relations.
101. Has the Company included in test period operating expense any amount for AGA Media Communications? If so, state the amount, indicate in which account this has been recorded, and provide a citation to any and all Commission Orders or other authority upon which the Company is relying for the inclusion of such expense in the test period.
102. Is the Company relying upon any NARUC reports or other studies for the exclusion from or inclusion in rates of a portion of its AGA dues? If so, please provide a copy of such report and indicate how the report's recommendations have been included in its filing.
103. List all travel and entertainment expenses incurred in the test period by Company employees in relation to AGA and other industry association activities. Show accounts, amounts, descriptions, person, job title and reason for the expense. Provide a copy of employee time and expense reports and invoices documenting such expenses.
104. Do any of the Company's personnel actively participate on Committees and/or any other work for any industry organization to which the Company belongs?
  - a. If so, state specifically which employees participate, how they are compensated for their time (amount and source of compensation), and the purpose and accomplishments of any such association related work.
  - b. List any and all reimbursements received from industry associations, for work performed for such organizations by Company employees.
105. Please provide copies of all expense reports (or similar documents) which exceed \$1,000 submitted by Company officers during 2007, 2008 and 2009 for reimbursement of business or personal expenses.
106. For each injury and damage claim, where the settlement exceeded \$10,000 for the years 2007, 2008 and 2009, list by year each such claim, the basis for the claim, the dollar amount of the claim paid and the associated legal fees.
107. State the amount of injuries and damages expense for each of the last three years.

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108. Itemize each component of insurance expense included in the test period, and provide comparative information for 2007, 2008 and 2009. Indicate the accounts and amounts in which each item of insurance expense is recorded.
  - a. For any component of the Company's insurance expense which has fluctuated by more than 10% or \$10,000 from one year to the next, provide an explanation as to the cause of such fluctuation.
109. Itemize the legal services expenses included in 2007, 2008 and 2009 for rate case related work. For each distinct item state: payee; amount; account; purpose; docket, case, or proceeding reference; and describe briefly the nature of the case or legal service received.
110. Please itemize the amount of non-rate case legal expense for 2006, 2007, 2008, 2009 and 2010 to date. For each distinct item over \$5,000 show payee, amount, account and indicate what services were performed and what the subject matter of the services was.
  - a. Provide copies of all invoices which exceed \$10,000. This should be the complete document including a complete description of work performed.
111. List all fees during the test period, the previous two years and 2010 to date for maintaining lines of credit. List such fees for each line of credit which the Company maintains. Indicate in which account such fees are recorded.
112. Does the Company employ a fringe-benefit or overhead factor to assign overhead costs to specific projects? If so, state what these factors were in 2007 and 2008 and show in detail how they were calculated.
113. List and describe all maintenance programs and expenses which have been deferred into the test period from prior years, and for each item, explain the Company's reason for such deferral.
114. List all merchandise-related revenue, expense and rate base items included in the test period by account and amount.
115. List each abnormal or non recurring charge or credit which occurred during 2007, 2008, 2009 and 2010 to date, and which exceeded \$10,000.00.
  - a. For each such charge or credit, state the basis and dollar magnitude of each.
  - b. Provide copies of invoices, journal entries or other documentation to support each abnormal or non recurring item.

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116. Itemize all expenses over \$5,000 recorded by the Company during 2007, 2008 and 2009 in General Office Expense. For each, state the payee, amount, date, purpose and subaccount. Also provide a copy of the associated invoice for amounts over \$10,000.
117. List by account the Company's annual O&M expenses for the ten years ending 2009, plus 2010 to date. For each account having a variance over the prior year exceeding 10%, explain the cause of such variance, listing and describing each significant causative item and the associated dollar amount.
118. Penalties and fines. List and describe any and all penalties and fines in the test period and the preceding three years. Indicate in which account each such item was recorded.
119. List all productivity savings expected to be realized by the Company as a result of increased employee experience.
120. List each facility, location and asset which is included as rental expense. For each item include a description, the annual or monthly rental rate, the account and amount included in the base and test period expense.
121. Provide, by year, all affiliated operating expenses charged to Kentucky regulated operations for the 10 years ending 2009.
122. Provide detailed support for any Management Fees included in the filing. Provide this in Microsoft Excel or compatible format. Include total charges incurred by each corporate department and the amount each of these departments allocated to Kentucky regulated operations. Also include the number of employees in each department and the method used to allocate charges for each department.
123. Provide a general ledger listing or similar report of all transactions that comprise any corporate charges allocated to regulated operations.

