

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA)	
NATURAL GAS COMPANY, INC. FOR AN)	CASE NO.
ADJUSTMENT OF ITS RATES AND A)	2021-00185
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY)	

ORDER

Delta Natural Gas Company, Inc. (Delta) is a Kentucky corporation, in good standing, providing natural gas service to approximately 40,000 customers.¹ Delta's principal office is located in Winchester, Kentucky. Delta purchases, stores, and transports natural gas in 32 Kentucky counties, including Bath, Estill, Montgomery, Menifee, Madison, Powell, Garrard, Jackson, Lee, Bourbon, Jessamine, Rowan, Bell, Knox, Whitley, Laurel, Clay, Leslie, Fayette, Fleming, Clark, Robertson, Mason, Lawrence, Johnson, Martin, Magoffin, Floyd, Pike, Perry, Knott, and Letcher counties.² Delta is a wholly owned subsidiary of PNG Companies LLC, which is a wholly owned subsidiary of LDC Funding, LLC; and LDC Funding, LLC is wholly owned by Essential Utilities, Inc.³ Delta last filed for a general adjustment of rates in Case No. 2010-00116.⁴

¹ Application, Direct Testimony of John B. Brown (Brown Direct Testimony) (filed May 28, 2021), at 5.

² Application at 2.

³ Case No. 2021-00283, *Electronic Joint Application of Essential Utilities, Inc., LDC Funding, LLC, LDC Holding, LLC, PNG Companies LLC, and Delta Natural Gas Company, Inc. for Approval of an Indirect Change of Control of Delta Natural Gas Company, Inc.* (Ky. PSC Sept. 23, 2021).

⁴ Case No. 2010-00116, *Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates* (Ky. PSC Oct. 21, 2010).

BACKGROUND

On June 4, 2021, Delta filed an application seeking a rate adjustment, and a Certificate of Public Convenience and Necessity (CPCN) to construct a pipeline to provide the Nicholasville portion of its system with a second source of supply.⁵ In addition, Delta requested approval of several tariff provisions and approval of the expiration of the Tax Cuts and Jobs Act Surcredit.⁶ Delta requested a \$9,135,170 increase in its annual revenue, or approximately an 18.60 percent increase.⁷ This request represented a 20.70 percent increase in the monthly bill for a typical residential customer using an average of 3.8 thousand cubic feet (Mcf) of gas.⁸ Delta supported its application with a 12-month test period, which consisted of actual data for the seven months from September 2020 through March 2021, and five months of estimated data for the five months from April 2021 to August 2021. The forecasted test period is the 12 months ending December 31, 2022.⁹

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), is an intervenor in this proceeding. Pursuant to a procedural schedule established on June 16, 2021, and amended on August 6, 2021. Delta filed direct and rebuttal testimony, and responded to multiple rounds of discovery. The Attorney General filed direct testimony and responded to one

⁵ Delta tendered its application on May 28, 2021. By letter dated June 3, 2021, the Commission notified Delta of certain filing deficiencies. The deficiencies were later resolved and Delta's application was deemed filed as of June 4, 2021.

⁶ Application at 10.

⁷ Brown Direct Testimony at 10.

⁸ *Id.*

⁹ *Id.*

round of discovery. The parties entered into a Stipulation and Recommendation (Stipulation) that resolved all pending issues in this proceeding and filed this resolution into the record on November 9, 2021. A formal hearing was held on November 16, 2021. Delta responded to post-hearing discovery. Delta and the Attorney General filed post-hearing briefs. This matter now stands submitted for a decision.

LEGAL STANDARD

Pursuant to KRS 278.030(1), the Commission's statutory obligation when reviewing a rate application is to determine whether the proposed rates are "fair, just and reasonable." Even though Delta and the Attorney General have filed a Stipulation that purports to resolve all of the issues in the pending application, the Commission cannot defer to the parties as to what constitutes fair, just and reasonable rates. The Commission must review the record in its entirety, including the Stipulation, and apply its expertise to make an independent decision as to the level of rates, including terms and conditions of service, that should be approved. To satisfy its statutory obligation, in this case, the Commission has performed its traditional ratemaking analysis, which consists of reviewing the reasonableness of each revenue and expense adjustment proposed or justified by the record, along with a determination of a fair return on equity (ROE).

THE STIPULATION

The Stipulation reflects the agreement between Delta and the Attorney General addressing all of the issues in the application. The major provisions of the Stipulation as they relate to Delta's revenues and rates are as follows:

- Delta's revenue will increase by \$5,645,767, which reflects a reduction of \$3,489,403 from Delta's filed position of \$9,135,170. This creates an overall revenue increase of 11.10 percent.
- The Stipulation results in the monthly bill of the average Delta residential customer increasing by \$5.58.
- Delta's ROE will be 9.30 percent. Using a 9.30 percent ROE reduces Delta's proposed revenue requirement increase by \$1,535,605.
- Cash Working Capital (CWC) will be set at \$0, additionally, 1.76 percent of debt will be reclassified from long term to short term, which reduces the revenue requirement increase by \$195,498. This was agreed to based on a lead/lag study that produced a negative cash working capital amount.
- The capital structure upon which the revenue requirement is calculated is 51.72 percent equity, 46.52 percent long-term debt, and 1.76 percent short-term debt.
- Delta's revenue requirement is calculated on a rate base method in the amount of \$134,688,776.
- The depreciation rates Delta proposed in the application are agreed upon.
- The revenue allocation and rate design for Delta's operations are set forth in Exhibit 2 to the Stipulation.
- The "Change of Ownership" language in the proposed Farm Tap tariff will be removed. The updated tariff is set forth in Exhibit 3 to the Stipulation.
- Delta's customer charge for residential customers will increase by \$3.30 from \$20.70 to \$24.00, which is a reduction from the proposed residential customer charge of \$29.03.

- Delta is withdrawing, without prejudice, a request for a CPCN to construct a pipeline to provide a second source of supply to Nicholasville.
- Delta may recover its actual expenses in the rate case. The rate case expense will be amortized over three years beginning on the effective date of the revised tariffs, without carrying charges.
- Delta's Pipe Replacement Program (PRP) Rider will be rolled into base rates and the PRP charge should be reset at \$0 on the effective date of the new base rate.

DISCUSSION AND ANALYSIS

Based upon its review of the Stipulation, the attachments, and the case record, including intervenor testimony, the Commission finds that with the modifications discussed below, the Stipulation is reasonable and in the public interest. The Commission also finds that the Stipulation was the product of arm's-length negotiations among knowledgeable, capable parties and should be approved with the modifications delineated below. Such approval is based solely on the reasonableness of the modified Stipulation as a whole and does not constitute a precedent on any individual issue.

1. Rate Base

a. Utilize Rate Base Instead of Capitalization. The Attorney General's witness, Bion Ostrander, recommended that Delta's revenue requirement be based on rate base, instead of capitalization, for a revenue requirement reduction of \$143,155, which did not include a tax gross up for the return on equity portion of Delta's capital structure.¹⁰ The

¹⁰ Direct Testimony of Bion C. Ostrander (Ostrander Direct Testimony) (filed Sept. 27, 2021) at 9-11, and Exhibit BCO-2.2.

Stipulation does not include this adjustment, although it does include two adjustments to rate base. The Commission finds that Delta's revenue requirement should be based on rate base instead of capitalization, so that rate base adjustments are methodologically consistent. This results in a reduction of \$2,185,575 and a revenue requirement decrease of \$208,375.

b. Adjust Excess Accumulated Deferred Income Taxes (ADIT) per Delta's Correction. Mr. Ostrander proposed to reduce excess ADIT by \$315,256 to reflect Delta's correction provided in discovery to exclude excess ADIT related to items not included in rate base, which resulted in a revenue requirement increase of \$20,649.¹¹ Delta stated that this adjustment was included in its base period update, but it is not included in the Stipulation.¹² The Commission finds that Delta's rate base should exclude these excess ADIT items, for a rate base increase of \$315,256 and a revenue requirement increase of \$20,649.

c. Remove Nicholasville Pipeline Rights-of-Way. In Delta's application, it requested a CPCN for a 17-mile pipeline in Nicholasville. Delta included \$1,750,299 in rate base for the acquisition of rights-of-way for this pipeline. Delta has since withdrawn its request for a CPCN due to filing deficiencies, but did not remove its forecasted capital expenditures. Based on the Commission's denial of Delta's deviation request for its CPCN application, Delta will now incur costs in 2022 for engineering and other pre-construction requirements, such as surveying. Delta estimated that \$1,084,251 of the \$1,750,299 will be spent on rights-of-way acquisition for the Nicholasville Project in

¹¹ Ostrander Direct Testimony at 73 and Exhibit BCO-2.2.

¹² Delta's response to Commission Staff's Post-Hearing Request for Information (Response to Staff's Post-Hearing Request) (filed Dec. 3, 2021), Item 27.