**Depreciation**

124. Please identify, describe fully, and provide full documentation of any capital or maintenance plans or programs that the Company has undertaken or is considering undertaking that will extend or shorten the life of any of its gas plant.
125. Please identify, describe fully, and provide full documentation of any changes in the definition of plant units subject to capitalization that the Company has adopted during the last 20 years.

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126. Please identify, describe fully, and provide full documentation of any changes in the definition or treatment of salvage or removal/dismantlement costs that the Company has adopted during the last 20 years.
127. Please provide a copy of the Company's most recent depreciation study relating to gas plant and the Order(s), Decision(s), Stipulation(s) and/or Settlement(s) establishing the current electric depreciation rates.
128. Please provide the calculation of the current depreciation rates (or those used to calculate the test period depreciation expense, if different) in electronic format (Excel) with all formulae intact. Show all parameters used (i.e., ASL, curve, remaining life, net salvage ratio), and provide a source for those parameters. Please explain any differences in the parameters or rates from those that were ordered when the rates were adopted.
129. Does the Company maintain its book reserve by plant account? If not, explain why not and explain how the book reserves were determined for use in calculating the current depreciation rates.
130. Please provide the current depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.
131. Please provide any and all internal studies and correspondence from 2006-2009, inclusive, concerning FASB Statement No. 143, FIN 47 and FERC Order No. 631 in RM-02-7-000.
132. Please provide complete copies of all correspondence with the following parties from 2006-2009, inclusive, regarding FASB Statement No. 143, FIN 47 and FERC Order 631 in RM02-7-000:
  - a. External auditors and other public accounting firms,
  - b. Consultants,
  - c. External counsel,
  - d. Federal and State regulatory agencies, and
  - e. Internal Revenue Service.
133. Regarding FASB Statement No. 143, FIN 47, and FERC Order No. 631 in Docket No. RM02-7-000, on a plant account-by-plant account basis, please identify any and all "legal obligations" associated with the retirement of the assets contained in the account that result from the acquisition, construction, development and (or) the normal operation of the assets in the account. For the purposes of this question, please use the definition of a "legal obligation" provided in FASB Statement No. 143: "an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of

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promissory estoppel.”

134. For any asset retirement obligations identified above, please provide the “fair value” of the obligation. For the purposes of the question, fair value means “the amount at which that liability could be settled in a current [not future] transaction between willing parties, that is, other than in a forced or liquidation transaction.” Please provide all assumptions and calculations underlying these amounts.
135. Please provide the “credit adjusted risk free rate” used for any and all ARO calculations under FASB Statement No. 143, FIN 47, and FERC Order No. 631 calculations to date.
136. Please provide complete copies of all Board of Director’s minutes and internal management meeting minutes from 2005-2008, inclusive, in which any or all of the following subjects were discussed: the Company’s depreciation rates; retirement unit costs; SFAS No. 143; FIN 47; and, FERC RM02-7-000.
137. Please provide all accounting entries (debits and credits) relating to SFAS No. 143 and FIN 47, along with all workpapers supporting those entries. Please provide all these workpapers and calculations in electronic format (Excel) with all formulae intact.
138. Please refer to the Company’s latest Form 10-K. If not provided elsewhere, provide the workpapers supporting any calculation of the regulatory liabilities for costs of removal.
  - a. Please provide all these workpapers and calculations in electronic format (Excel) with all formulae intact.
  - b. Provide the calculation of the cost of removal regulatory liability amounts on a plant account by plant account basis.
  - c. Provide the cost of removal regulatory liability amounts on a plant account by plant account basis attributed to Kentucky jurisdictional plant.
139. Provide an analysis of the regulatory liability for accrued asset removal costs since inception identifying and explaining each debit and credit entry and amount. Also, provide the copies of the pages from each of Delta’s SEC Form 10Ks, Form 10Qs and Annual Reports in which SFAS No. 143 was ever mentioned, whether or not Delta had quantified an amount of the regulatory liability at the time. Specify the exact date each of these reports was issued and released to the public.
140. Provide Delta’s projection of the annual year-end balance in the regulatory liability for cost of removal obligations for Delta for the next 20 years. If not available for the next twenty years provide for as many years into the future that the projection is

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available. If this projection has not been made, please explain why not. Provide in electronic format (Excel) with all formulae intact.