2022.¹³ The remaining \$666,048 will be spent on permitting, regulatory compliance, and other preliminary pre-construction activities for which a CPCN is not required.¹⁴ The Stipulation does not include the removal of rights-of-way acquisition. The Commission finds that the rights-of-way acquisition amounts should be removed because Delta has not yet filed or received approval for a CPCN for this pipeline, which results in a rate base reduction of \$1,084,251 and a revenue requirement reduction of \$103,374.

d. Cash Working Capital. Delta's proposed CWC of \$2,000,869 is based in the one-eighth method. Mr. Ostrander recommended setting CWC to \$0 as a compromise between the amount requested and the lead/lag study results of negative \$213,233. The Stipulation includes Mr. Ostrander's adjustment, revised to include the adjusted gross revenue conversion factor (GRCF) for a revenue requirement reduction of \$195,498. While the Commission will not further adjust Delta's CWC in this matter, we note that the objectively correct level of CWC is based on the results of a lead/lag study that does not include noncash items and balance sheet items. Acceptance of the adjustment proposed in the Stipulation shall not have any precedential value for future cases.

The Commission's adjustments to Delta's rate base are as follows:¹⁵

¹³ Response to Staff's Post-Hearing Request, Items 1 and 2.

¹⁴ *Id.*

¹⁵ Items in chart below not discussed above are part of the Stipulation.

Delta Capitalization Amount	\$ 138,921,565
Capitalization to Rate Base Reconciliation	<u>\$ (2,185,575)</u>
Delta's Adjusted Rate Base	\$ 136,735,990
Decrease excess ADIT per Delta correction	\$ 315,256
Remove accounts payable from prepaids and CWIP	\$ (131,383)
Remove Nicholasville pipeline ROW	\$ (1,084,251)
Remove Delta CWC and set to zero	<u>\$ (2,000,869)</u>
Total Rate Base Adjustments	<u>\$ (2,901,247)</u>
Adjusted Rate Base	<u>\$ 133,834,743</u>

2. Revenue and Expenses

a. Reduce Dues and Lobbying Expense. The Stipulation includes an adjustment to association dues to remove a percentage of those dues identified as associated with lobbying expenses, for a revenue requirement reduction of \$2,225.¹⁶ The Commission finds that Delta has not met its burden of proof that the proposed amount of association dues excludes all lobbying, regulatory advocacy, and public relations expenses.¹⁷ The amounts removed in the proposed forecasted test-year dues are simply the amounts identified on the invoices, which are not deductible for income tax purposes.¹⁸ This is not satisfactory to meet Delta's burden of proof that the proposed amounts are in accordance with Commission precedent. Therefore, with the exception of the dues paid to the Southern Gas Association (SGA), which does not engage in

¹⁶ Stipulation Exhibit 1.

¹⁷ Case No. 2003-00433, *An Adjustment of the Gas and Electric Rates, Terms, and Conditions of Louisville Gas and Electric Company* (Ky. PSC June 30, 2004), Order at 51. The Commission excluded portions of dues paid by the utility to a professional association. The amounts excluded were associated with legislative advocacy, regulatory advocacy, and public relations.

¹⁸ Rebuttal Testimony of Andrea Schroeder (filed Nov. 5, 2021) at 4. Removal of lobbying and political activities under Section 162(e) of the Internal Revenue Code.

lobbying, regulatory advocacy, or public relations activity,¹⁹ the Commission finds that the remainder of these dues should be excluded for ratemaking purposes, in the amount of \$70,771, which results in a revenue requirement reduction of \$71,164.

b. Remove Long-term Incentive Plan Expenses. Delta included \$49,989 of long-term incentive plan rewards in its forecasted test year.²⁰ While Delta stated that only 80 percent of its long-term incentive plan is awarded based on financial metrics, the remaining 20 percent is based on achievement of targeted operating and maintenance expenses.²¹ The Commission finds that incentive plans tied to financial metrics are not recoverable in rates and should be excluded, resulting in an expense reduction of \$39,991 and a revenue requirement reduction of \$40,213. The Commission notes that controlling operations and maintenance expenses based on reasonable targets is beneficial to ratepayers. However, the targets must be reasonable and appropriately set. Targets that are easily achieved serve no legitimate purpose and ultimately do not benefit ratepayers. Additionally, maintaining or reducing operating and maintenance expenses between rate cases only benefits ratepayers if those efforts are continued when the utility seeks a rate adjustment. Therefore, Delta should be prepared in its next rate case to demonstrate that this portion of its long-term incentive plan targets and payouts benefit ratepayers. If Delta

¹⁹ See Case No. 2021-00183, *Electronic Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates; Approval of Depreciation Study; Approval of Tariff Revisions; Issuance of a Certificate of Convenience and Necessity; and Other Relief*, (Ky. PSC Dec. 28, 2021) at 10.

²⁰ Delta's Response to Commission Staff's Second Request for Information (filed July 28, 2021) (Response to Staff's Second Request), Item 39(a).

²¹ Delta's Response to the Attorney General's First Request for Information (filed July 28, 2021), Item 79.

maintains its expense levels between rate cases only to increase them during a rate case, customers do not benefit from this portion of the long-term incentive plan.

c. Rate Case Expense. The Stipulation provided that Delta should be able to recover its actual rate case expense, amortized over three years, and included a placeholder adjustment based on Delta's rate case expense to date. Delta has since provided its final rate case expense of \$947,844,²² compared to its estimated expenses of \$630,000. Delta stated that its rate case expense includes \$505 related to Delta's reimbursement of employees' meals.²³ The Commission finds that meals for employees are not recoverable in base rates and will therefore disallow \$505 from Delta's rate case expense, for a total recoverable expense of \$947,339. Based on the three-year amortization of these expenses and the amounts already included in Delta's revenue requirement, the Commission finds that the test-year amortization is to be increased by \$105,780, which results in a revenue requirement increase of \$106,367.²⁴

d. Nonrecurring Charge Forecast. In forecasting its non-recurring charge revenues, Delta appears to have taken the actual non-recurring charge revenue for the period of September 2020 through March 2021 and added \$2,500 for the forecasted period of April 2021 through August 2021 to arrive at an amount of \$82,420, which is well below the nonrecurring charge revenue that Delta received for calendar years 2016

²² Delta's Supplemental Response to Commission Staff's First Request for Information, Item 12 (filed Dec. 14, 2021).

²³ Response to Staff's Post-Hearing Request, Item 26.

²⁴ Final Approved Rate Case Expenses:	\$947,339	3-year Amortization:	\$315,780
Rate Case Amount:	\$630,000	3-year Amortization:	\$210,000
Difference:	\$317,339		\$105,780

through 2020.²⁵ Delta argued that the forecasted nonrecurring charge revenues were representative of linear trends in nonrecurring charge revenue that Delta had experienced in recent years.²⁶ However, in reviewing those trend lines, calendar year 2020 is an obvious outlier that drags the trend line down much lower than it otherwise would be. Delta provided actual non-recurring charge revenue data for the period of April 2021 through October 2021.²⁷ While that information does not show nonrecurring charge revenue returning to its pre-pandemic levels, it does show a modest increase from Delta's forecasted amounts.

The Commission does not necessarily believe that the forecasted non-recurring charge revenue should be adjusted to pre-pandemic levels given the uncertainty of change. However, the Commission does believe the amount of forecasted nonrecurring charge revenue should be adjusted given the actual information Delta has filed in this proceeding. The Commission finds that the forecasted nonrecurring charge revenue should be reflective of the actual revenue for the period of November 2020 through October 2021. Therefore, the amount of forecasted nonrecurring charge revenue is increased from \$82,420 to \$148,368. As discussed in the section regarding Non-Recurring Charges below, the Commission finds that labor costs in the amount of \$108,582 should be removed from Non-Recurring Charge revenue. Reducing the revised forecasted non-recurring charge revenue by \$108,582 would result in forecasted non-recurring charge revenues of \$39,786, a \$42,634 reduction from Delta's original

²⁵ Response Staff's Second Request (filed Jul. 28, 2021), Item 58.

²⁶ Delta's response to Commission Staff's Fifth Request for Information (Response to Staff's Fifth Request) (filed Nov. 8, 2021), Item 15.

²⁷ Response to Staff's Post-Hearing Request (filed Dec. 3, 2021), Item 8.

forecasted amount. As a result, an increase to the Revenue Requirement for base rates that correspond with an equivalent decrease in Non-Recurring Charge Revenue is necessary. A chart containing a summary of the revenue requirement, as proposed in the Stipulation and as modified herein, is attached to this Order as Appendix C.

3. Return On Equity

In its application, Delta used multiple models to develop its ROE recommendation, including the Discounted Cash Flow (DCF) model, the Capital Asset Pricing Model (CAPM), the Risk Premium Model (RPM), and Comparable Earnings (CE).²⁸ The models were applied to two proxy groups: (1) eight natural gas utilities (DCF, RPM, and CAPM) and (2) 98 domestic, nonprice-regulated companies of comparable risk (CE).²⁹ The model results ranged from 10.50 percent to 12.51 percent, and Delta recommended an ROE of 10.95 percent, which included specific additional adjustments for leverage (difference between a company's market-value and book-value capital structures) and flotation costs.³⁰ However, Delta's recommended ROE is based upon the results of the DCF and RPM analyses only.³¹

The Attorney General was the only intervenor to provide expert witness testimony on ROE. The Attorney General's witness provided alternative ROE estimates using both the DCF model and the CAPM model as applied to the same natural gas utility proxy

²⁸ Application, Direct Testimony of Paul R. Moul at 3.