- a. For this projection assume that all of Delta's current depreciation rates are continued in use.
  - b. Explain all other assumptions used to make this projection.
141. For all accounts for which Delta has collected non-legal AROs, but instead recorded a regulatory liability (regulatory liability for cost of removal), please provide the fair value of the related asset retirement cost as of December 31, 2005; December 31, 2006; December 31, 2007, December 31, 2008 and December 31, 2009. For the purposes of this question, assume that Delta has legal AROs for these accounts, and use the life and dispersion assumptions reflected in the current depreciation rates.
142. Provide the calculation of the annual amount of future gross salvage, cost of removal and net salvage incorporated into Delta's existing depreciation rates. If any of the amounts are reduced by the total amount of non-legal AROs included in year-end accumulated depreciation, show that calculation.
143. Are the amounts of cost of removal and gross salvage incorporated into the existing and proposed depreciation rates the same as they would have been in the absence of SFAS No. 143 and FIN 47? Please explain.
144. With respect to the Regulatory Liability relating to cost of removal obligations which Delta reclassified out of accumulated depreciation:
- a. Do you agree that this constitutes a regulatory liability for regulatory purposes in Kentucky? If not, please explain why not.
  - b. Do you agree that this amount is a refundable obligation to ratepayers until it is spent on its intended purpose (cost of removal)? If not, why not?
  - c. Please explain the repayment provisions associated with this regulatory liability.
  - d. Please explain when you expect to spend this money for cost of removal.
  - e. Please explain what you have done with this money as you have collected it. If you say that you have spent it on plant additions, please provide documentation.
  - f. Identify and explain all other similar examples of Delta's advance collections of estimated future costs for which it does not have a legal obligation.
  - g. Does Delta agree that the PSC will never know whether or not Delta will actually spend all of this money for cost of removal until and if Delta goes out of business? If not, why not?

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- h. Does Delta believe that amounts recorded in accumulated depreciation represent capital recovery? If not, why not?
  - i. Whose capital is reflected in accumulated depreciation – shareholders' or ratepayers'?
145. Does Delta commit to remove each asset for which it is collecting cost of removal and does it commit to spend all of the money it is collecting for cost of removal, on cost of removal? If the answer is yes, explain why Delta does not have legal AROs under the principal of promissory estoppel. Please explain.
146. Does Delta consider that it is bound by SEC regulations to record accruals for future costs of removal as regulatory liabilities?
- a. If so, please provide a record of those accruals in as much account detail as is available along with the workpapers used to develop those accruals.
  - b. If not, please explain why not.
  - c. State whether the Company proposes to separate retirement cost accounting from depreciation accounting, with separate rates and reserves. If the Company does not propose such separation, please state fully the reasons for not doing so.
147. Please identify and describe the level of detail, e.g. by account, functional category, at which the Company computes the depreciation expense for purposes of financial reporting, Commission reporting, and ratemaking. Explain fully any differences among these three depreciation calculations.
148. State whether the Company has forecast any non-legal removal costs that it does not regard as regulatory liabilities. Please describe these costs in detail, state fully the reason(s) for your belief that such forecast costs are not regulatory liabilities, and identify the forecast amounts of such removal costs in as much detail as is available. Provide the supporting documentation for each forecast amount.

**II. RATE OF RETURN**

**A. GENERAL QUESTIONS**

149. Please provide copies of all presentations made to rating agencies and/or investment firms by Delta between January 1, 2009 and the present.
150. Please provide copies of all prospectuses for any security issuances by Delta since January 1, 2009.