²⁹ *Id.* Attachment PRM-3 and Attachment PRM-15. The non-price regulated companies were selected from the Value Line Investment Survey according to the following criteria: Timeliness Rank, Safety Rank, Financial Strength, Price Stability, Value Line Betas, and Technical Rank

³⁰ *Id.* at 5, 31 and 35.

³¹ *Id.* at 5.

group as Delta.³² His application of the CAPM used both historical and forecasted risk premiums but was ultimately discarded.³³ The Attorney General's witness relied on the DCF results only to support his recommended ROE arguing that a considerable amount of judgement must be employed to determine the market return and expected risk premium elements in CAPM.³⁴ In addition, the CAPM requires a wide variety of data to estimate investor required returns, which leads to wide-ranging results.³⁵ Given the low risk nature of Delta's regulated natural gas business and investor expectations in the current low interest rates economic environment, the Attorney General recommended a 9.10 percent ROE based upon a range of 8.40 percent to 9.40 percent.³⁶ In addition, a 10-20 basis point reduction in the ROE was recommended for the PRP.³⁷

In the Stipulation, Delta and the Attorney General agreed that Delta's authorized ROE should be 9.30 percent for its natural gas base rates.³⁸ The parties stated that the

³² Direct Testimony of Richard A. Baudino at 3. Mr. Baudino eliminated Chesapeake Utilities Corporation from Delta's natural gas proxy group, consistent with his ROE testimonies in KY PSC Case Nos. 2021-00183 and 2021-00190; in all other regards, the proxy groups were identical. See Case No. 2021-00183, *Electronic Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates; Approval of Depreciation Study; Approval of Tariff Revisions; Issuance of a Certificate of Public Convenience and Necessity; and Other Relief* (Ky. PSC May 28, 2021); See also Case No. 2021-00190, *Electronic Application of Duke Energy Kentucky, Inc. For: 1) An Adjustment of the Natural Gas Rates; 2) Approval of New Tariffs, And 3) All Other Required Approvals, Waivers, and Relief* (Ky. PSC June 1, 2021).

³³ *Id.* at 25.

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.* at 3.

³⁷ *Id.* at 4.

³⁸ Stipulation and Recommendation, Section 1.2(A) at 3.

agreed-upon ROE represents a fair and reasonable compromise and is in line with other recently approved ROEs for similarly situated utilities.³⁹

The following table represents the recommended ROEs from Delta and the Attorney General and the methods used to support each recommendation:

<u>Party</u>	<u>Range</u>	<u>Recommendation</u>	<u>Methods</u>
Delta	10.50% - 12.51%	10.95%	DCF, CAPM, RPM, CE
Attorney General	8.40% - 9.40%	9.10%	DCF, CAPM

Stipulation

Base Rates: 9.30%

Recently, in Case Nos. 2019-00271,⁴⁰ 2020-00174,⁴¹ and 2020-00350,⁴² the Commission explained why it is appropriate for utilities to present, and for the Commission to evaluate, multiple methodologies to estimate ROEs. Each approach has its own strengths and limiting assumptions. As demonstrated in the respective ROE testimonies in this proceeding, there is a considerable variation in both data and application within each modeling approach, which can lead to very different results. The Commission's role

³⁹ Stipulation Testimony of John B. Brown (Brown Stipulation Testimony) (filed Nov. 9, 2021) at 4.

⁴⁰ See generally Case No. 2019-00271, *Electronic Application of Duke Energy Kentucky, Inc. for 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Assets and Liabilities; and 4) All Other Required Approvals and Relief*, (Ky. PSC Apr. 27, 2020).

⁴¹ See generally Case No. 2020-00174 *Electronic Application of Kentucky Power Company for (1) A General Adjustment of its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief*, (Ky. PSC Jan. 13, 2021).

⁴² See generally Case No. 2020-00350 *Electronic Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates, A Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit*, (Ky. PSC June 30, 2021).

is to conduct a balanced analysis of all presented models, while giving weight to current economic conditions and trends.

The Commission cautions all parties against unreasonably removing or ignoring “outlier” data due to a perception of being “too high” or “too low.” As demonstrated in testimony, there are a number of actions that can be and were taken into account for “outlier” or “unreasonable” data. Result-oriented exclusions of data, which are not beyond the realm of reasonableness, are inappropriate. Results based upon excluded data without adequate support will be given less weight in Commission determinations.

The Commission reiterates that it continues to reject the use of flotation cost adjustments, financial risk adjustments, size adjustments, and leverage adjustments in the ROE analyses. The Commission will accord most weight to DCF and CAPM analyses based upon regulated company proxy groups. Both the DCF and CAPM are both long-standing and well-accepted models that model risk and returns both implicitly and explicitly.

After consideration of the evidence, the Commission notes that the proposed stipulated ROE falls above what would have been authorized in the absence of the Stipulation and is not otherwise fair, just and reasonable when viewed in concert with the other Stipulation terms. The Commission finds that an ROE of 9.25 percent for Delta’s base rates and 9.175 percent for the pipeline replacement program is fair, just and reasonable. In reaching its determination, the Commission notes its recently awarded ROEs, and the primary difference between those matters and this one, namely, the absence of a settlement stay-out provision. The reduction in the ROE results in a revenue requirement reduction of \$1,599,337.

A summary of the Commission's adjustments to the Stipulation is included in Appendix C.

4. Revenue Allocation and Rate Design

Based on the concerns surrounding the recent spike in gas costs and the impact of increases on the residential customers, the Stipulation allocated the balance of the increase upon the percent of revenue allocated amongst the remaining classes, while capping the increase to the residential class at an amount not to equal or exceed 10 percent, including gas costs.⁴³ In keeping with the spirit of the Stipulation, the Commission will maintain the increase to the residential class as proposed and allocate the balance of the revenue increase based upon the percentage allocated to the remaining classes in the Stipulation. Per the Stipulation, the parties also agreed to a residential customer charge of \$24.00. The Commission recognizes that Delta will have the highest customer charge of the major Local Distribution Companies (LDCs). However, the Commission also recognizes that fixed costs can be higher for a utility that primarily serves rural customers such as Delta. Therefore, the Commission finds the proposed residential customer charge of \$24.00 to be reasonable.

5. Tariffs

a. Non-Recurring Charges. In Case No. 2020-00141,⁴⁴ the Commission found that the calculation of non-recurring charges should be revised because only the marginal costs related to the service should be recovered through special non-recurring charges

⁴³ *Id.*, at 14:38:44 and Hearing Video Transcript (HVT) of the November 16, 2021 hearing at 14:39:51.

⁴⁴ Case No. 2021-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020).

for service provided during normal work hours. In reaching that decision, the Commission found that personnel are paid for work during normal business hours regardless of whether they are on a field visit or not, and therefore labor costs included in non-recurring charges that occur during regular business hours should be eliminated. By reflecting only the marginal cost of service in non-recurring charges, Delta's rates will be more reflective of the principle of cost causation. Merely allocating a fixed expense of ordinary labor costs in special non-recurring charges like reconnect and collection charges creates a mismatch between how Delta incurs expenses and how it recovers those expenses from customers. Instead of reflecting fixed costs in special non-recurring charges that a utility incurs regardless of the number or timing of those non-recurring services, including those fixed costs in rates for gas service more closely aligns those expenses with the actions that drive them. This approach to ratemaking is entirely consistent with the Commission's history of ensuring that rates reflect, to a reasonable degree, the principle of cost causation while simultaneously taking into account the health of the utility and the ability of the utility to provide adequate, efficient and reasonable service.

As demonstrated by the evidence of record, Delta relies on employee labor to perform its non-recurring services.⁴⁵ Based on the information above and using the cost

⁴⁵ Response to Staff's Second Request (filed July 28, 2021), Item 4(b).

support provided in this proceeding, ⁴⁶ the Commission finds that the following revisions should be made to Delta's non-recurring charges.⁴⁷

	<u>Current Charge</u>	<u>Revised Charge</u>
Collection Charge	\$20.00	\$5.00
Reconnection Charge	60.00	9.00

Therefore, the Commission reduces the adjusted test-year non-recurring charge revenue by \$108,582 and Delta will receive this difference through its base rates.⁴⁸

b. Light Pilot Charge. Delta has been charging a Light Pilot Charge of \$35 per hour, with a minimum charge of one hour, to customers that request assistance in relighting gas appliances not in conjunction with a turn-on, meter rotation, or restoration of service. Delta does not charge the fee if the relighting of gas appliances is in conjunction with a turn-on, meter rotation, or restoration of service.⁴⁹ The Light Pilot Charge has not been included in Delta's tariff, but Delta indicated that it would be willing to put the charge in its tariff if the Commission preferred.⁵⁰ The Commission finds that this charge would meet the definition of a nonrecurring charge found in 807 KAR 5:006, Section 1(6), which defines a nonrecurring charge as:

⁴⁶ *Id.*, Item 4(a); Delta's response to Commission Staff's Third Request for Information (filed Sept. 8, 2021) (Response to Staff's Third Request), Item 16; Delta's response to Commission Staff's Fourth Request for Information (filed Oct. 8, 2021) (Response to Staff's Fourth Request), Item 6.