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151. Please provide copies of all studies performed by Delta or by consultants or investment firms hired by Delta to assess (1) Delta's financial performance, (2) the performance of Delta relative to other utilities, or (3) the adequacy of Delta's return on equity or overall rate of return.
152. Please provide copies of credit reports for Delta from the major credit rating agencies published since January 1, 2008.
153. Please provide copies of all correspondence between Delta and any of the three major bond rating agencies (S&P, Moody's, and Fitch) from January 1, 2008 to the present. These include copies of letters, reports, presentations, emails, and notes from telephone conversations.
154. Please provide the breakdown in the expected return on pension plan assets. Specifically, please provide the expected return on different asset classes (bonds, US stocks, international stocks, etc.) used in determining the expected return on plan assets. Please provide all associated source documents and workpapers.
155. Please provide Delta's authorized and earned return on common equity for gas operations over the past five years. Please show the figures used in calculating the earned return on common equity for each year, including all adjustments to net income and/or common equity. Please provide copies of all associated workpapers and source documents. Please provide copies of the source documents, workpapers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.
156. Please provide copies of the financial statements (balance sheet, income statement, statement of cash flows, and the notes to the financial statements) for Delta for the 2007 and 2008. Please include 2009 financial statements when they become available. Please provide copies of the financial statements in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.
157. For the past two years, please provide the dates and amount of: (1) cash dividend payments made by Delta; and (2) cash equity infusions made into Delta.

**Testimony of Martin J. Blake**

158. Please provide copies of the documents, workpapers, and data used by Mr. Blake in preparing his testimony and schedules. Please provide the data and workpapers in both hard copy and electronic formats (Microsoft Excel), with all data and formulas intact.
159. Please provide copies of the publications cited in the testimony.



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160. With reference to page 6, please: (1) indicate the justification for each of the screens applied to the gas utilities in the Edward Jones Survey; (2) the companies eliminated from the group from each of the screens; and (3) the values or reasons that each of the companies was eliminated (4) why this survey was chosen.
161. Please provide the individual data for the companies in the proxy group which were used to assess the riskiness of the proxy group relative to Delta.
162. Please refer to page 26-27, (1) list all regulatory cases (by name, docket number, and filing date) in which Mr. Blake has provided rate of return testimony and employed his Size Premium approach to calculate CAPM, (2) indicate all cases (by name, docket number, and date), other than those cited, in which a regulatory commission has explicitly adopted Mr. Blake's Size Premium approach to calculate CAPM in arriving at an overall rate of return, and (3) provide copies of the 'Rate of Return' section of the Commission's decisions for all cases in which a regulatory commission has adopted the Mr. Blake's Size Premium approach.
163. Please provide copies of all source documents, workpapers, and data used in the capital structure analysis. Please provide the data and workpapers in both hard copy and electronic formats (Microsoft Excel), with all data and formulas intact.
164. Please provide the quarterly capitalization amounts and ratios, including and excluding short-term debt, for the past three years for Delta (2007-2009). Please provide the data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.
165. Please provide (1) all data, workpapers, source documents, and calculations used in computing the short-term and long-term cost rates; (2) all details (issue date, debt amounts, underwriter, underwriting spread, SEC filings, etc.) associated with all financings used in determining the Company's short-term and long-term debt cost rates; and (3) the methodology, computations, and associated workpapers used to compute the short-term debt cost rate and intercompany loans. Please provide the data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

**III. RATE DESIGN**

166. Please provide a listing of the gas rate schedules that are included in each of the customer classes presented in the gas CCOSS; i.e., Residential, Commercial, Industrial, Firm Transportation, Special Contracts, etc..
167. With regard to the testimony of Mr. Seelye, please provide all workpapers, data, electronic computer models and spreadsheets, assumptions, calculations, etc. that

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show how the proposed class revenue percentage increases and the corresponding revenue dollar increases were determined.