⁴⁷ The Commission made no revisions to Delta's request test charge as it is rarely charged. The Commission also made no revisions to the bad check charge as the charge is less than the fees charged to Delta by the bank.

⁴⁸ Based on the revised forecasted nonrecurring charge revenue discussed above, the forecasted period would include 2,132 collection fee assessments and 1,502 reconnection fee assessments. \$15 (reduction to collection fee) multiplied by 2,132 occurrences = \$31,980; \$51 (reduction to reconnection fee) multiplied by 1,502 occurrences = \$76,602. \$31,980 plus \$76,602 = \$108,582.

⁴⁹ Response to Staff's Third Request (filed Sept. 8, 2021), Item 21(a).

⁵⁰ *Id.*

a charge or fee assessed to a customer to recover the specific cost of an activity, which:

- (a) Is due to a specific request for a certain type of service activity for which, once the activity is completed, additional charges are not incurred; and
- (b) Is limited to only recover the specific cost of the specific service.

Commission regulation 807 KAR 5:006, Section 9(2), requires nonrecurring charges to be included in a utility's tariff. Therefore, the Commission finds that Delta should add the Light Pilot Charge to its tariff.

KRS 278.160(2) states that "[n]o utility shall charge, demand, collect or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater or less than that prescribed in such schedules." In addition, 807 KAR 5:026, Section 9(2), requires that any nonrecurring, customer specific charge must be included in the tariff. As Delta's tariff does not currently include the Light Pilot Charge, Delta appears to be in violation of KRS 278.160(2) and 807 KAR 5:026, Section 9(2). The Commission will open a separate proceeding to investigate Delta's alleged violation of KRS 278.160(2) and 807 KAR 5:026, Section 9(2).

c. Information Required to Confirm Prospective Customer Identity. In order to confirm the identity of prospective customers, Delta requires the following information: Name; Complete Social Security Number, last four digits of Social Security Number, or Driver's License Number; and Photo ID.⁵¹ Currently, Delta's tariff does not indicate that this information is required. KRS 278.160(1) requires that conditions for service be included in a utility's tariff. Therefore, the Commission finds that the following language

⁵¹ Response to Staff's Fourth Request (filed Oct. 8, 2021), Item 2(a).

should be included in the Application for Service section of Delta's tariff: "To confirm the identity of prospective customers, Delta requires the following information: Name; Complete Social Security Number, last four digits of Social Security Number, or Driver's License Number. In addition, when service is turned on, the prospective customer will be required to present photo identification, or an alternate form of identification for someone who does not have photo identification, confirming his or her identity." The Kentucky Legislature passed Senate Bill 2, which requires photo ID in order to vote, in the 2020 General Assembly Regular Session. For those who cannot obtain or do not have a photo ID, the new law allows the presentation of the following: Social Security Card; any identification issued by a county in Kentucky that has been approved by the State Board of Elections and shows the prospective customer's name; any food stamp identification card, electronic benefit transfer card, or supplemental nutrition assistance card issued by Kentucky that shows the prospective customer's name; or a credit or debit card that shows the prospective customer's name.⁵² The Commission finds that any of the alternate forms of identification above should be acceptable to Delta to fulfill its photo identification requirement.

d. PRP. Delta's application contained a proposal to roll the PRP into base rates and reset the monthly charge to \$0. In addition, Delta proposed to modify the PRP to operate on a forecasted basis to align with the use of a forecasted test year applied in the current rate case. Under the proposed modification, Delta will submit a filing by October 15 of each year updating its projected costs for the subsequent year and submit a balancing adjustment by March 31 to true-up the actual costs for the most recent 12-

⁵² KRS 117.228(2).

month period ended December 31. Delta also proposed to file by March 31, 2022, any over- or under-recoveries from the normal operation of the current PRP for 2021 to be recovered beginning in May 2022. The Stipulation permitted rolling into base rates the existing revenue requirement associated with the PRP and resetting the monthly charge to \$0.

The Commission cautions Delta to remember that the PRP rider is not a “catch all” and to be selective and prudent as to what is filed for inclusion in the PRP rider. The Commission encourages Delta to balance customers and capital spend, especially with the recent increase in gas costs and economic challenges. The Commission approves the roll in of the PRP into base rates in this preceding. The Commission instructs Delta to alter the PRP from a per meter charge to a volumetric charge moving forward. Further, the Commission recognizes that capital spend is Delta’s greatest expense and believes depicting the PRP and its associated spend as a separate line item on the customer’s bill allows for transparency. Therefore, in Delta’s next base rate case, if Delta proposes to roll the PRP into base rates, it is to file testimony demonstrating why this treatment is appropriate. The Commission denies Delta’s request to file a true-up adjustment for any over- or under-recoveries realized in 2021, as such revenues and expenses are now included in rate base; therefore, a true-up filing would be inappropriate.

e. Farm Taps. Delta began offering farm-tap service when it acquired the assets of Peoples Gas Company of Kentucky, a subsidiary of the Wisser Oil Company (Wisser).⁵³ This purchase included a natural gas distribution company along with farm-tap

⁵³ Delta’s Post-Hearing Brief (filed Dec 13, 2021), at 11. See *also* Response to Staff’s Fifth Request, Item 1.

customers along Wisser's natural gas transmission pipelines.⁵⁴ Delta later contracted with Wisser to provide gas service to a portion of Wisser's farm-tap customers on a gathering line that Wisser retained.⁵⁵ Wisser was subsequently purchased by Columbia Natural Resources (CNR) and Delta, wishing not to abandon the customers on Wisser's former gathering line, entered into a Contract for Gas Sales and Delivery Service with CNR, providing for the transport of gas along CNR's gathering line.⁵⁶ This contract included a mechanism by which Delta may connect customers to CNR's gathering line; however, CNR has the right to refuse any new customer connections.⁵⁷ After several ownership transfers, the former Wisser assets, which were acquired by CNR, are currently owned by Vinland Energy.⁵⁸

As noted in the final Order of Case No. 2000-00468,⁵⁹ the customers on CNR's line were neither farm-tap customers, since Delta does not own the gathering line and has no farm-tap tariff, nor retail customers as contemplated by Delta's tariff. Subsequently, Delta filed tariff revisions that delineated the rights and service expectations of its customers located on CNR's gathering lines and revised the service application for those customers. Delta did not establish a separate rate for these customers and averred that doing so would present complications that outweighed any

⁵⁴ *Id.* at 12.

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.* at 14.

⁵⁹ Case No. 2000-00468, *Charles B. Gregory vs. Delta Natural Gas Company, Inc.* (Ky. PSC Nov. 28, 2001).

benefits. The Commission subsequently ruled that Delta did not need a separate rate for these customers.⁶⁰ Hence, Delta has not proposed a farm-tap rate until now in response to the Commission's Order in Case No. 2020-00346⁶¹ in which the Commission approved the transfer of control of Peoples Gas KY LLC (Peoples KY) to Delta. In Case No. 2020-00346, the Commission noted that Delta's tariff does not provide a separate rate schedule for farm-tap customers, and although the Commission's Order in Case No. 2000-00468 set forth rules for whether a tariff was required, the merger of Delta and Peoples KY significantly increased the number of farm-tap customers and the issue of whether the residential rate paid by Delta's farm-tap customers are fair, just and reasonable.

The farm-tap customers are not supplied from wells in which Delta has ownership interest.⁶² Delta described three tranches of customers that are served from lines other than Delta's distribution lines that deliver gas to retail customers.⁶³ Tranche One are served from Delta's transmission lines, high-pressure distribution lines, or gathering lines. Delta maintained that the service provided for this tranche of customers mirrors the service provided for customers on Delta's distribution lines.⁶⁴ Therefore, Delta is not proposing to serve these customers under the proposed farm-tap tariff.⁶⁵ Tranche Two customers are those customers who are served from Vinland Energy's lines. Delta

⁶⁰ *Id.*, Order (Ky. PSC Feb. 25, 2002).

⁶¹ Case No. 2020-00346, *Electronic Application of Essential Utilities, Inc., PNG Companies LLC, Peoples Gas KY LLC, and Delta Natural Gas Company, Inc. for (1) A Declaratory Order and (2) Increase in Rates for Peoples Gas KY LLC* (Ky. PSC Feb. 27, 2020).

⁶² Response to Staff's Fifth Request, Item 3.

⁶³ *Id.*

⁶⁴ Delta's Post-Hearing Brief at 11.

⁶⁵ *Id.*

classifies these customers as farm-tap customers because Vinland Energy owns the lines, and customers are subject to service discontinuance should the gas supplier lose its supply or terminate the arrangement with Delta.⁶⁶ Furthermore, because Delta does not own the line, operation and maintenance expense is different from the lines it owns. Tranche Three customers are the former Peoples KY customers.⁶⁷ Here, the gas supplier and owner of the lines is Diversified Southern Production, so the arrangement is similar to that of Tranche Two.⁶⁸

As Delta notes in its Post-Hearing Brief, the term “farm-tap” does not appear in the statute establishing the service commonly referred to as farm-tap service.⁶⁹ KRS 278.485, in relevant part, reads:

Every gas pipeline company obtaining gas from producing wells located within this state, upon request of the owner of the property over which any producing well or gas gathering pipeline is located or the owner of real estate whose property and point of desired service is located within one-half air-mile of said company’s producing gas well or gas gathering pipeline, shall furnish gas service to such owner and applicant.