168. With regard to the testimony of Mr. Seelye, please provide all workpapers, data, electronic computer models and spreadsheets, assumptions, calculations, etc. showing how each of the allocation factors used in gas the CCOSS was developed. Please provide in hard copy as well as in Microsoft readable electronic format (preferably Microsoft Excel).
169. With regard to Seelye Exhibit 9:
- a. Please provide the Exhibit in executable Excel format (include all linked files); and,
  - b. Please provide all workpapers, spreadsheets, assumptions, etc. that support each of the various components of the gas temperature normalization adjustments for Residential, Small Non-Residential, Large Non-Residential – Commercial. Large Non-Residential – Industrial, Interruptible – Commercial, Interruptible - Industrial Small Non-Residential – Transportation, Large Non-Residential - Transportation and Residential Transportation determined therein, including the determinations of actual and normal heating degree days, the development of net revenue per MCF sold, etc.
170. With regard to the testimony of Mr. Seelye, please provide an executable computer spreadsheet of Seelye Exhibit 8, Gas Zero Intercept Distribution Mains analysis. Please include in the response all the workpapers, spreadsheets, source documents, etc. that support the amounts, assumptions, and calculations presented therein.
171. With regard to the testimony of Mr. Seelye, please provide an executable computer spreadsheet of Mr. Seelye's gas class cost of service study presented in Exhibits 5, 6 and 7.
172. With regard to gas special contract customers, please provide:
- a. The requirements and criteria for eligibility to be served under gas special contracts;
  - b. The specific criteria and circumstances that exist for each Special Contract customers;
  - c. All contracts with "special contracts" customers;
  - d. All workpapers, analyses, internal memoranda, and correspondence regarding the threat of bypass, alternative fuel switching, and determination of rates charged to each Special Contract customer; and,

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- e. An explanation of the monitoring and/or on-going evaluations, etc. that Delta undertakes to validate the continued eligibility of special customers.
173. For each gas customer taking service from the high pressure system, please provide:
- a. Rate schedule;
  - b. Test year sales volume;
  - c. Test year transportation volume;
  - d. Size of Main at customer connection;
  - e. Contract demand (as applicable); and,
  - f. Pressure at the low side of the regulator at the location(s) where the customer is taking service.

Please provide in hard copy as well as in Microsoft readable electronic format (preferably Microsoft Excel).

174. With regard to gas storage, please provide:
- a. test year total injections and withdrawals of Delta owned gas;
  - b. test year total injections and withdrawals of customer-owned gas by distribution customer served by the Delta gas system; and,
  - c. test year total injections and withdrawals of gas owned for the use of customers not served by the Delta distribution system (i.e., off-system customers).
175. Please provide monthly gas sales and transportation (separately) customers and volumes by month for the test year. Please provide in hard copy as well as in Microsoft readable electronic format (preferably Microsoft Excel).
176. Please provide the following separated between high pressure Mains and medium/low pressure Mains (as available) by vintage year, size, and type (plastic, steel, cast iron, etc.) in the greatest level of detail available:
- a. Installed footage;
  - b. Gross investment;
  - c. Materials investment;
  - d. Capitalized labor; and,
  - e. Handy-Whitman Cost Index.

If all data is not available for all years, please provide the level of detail that is available. Please provide in hard copy as well as in Microsoft readable electronic format (preferably Microsoft Excel).

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177. For each of the ten highest Delta gas distribution system daily sendouts during the test year, please provide the following:
  - a. Date;
  - b. Daily distribution system volume;
  - c. Volumes by rate schedule for those customers metered on a daily basis; and,
  - d. Distribution system curtailments (if any).
178. Please provide Delta adjusted test year gas General plant by FERC account.
179. Please provide Delta gas adjusted test year CWIP in the greatest detail available. Please provide in hard copy as well as in Microsoft readable electronic format (preferably Microsoft Excel).
180. Please provide Delta gas adjusted test year depreciation reserve and depreciation expense by FERC account.
181. Please provide all Delta gas calculated, actual, or estimated uncollectible expense by customer class.
182. Please provide actual and estimated Delta gas meter reads by class during the test year.
183. To the extent not previously provided, please provide the Delta Exhibits associated with the filing in executable excel format (include all linked files). Please include in this response all the workpapers, spreadsheets, source documents, etc., that support the amounts, assumptions, and calculations presented in these Exhibits.