The language of KRS 278.485 speaks to the rights owners of real property within one-half air-mile of a producing well or gas-gathering line, and the obligation of the pipeline company operating a producing well or gas-gathering line in Kentucky to provide service to the owners of such real property. The statute is void of any mention of contractual agreements to provide natural gas service that might occur between a

⁶⁶ *Id.* at 11–14.

⁶⁷ *Id.* at 14.

⁶⁸ *Id.* at 14–15.

⁶⁹ KRS 278.485.

property owner situated as provided for in the statute and a utility such as an LDC, and the operator of the well or gathering line. The statute clearly contemplates two parties involved in a farm-tap service arrangement (the operator of the well or gathering line and the customer situated as provided for in the statute), not three parties, i.e., the customer situated as provided for in the statute, the operator of the gathering line or well, and a utility agreeing to purchase gas from the operator of the well or gathering line and to provide service to the customer.

Delta maintained that the Commission has authorized utilities to provide farm-tap service through arrangements that are outside of what is outlined in KRS 278.485.⁷⁰ Delta noted that farm taps allow rural residents the ability to receive natural gas where none would otherwise be available.⁷¹ Delta emphasized that the utility focuses on safety of farm taps and performs the service in accordance with the orders issued by the Commission.⁷² Delta defines farm-tap customers as those that are served from infrastructure other than Delta's distribution system and for which Delta cannot backfill if

⁷⁰ Delta's Post Hearing Brief at 15–19. Delta cites its arrangement with the customers served by the Vinland line and its service to former Peoples KY customers, as well as Commission approved arrangements involving other utilities such as Kentucky Frontier Gas Company, LLC (Kentucky Frontier), and Louisville Gas and Electric Company (LG&E), and Columbia Gas of Kentucky, Inc. (Columbia Kentucky); Case No. 2008-00394, *The Application of Kentucky Frontier Gas, LLC for Approval of Financing and Transfer of Control* (Ky. PSC Nov. 25, 2008). The Commission approved Kentucky Frontier's application to transfer to Kentucky Frontier the right to serve certain farm-tap customers of Alert Gas; LG&E Tariff, PSC. Gas No. 13, Original Sheet No. 98.2, LG&E's tariff permits it to serve customers from high pressure mains, gas transmission mains and storage gathering lines; Columbia Kentucky Tariff, PSC Ky. No. 5, Original Sheet No. 63, Columbia Kentucky also has a tariff provision permitting it to serve customers from its transmission and high pressure pipelines. Delta does not maintain that the provisions in LG&E and Columbia Kentucky's tariffs are examples of permitting farm-tap operations outside of KRS 278.485, but that those tariff provisions of LDCs having in place service arrangements beyond those of traditional retain service.

⁷¹ Delta's Post-Hearing Brief at 10.

⁷² *Id.*

there is a loss of supply, such as those customers in Tranches Two and Three.⁷³ Delta maintained that the arrangements made for service to Tranche Two and Tranche Three customers may appear to be difficult to reconcile with KRS 278.485, as the statute imposes service obligations on pipeline companies, not utilities. Delta claimed that the Commission describes “farm-tap” to be a broader class of service and includes those customers who are served from lines that are not part of the utility’s distribution system as “farm-tap.”⁷⁴

Delta urged the Commission not to depart from its prior conclusions and approval of Delta’s farm-tap operations. Delta noted that it is unable to incorporate either system associated with Tranches Two or Three into its distribution network, as there are no sources of gas reasonably close to allow Delta to provide gas service to either Diversified or Vineland’s lines.⁷⁵ Delta further noted that, if Delta is required to treat its farm-tap customers as retail customers, Delta would be forced to consider abandonment proceedings.⁷⁶

f. Unified Gas Cost Recovery Mechanism. On March 31, 2021, the transfer of ownership of Peoples KY to Delta was consummated following the closing of Case No. 2020-00346.⁷⁷ In that acquisition case, Delta proposed, and the Commission approved, maintaining the separate Gas Cost Recovery (GCR) mechanisms for Delta and former

⁷³ *Id.* at 15.

⁷⁴ *Id.* at 16.

⁷⁵ *Id.* at 18.

⁷⁶ *Id.* at 19.

⁷⁷ Case No. 2020-00346, *Electronic Application of Essential Utilities, Inc., PNG Companies LLC, Peoples Gas KY LLC, and Delta Natural Gas Company, Inc. for (1) a Declaratory Order and (2) Increase in Rates for Peoples Gas KY LLC.* (Ky. PSC Feb. 27, 2020).

Peoples KY customers.⁷⁸ In the current application, Delta requested a unified GCR for the Delta and former Peoples KY customers in order to eliminate customer confusion and to minimize the amount of filings to the Commission.⁷⁹ Delta provided to the Commission an example of its unified GCR rate report, its proposed timeline for filing the unified GCR report and future reports, implementation of its GCR rate components, and the current gas supplier contracts for Delta and former Peoples KY customers.

The Commission approves the implementation of a unified GCR mechanism for Delta and former Peoples KY customers. The Commission finds that Delta should file its first unified GCR rate report no later than March 25, 2022, for rates to be effective April 25, 2022. This filing will establish an Expected Gas Cost (EGC) for the combined system. The GCR rate report will include a combined EGC including both systems expected gas cost with a list of suppliers, the expected rates, and 12 months of historical Mcf sales and purchase volume information for the combined system for the reporting period. Additionally, the unified GCA report should include any invoices received from the gas suppliers for each month following the acquisition, plus all other gas purchase invoices received by each of the systems in the remainder of the 12-month ended reporting period.

The unified GCA report will include only the combined system's EGC in the calculation of the GCR rate. The subsequent Actual Cost Adjustment (ACA) and Balancing Adjustment (BA) will be implemented in future unified GCA filings. The first Actual Cost Adjustment to track under- and over-recoveries for the combined system will be included in Delta's GCA report for rates effective October 24, 2022.

⁷⁸ *Id.* at 7.

⁷⁹ Brown Direct Testimony at 14.

The Commission finds that the unified GCR report format, calendar quarters, and reporting periods should be based on the current GCR report used by Delta and contained in its Tariff. The meter reading and billing cycles for the former Peoples KY customers should be modified to match those specified in Delta's Tariff.

g. Farm-Tap Change of Ownership Language/Turn-On Fee. Delta's proposed tariff filed with its application included a provision that indicated that in the event of a transfer of ownership, continuance of service would be permitted upon remittance of payment of the existing account balance from the previous owner, and that a \$25.00 turn-on fee may apply.⁸⁰ In the Stipulation, Delta removed this language from the farm-tap section of the tariff.⁸¹ Delta later indicated that it would still charge the \$25.00 farm-tap turn-on fee for reconnections arising from disconnections for violation of the tariff or Commission regulations and instances in which a customer voluntarily disconnects service and later requests reconnection.⁸² Delta's proposal to remove the farm-tap change of ownership language from the proposed tariff is reasonable and should be approved. The Commission also finds that the \$25.00 farm-tap turn-on fee is reasonable and should be approved for reconnections arising from disconnections for violation of the tariff or Commission regulations and instances in which a customer voluntarily disconnects service and later requests reconnection.

⁸⁰ Application, Tab 4, page 10 of 50.

⁸¹ Stipulation Testimony of John B. Brown, page 6, lines 6–10.

⁸² Response to Staff's Post-Hearing Request (filed Dec. 3, 2021), Item 25.

h. Collection of Un-tariffed Farm Tap Charges. Peoples Gas KY LLC was transferred to Delta on March 31, 2021, in accordance with Case No. 2020-00346.⁸³ Since that time, Delta has been charging a farm-tap installation fee of \$150.00 and a farm-tap turn-on fee of \$25.00, which are not currently included in Delta's tariff on file with the Commission. For the period of April 2021 to October 2021, Delta has collected \$2,750 in relation to those untariffed fees.⁸⁴ KRS 278.160(2) states that "[n]o utility shall charge, demand, collect or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater or less than that prescribed in such schedules." In addition, 807 KAR 5:026, Section 9(2), requires that any nonrecurring, customer specific charge must be included in the tariff. As Delta's tariff does not currently include these charges, Delta appears to be in violation of KRS 278.160(2) and 807 KAR 5:026, Section 9(2). The Commission will investigate Delta's alleged violation of KRS 278.160(2) and 807 KAR 5:026, Section 9(2), in regards to the farm-tap charges, as well as the Light Pilot Charge in a separate proceeding.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Delta are denied.
2. The Stipulation, attached to this Order as Appendix A (without exhibits), is approved with the modifications discussed in this Order.

⁸³ Case No. 2020-00346, *Electronic Application of Essential Utilities, Inc. PNG Companies LLC, Peoples Gas KY LLC, and Delta Natural Gas Company, Inc. for (1) a Declaratory Order and (2) Increase in Rates for Peoples Gas KY LLC.*

⁸⁴ Response to Staff's Post-Hearing Request (filed Dec. 3, 2021), Item 8.

3. The rates and charges as set forth in Appendix B to this Order are approved as fair, just and reasonable rates for Delta, and these rates and charges are approved for service on and after January 4, 2022.

4. Delta's collection charge shall be reduced to \$5.00.

5. Delta's reconnection charge shall be reduced to \$9.00.

6. Delta's Light Pilot Charge is approved at \$35.00 per hour, with a minimum charge of one hour, and shall be included in Delta's tariff.

7. Delta shall include the following language in the Application for Service section of its tariff: "To confirm the identity of prospective customers, Delta requires the following information: Name; Complete Social Security Number, last four digits of Social Security Number, or Driver's License Number. In addition, when service is turned on, the prospective customer will be required to present photo identification, or an alternate form of identification for someone who does not have photo identification, confirming his or her identity."

8. Delta shall accept any of the following forms of identification to fulfill its photo identification requirement: Social Security Card; any identification issued by a county in Kentucky that has been approved by the State Board of Elections and shows the prospective customer's name; any food stamp identification card, electronic benefit transfer card, or supplemental nutrition assistance card issued by Kentucky that shows the prospective customer's name; or a credit or debit card that shows that prospective customer's name.

9. Delta's proposal to remove the farm-tap change of ownership language from the proposed tariff is approved.

10. Delta's proposed farm-tap turn-on fee of \$25.00 is approved.
11. Within 20 days of the date of this Order, Delta shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates, charges, and modifications approved or as required herein and reflecting their effective date and that they were authorized by this Order.
12. Delta shall establish a volumetric charge for its PRP Rider.
13. In its next base rate case, Delta shall provide testimony demonstrating why the PRP Rider should be rolled into base rates.
14. Delta shall file its first unified GCR rate report no later than March 25, 2022, for rates to be effective April 25, 2022.
15. The unified GCR rate report shall contain a combined EGC including both systems expected gas cost with a list of suppliers, the expected rates, and 12 months of historical Mcf sales and purchase volume information for the combined system for the reporting period, any invoices received from the gas suppliers for each month following the acquisition, and all other gas purchase invoices received by each of the systems in the remainder of the 12-month ended reporting period.
16. The unified GCA report shall include only the combined system's EGC in the calculation of the GCR rate.
17. The subsequent ACA and BA shall be implemented in future unified GCA filings.
18. The first ACA to track under- and over-recoveries for the combined system shall be included in Delta's GCA report for rates effective October 24, 2022.

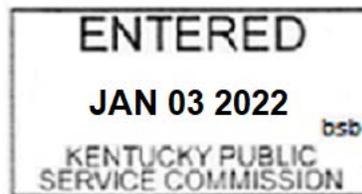
19. The unified GCR report format, calendar quarters and reporting periods shall be based on the current GCR report used by Delta and contained in its Tariff.

20. The meter reading and billing cycles for the former Peoples KY customers shall be modified to match those specified in Delta's Tariff.

21. This case is closed and removed from the Commission's docket.

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By the Commission



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00185 DATED JAN 03 2022

SEVENTY PAGES TO FOLLOW

STIPULATION AND RECOMMENDATION

This Stipulation and Recommendation (“Stipulation”) is entered into this 9th day of November 2021 by and among Delta Natural Gas Company, Inc. (“Delta”) and the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (“AG”). Delta and the AG are collectively described as the “Parties.”

W I T N E S S E T H:

WHEREAS, on May 28, 2021, Delta filed with the Kentucky Public Service Commission (“Commission”) its Application, *In the Matter of: Electronic Application of Delta Natural Gas Company, Inc. for an Adjustment of Its Rates and a Certificate of Public Convenience and Necessity* (“Delta’s Application”), and the Commission has established Case No. 2021-00185 to review Delta’s Application, in which Delta requested a revenue increase of \$9,135,170 million (“Case”);

WHEREAS, the AG has participated as a full intervenor in Case No. 2021-00185;

WHEREAS, an in-person meeting for the purpose of discussing settlement and the text of this Stipulation, attended by representatives of the Parties took place on October 28, 2021, during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in the Case;

WHEREAS, a second an in-person meeting for the purpose of discussing settlement and the text of this Stipulation, attended by representatives of the Parties and Commission Staff took place on November 4, 2021, during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in the Case;

WHEREAS, the Parties hereto unanimously desire to settle all the issues pending before the Commission in the Case;

WHEREAS, it is understood by all Parties hereto that this Stipulation is subject to the approval of the Commission, insofar as it constitutes an agreement by the Parties for settlement, and, absent express agreement stated herein, does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended adjustments to Delta's rates, terms, or conditions;

WHEREAS, the Parties agree that this Stipulation, viewed in its entirety, is a fair, just, and reasonable resolution of their issues resolved in this Stipulation; and

WHEREAS, the Parties believe sufficient and adequate data and information in the record of these proceedings support this Stipulation, and further believe the Commission should approve it without modifications or conditions; and

NOW, THEREFORE, for and in consideration of the promises and conditions set forth herein, the Parties hereby stipulate and agree as follows:

ARTICLE I. REVENUE REQUIREMENTS

1.1. Stipulated Items Used to Adjust Revenue Requirements. The Parties stipulate the following adjustments to the annual revenue used to determine the base rate increase. For purposes of determining fair, just and reasonable rates for Delta in this Case the Parties stipulate the adjustments below. The overall base rate revenue requirement increases resulting from the stipulated adjustments is \$5,645,767. The Parties stipulate that increases in annual revenues for Delta should be effective for service rendered on and after January 1, 2022.

1.2. Items Reflected in Stipulated Revenue Requirement Increase. The Parties agree that the stipulated revenue requirement increase described in Section 1.1 was calculated by beginning with Delta's revenue requirement increase as presented and supported by Delta as subsequently adjusted by Delta's update filings and adjusting them as described further in this section. The Parties ask and recommend the Commission accept these adjustments as reasonable without modification:

(A) **Return on Equity.** The Parties stipulate a return on equity of 9.30% for Delta, and the stipulated revenue requirement increase provided above for Delta's operations reflect that return on equity as applied to Delta's rate base and capital structure underlying their originally proposed revenue requirement increases as subsequently adjusted by Delta's update filings and this Stipulation. Use of a 9.30% return on equity reduces Delta's revenue requirement increases by \$1,533,605.

(B) **Depreciation Rates.** The Parties stipulate to the use of depreciation rates proposed by Delta in their Application.

(C) **Rate Base.** The Parties stipulate that the revenue requirement is calculated on a rate base method in the amount of \$134,688,776.

1.3. Summary Calculation of Revenue Requirement Increase. The table below shows the calculation of the stipulated revenue requirement increases as adjusted from the revenue requirement increases requested in Delta’s Application:

Item	(\$M)
Revenue Requirement in Application	9.135
Revenue Requirement in Base Period Update	7.424
9.30% Return on Equity	(1.534)
Reset Cash Working Capital to \$0	(.195)
Reclassify 1.76% of long-term debt to short-term debt	(.049)

A complete presentation of the revenue requirement and summary of the adjustments agreed to by the Parties is attached as Stipulation Exhibit 1.

ARTICLE II. REVENUE ALLOCATION AND RATE DESIGN

2.1. Revenue Allocation and Rate Design. The Parties hereto agree that the allocation of the increases in annual revenues and the rate design for Delta, as set forth on the schedule designated Stipulation Exhibit 2 attached hereto, are fair, just, and reasonable.

2.2. Tariff Sheets. The Parties hereto recommend to the Commission that, effective January 1, 2022, Delta shall implement the tariff sheets in Stipulation Exhibit 3 attached hereto.

2.3. Residential Customer Charge. As set forth in Stipulation Exhibit 2, the customer charge for residential service shall increase by \$3.30 from \$20.70 to \$24.00, which is a reduction from the original proposed customer charge of \$29.03.

2.4. TREATMENT OF CERTAIN SPECIFIC ISSUES

2.5. Withdraw of Request for CPCN. The Parties agree to Delta withdrawing its request for Certificate of Public Convenience and Necessity (“CPCN”) to construct a pipeline to

provide a second supply feed into the Nicholasville and Wilmore systems. Delta's withdrawal is without prejudice, as Delta plans to file a separate proceeding for a CPCN in 2022.

2.6. Rate Case Expense. The Parties agree that Delta should recover its actual rate case expense, to be determined by Delta's final monthly update to be filed on or before December 15, 2021, over a three-year period, without carrying charges, and may be deferred, amortized and recovered beginning on the effective date of the revised tariffs.

2.7. Pipe Replacement Program. The Parties agree that the existing revenue requirement associated with Delta's Pipe Replacement Program tariff will be rolled into and included in base rates and the Pipe Replacement Program charge shall be reset to \$0 upon the effective date of Delta's new base rates and that Delta's proposed revisions to the tariff should be approved.

2.8. Capital Structure. The Parties agree that the capital structure on which the revenue requirement is calculated is: 51.72% equity, 46.52% long-term debt, and 1.76% short-term debt.

2.9. All Other Relief Requested by Delta to Be Approved as Filed. The Parties recommend to the Commission that, except as modified in this Stipulation and the exhibits attached hereto, all other relief requested in the Delta's filings in this Rate Proceeding, including without limitation all rates, terms, conditions, and deferral accounting, should be approved as filed or as later corrected or amended by Delta in responses to data requests.

ARTICLE III. MISCELLANEOUS PROVISIONS

3.1. Except as specifically stated otherwise in this Stipulation, entering into this Stipulation shall not be deemed in any respect to constitute an admission by any of the Parties that

any computation, formula, allegation, assertion or contention made by any other party in this Rate Proceeding is true or valid.

3.2. The Parties agree that the foregoing Stipulation represents a fair, just, and reasonable resolution of the issues addressed herein and request that the Commission approve the Stipulation.

3.3. Following the execution of this Stipulation, the Parties shall cause the Stipulation to be filed with the Commission on or about November 9, 2021, together with a request to the Commission for consideration and approval of this Stipulation for rates to become effective for service rendered on and after January 1, 2022.

3.4. This Stipulation is subject to the acceptance of, and approval by, the Commission. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. The Parties commit to notify immediately any other Party of any perceived violation of this provision, so the Party may have an opportunity to cure any perceived violation, and all Parties commit to work in good faith to address and remedy promptly any such perceived violation. In all events, counsel for all Parties will represent to the Commission that the Stipulation is a fair, just, and reasonable means of resolving all issues in these proceedings that are the subject of this Stipulation and will clearly and definitively ask the Commission to accept and approve the Stipulation as such.

3.5. If the Commission issues an order adopting this Stipulation in its entirety and without additional conditions, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such order.

3.6. If the Commission does not accept and approve this Stipulation in its entirety, then any adversely affected Party may withdraw from the Stipulation within the statutory periods provided for rehearing and appeal of the Commission's order by (1) giving notice of withdrawal to the other Party and (2) timely filing for rehearing or appeal. If any Party timely seeks rehearing of or appeals the Commission's order, all Parties will continue to have the right to withdraw until the conclusion of all rehearings and appeals. Upon the latter of (1) the expiration of the statutory periods provided for rehearing and appeal of the Commission's order and (2) the conclusion of all rehearings and appeals, all Parties that have not withdrawn will continue to be bound by the terms of the Stipulation as modified by the Commission's order.

3.7. If the Stipulation is voided or vacated for any reason after the Commission has approved the Stipulation, none of the Parties will be bound by the Stipulation.

3.8. The Stipulation shall in no way be deemed to affect or diminish the jurisdiction of the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

3.9. The Stipulation shall inure to the benefit of and be binding upon the Parties hereto and their successors and assigns.

3.10. The Stipulation constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations, or agreements made prior hereto or contemporaneously herewith shall be null and void and shall be deemed to have been merged into the Stipulation.

3.11. The Parties agree that, for the purpose of the Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

3.12. The Parties agree that neither the Stipulation nor any of its terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein, the approval of this Stipulation, or a Party's compliance with this Stipulation. This Stipulation shall not have any precedential value in this or any other jurisdiction.

3.13. The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Stipulation and based upon the foregoing are authorized to execute this Stipulation on behalf of their respective Parties.

3.14. The Parties agree that this Stipulation is a product of negotiation among all Parties hereto, and no provision of this Stipulation shall be strictly construed in favor of or against any Party. Notwithstanding anything contained in the Stipulation, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of the Delta is unknown and this Stipulation shall be implemented as written.

3.15. The Parties agree that this Stipulation may be executed in multiple counterparts.

[Signature Pages Follow]

APPENDIX A: LIST OF STIPULATION EXHIBITS

Stipulation Exhibit 1:	Revenue Requirement and Summary of Adjustments
Stipulation Exhibit 2:	Revenue Allocation and Rate Design Schedules
Stipulation Exhibit 3:	Tariff

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

Delta Natural Gas Company, Inc.

HAVE SEEN AND AGREED:

By:  _____

Attorney General for the Commonwealth of
Kentucky, by and through the Office of Rate
Intervention

HAVE SEEN AND AGREED:

By:  _____
J. Michael West
John G. Horne II

Delta 2021 Rate Case
Stipulated Revenue Requirement and Adjustments

Stipulation Exhibit 1

Post Filing Version	Amount	Adjustment Line Item	Tax Impact	Revenue	Net Reduction	Net		Check Figure
				Requirement Impact		Increase Requested by Delta	Net Proposed Reduction	
					AG			
AS FILED			2,512,596	9,135,170				
01 To Correct Operating Income Formula	148,331	Revenue	49,312	197,644			197,644	197,644
02 Tax Adjustments	(1,034,152)	Taxes	(1,034,152)	(1,027,568)	(1,027,568)			(1,027,568)
03 Non-Recurring IT	(275,508)	Operating Expense	(1,080)	(279,837)	(279,837)			(279,837)
04 Pension Actuarial Update	(377,671)	Operating Expense	(1,480)	(383,604)	(383,604)			(383,604)
05 SERP Expense	(237,779)	Operating Expense	(932)	(241,514)	(241,514)			(241,514)
06 Remove AP in Prepaids and CWIP	(131,383)	Rate Base	(3,381)	(13,552)	(13,552)			(13,552)
07 Affiliate Payroll	(59,370)	Operating Expense	(233)	(60,302)	(60,302)			(60,302)
08 Estimated Rate Case Expense Increase	90,000	Operating Expense	353	91,413		91,413		91,413
09 Lobbying and Dues	(2,191)	Operating Expense	(9)	(2,225)	(2,225)			(2,225)
10 Add Uncollect and PSC to GU	8,446	Taxes	8,446	8,446	8,446	-		8,446
Subtotal			1,529,440	7,424,071	(2,000,156)	289,057		(1,711,099)
11 Reset cash working capital to 0	(1,893,053)	Rate Base	(48,980)	(195,498)	(195,498)			(195,498)
12 Reclassify 1.76% debt from LT to ST	(51,230)	Interest	508	(49,201)	(49,201)			(49,201)
13 Reduce return on equity from 10.95% to 9.3%	(1,149,378)	Return on Rate Base	(384,226)	(1,533,605)	(1,533,605)			(1,533,605)
14 Increase GCR to current rate	1,514,037	Gas Cost	-	-	-			-
Total			<u>1,096,742</u>	<u>5,645,767</u>	<u>(3,778,460)</u>	<u>289,057</u>		<u>(3,489,403)</u>
				<u>61.8%</u>				<u>38.2%</u>

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: BASE PERIOD FORECAST PERIOD
TYPE OF FILING: ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S):

SCHEDULE M 2.1
Witness: W.S. Seelye
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	Total Revenue at Current Rates	Total Revenue at Proposed Rates	Change in Total Revenue	Percent Change
Residential	\$ 23,486,718	\$ 25,821,240	\$ 2,334,522	9.94%
Small Non-Residential	\$ 7,232,112	\$ 8,266,989	\$ 1,034,876	14.31%
Large Non-Residential	\$ 11,978,224	\$ 13,800,425	\$ 1,822,201	15.21%
Interruptible Service	\$ 2,127,828	\$ 2,127,804	\$ (24)	0.00%
Special Contracts	\$ 354,922	\$ 444,761	\$ 89,839	25.31%
Farm Tap	\$ 2,866,391	\$ 2,914,546	\$ 48,155	1.68%
Off-System Transportation	\$ 2,699,723	\$ 3,015,933	\$ 316,210	11.71%
Subtotal	\$ 50,745,919	\$ 56,391,698	\$ 5,645,779	11.13%
Other Operating Revenues:				
Miscellaneous Service Revenues	\$ 82,420	\$ 82,420	\$ -	0.0%
Total	\$ 50,828,339	\$ 56,474,118	\$ 5,645,779	11.1%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
AVERAGE BILL COMPARISON AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: ___ BASE PERIOD __X__ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL _____ UPDATED _____ REVISED
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	Customer Months	Forecasted MCF	Average Usage Per MCF	Average Bill at Current Rates	Average Bill at Proposed Rates	Change in Average Bill	Percent Change
Residential (Sales)	365,245	1,385,177	3.8	61.50 \$	67.09 \$	5.58	9.1%
Small Non-Residential (Sales)	50,569	489,342	9.7	134.59 \$	152.55 \$	17.96	13.3%
Large Non-Residential (Sales)	10,668	736,645	69.1	866.79 \$	991.60 \$	124.81	14.4%
Interruptible	429	1,630,649	3,801.0	5,390.35 \$	5,583.40 \$	193.05	3.6%
Transportation Off-System	108	9,553,161	88,455.2	24,997.44 \$	28,827.55 \$	3,830.11	15.3%
Farm Tap (Sales)	39,400	212,047	5.4	73.05 \$	74.25 \$	1.21	1.7%
Residential (Transportation)	335	1,315	3.9	38.81 \$	44.49 \$	5.68	14.6%
Small Non-Residential (Transportation)	1,336	19,019	14.2	95.00 \$	116.32 \$	21.32	22.4%
Large Non-Residential (Transportation)	1,367	1,512,104	1,106.1	3,346.10 \$	4,134.52 \$	788.42	23.6%
Special Contract	36	2,282,421	63,400.6	9,858.95 \$	12,354.48 \$	2,495.53	25.3%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
SUMMARY OF PROPOSED REVENUE INCREASE
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: ___ BASE PERIOD FORECAST PERIOD
TYPE OF FILING: ORIGINAL ___ UPDATED ___ REVISED
WORK PAPER REFERENCE NO(S):

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Witness: W.S. Seelye
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	Base Rate Revenue	GCR Revenue	Total Current Revenue	Increase	Percent Change
Residential	\$ 15,058,468	\$ 8,428,250	\$ 23,486,718	\$ 2,334,522	9.9%
Small Non-Residential	\$ 4,254,660	\$ 2,977,453	\$ 7,232,112	\$ 1,034,876	14.3%
Large Non-Residential	\$ 7,496,034	\$ 4,482,190	\$ 11,978,224	\$ 1,822,201	15.2%
Interruptible Service	\$ 1,970,008	\$ 157,820	\$ 2,127,828	\$ (24)	0.0%
Special Contracts	\$ 354,922	\$ -	\$ 354,922	\$ 89,839	25.3%
Farm Tap	\$ 1,576,167	\$ 1,290,224	\$ 2,866,391	\$ 48,155	1.7%
Off-System Transportation	\$ 2,699,723	\$ -	\$ 2,699,723	\$ 316,210	11.7%
Subtotal	\$ 33,409,983	\$ 17,335,936	\$ 50,745,919	\$ 5,645,779	11.1%
Other Operating Revenues:					
Miscellaneous Service Revenues	\$ 82,420	\$ -	\$ 82,420	\$ -	-
Total	\$ 33,492,403	\$ 17,335,936	\$ 50,828,339	\$ 5,645,779	11.1%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: ___ BASE PERIOD ___X___ FORECAST PERIOD
TYPE OF FILING: ___X___ ORIGINAL ___ ___ UPDATED ___ ___ REVISED
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Witness: W.S. Seelye
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Residential	Current Rates After Removing Farm Tap Customers		
	Billing Units	Rate	Calculated Billings

Facilities Charge

	<i>Customer Months</i>	<i>Per Customer</i>		
Customer Charge	365,580	\$ 20.70	\$	7,567,506
Pipeline Replacement	365,580	\$ 5.10	\$	1,864,458
Tax Cut and Job Act Surcredit	365,580	\$ (3.83)	\$	(1,400,171)
Total		\$ 21.97	\$	8,031,793

Gas Charge

	<i>mcf</i>	<i>Per mcf</i>		
Sales	1,401,423	\$ 4.3185	\$	6,052,047
Transportation	1,315	\$ 4.3185	\$	5,680
WNA			\$	918,410
	1,402,739		\$	6,976,136

Total Base Rate Revenue		\$	15,007,929
Correction Factor			100.006%
Base Rate Revenue After Application of Correction Factor		\$	15,008,775
Temperature Normalization Adjustment	(16,246)	\$ 4.3185	\$ (70,158)
Total Base Rate Revenue		\$	14,938,616
CEP Lost Revenue		\$	119,852
Gas Cost Recovery (GCR)	1,385,177	\$ 6.0846	\$ 8,428,250
Total Revenue		\$	23,486,718

Residential	Proposed Rate		
	Billing Units	Rate	Calculated Billings

Facilities Charge

	<i>Customer Months</i>	<i>Per Customer</i>		
Customer Charge	365,580	\$ 24.00	\$	8,773,920
Pipeline Replacement	365,580	\$ -	\$	-
Tax Cut and Job Act Surcredit	365,580	\$ -	\$	-
Total		\$ 24.00	\$	8,773,920

Gas Charge

	<i>mcf</i>	<i>Per ccf</i>		
Sales	1,401,423	\$ 5.2539	\$	7,362,938
Transportation	1,315	\$ 5.2539	\$	6,910
WNA			\$	1,213,747
			\$	8,583,595

Total Base Rate Revenue		\$	17,357,515
Correction Factor			100.006%
Base Rate Revenue After Application of Correction Factor		\$	17,358,493
Temperature Normalization Adjustment	(16,246)	\$ 5.2539	\$ (85,355)
Total Base Rate Revenue		\$	17,273,139
CEP Lost Revenue		\$	119,852
Gas Cost Recovery (GCR)	1,385,177	\$ 6.0846	\$ 8,428,250
Total Revenue		\$	25,821,240
Increase		\$	2,334,522
Percent Increase			9.94%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

SCHEDULE M 2.3
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DATA: ___ BASE PERIOD ___X___ FORECAST PERIOD
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Small Non-Residential	Current Rates			Calculated Billings
	Billing Units	Rate		
Facilities Charge				
	<i>Customer Months</i>	<i>Per Customer</i>		
Customer Charge	51,905	\$ 31.20	\$	1,619,436
Pipeline Replacement	51,905	\$ 9.77	\$	507,112
Tax Cut and Job Act Surcredit	51,905	\$ (7.29)	\$	(378,387)
Total		\$ 33.68	\$	1,748,160
Gas Charge				
	<i>mcf</i>	<i>Per mcf</i>		
Sales	493,224	\$ 4.3185	\$	2,129,988
Transportation	19,019	\$ 4.3185	\$	82,135
WNA			\$	309,493
	512,243		\$	2,521,616
Total Base Rate Revenue			\$	4,269,776
Correction Factor				100.039%
Base Rate Revenue After Application of Correction Factor			\$	4,271,423
Temperature Normalization Adjustment	(3,882)	\$ 4.3185	\$	(16,763)
Total Base Rate Revenue			\$	4,254,660
Gas Cost Recovery (GCR)	489,342	\$ 6.0846	\$	2,977,453
Total Revenue			\$	7,232,112

Small Non-Residential	Proposed Rate			Calculated Billings
	Billing Units	Rate		
Facilities Charge				
	<i>Customer Months</i>	<i>Per Customer</i>		
Customer Charge	51,905	\$ 44.40	\$	2,304,582
Pipeline Replacement	51,905	\$ -	\$	-
Tax Cut and Job Act Surcredit	51,905	\$ -	\$	-
Total		\$ 44.40	\$	2,304,582
Gas Charge				
	<i>mcf</i>	<i>Per ccf</i>		
Sales	493,224	\$ 5.0651	\$	2,498,229
Transportation	19,019	\$ 5.0651	\$	96,335
WNA			\$	408,005
	512,243		\$	3,002,568
Total Base Rate Revenue			\$	5,307,150
Correction Factor				100.039%
Base Rate Revenue After Application of Correction Factor			\$	5,309,197
Temperature Normalization Adjustment	(3,882)	\$ 5.0651	\$	(19,661)
Total Base Rate Revenue			\$	5,289,536
Gas Cost Recovery (GCR)	489,342	\$ 6.0846	\$	2,977,453
Total Revenue			\$	8,266,989
Increase			\$	1,034,876
Percent Increase				14.3%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: ___ BASE PERIOD ___X___ FORECAST PERIOD
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Large Non-Residential	Current Rates		
	Billing Units	Rate	Calculated Billings

Facilities Charge

	<i>Customer Months</i>	<i>Per Customer</i>		
Customer Charge	12,023	\$ 131.00	\$	1,575,013
Union College	12	\$ 786.00	\$	9,432
Pipeline Replacement	12,023	\$ 71.52	\$	859,885
Tax Cut and Job Act Surcredit	12,035	\$ (54.58)	\$	(656,870)
Total		\$ 147.94	\$	1,787,460

Gas Charge

	<i>mcf</i>	<i>Per mcf</i>		
1 - 200 MCF	644,755	\$ 4.3185	\$	2,784,376
201 - 1,000 MCF	365,326	\$ 2.6696	\$	975,275
1,001 - 5,000 MCF	539,345	\$ 1.8735	\$	1,010,462
5,001 - 10,000 MCF	283,857	\$ 1.4735	\$	418,264
Over 10,000 MCF	415,465	\$ 1.2735	\$	529,095
WNA			\$	-
	2,248,749		\$	5,717,471

Total Base Rate Revenue \$ 7,504,931

Correction Factor 99.881%

Base Rate Revenue After Application of Correction Factor \$ 7,496,034

Gas Cost Recovery (GCR) 736,645 \$ 6.0846 \$ 4,482,190

Total Revenue \$ 11,978,224

Large Non-Residential	Proposed Rate		
	Billing Units	Rate	Calculated Billings

Facilities Charge

	<i>Customer Months</i>	<i>Per Customer</i>		
Customer Charge	12,023	\$ 195.04	\$	2,344,966
Union College	12	\$ 786.00	\$	9,432
Pipeline Replacement	12,023	\$ -	\$	-
Tax Cut and Job Act Surcredit	12,035	\$ -	\$	-
Total		\$ 981.04	\$	2,354,398

Gas Charge

	<i>mcf</i>	<i>Per mcf</i>		
1 - 200 MCF	644,755	\$ 5.4431	\$	3,509,468
201 - 1,000 MCF	365,326	\$ 3.2692	\$	1,194,324
1,001 - 5,000 MCF	539,345	\$ 2.2196	\$	1,197,129
5,001 - 10,000 MCF	283,857	\$ 1.6924	\$	480,400
Over 10,000 MCF	415,465	\$ 1.4287	\$	593,575
WNA			\$	-
	2,248,749		\$	6,974,896

Total Base Rate Revenue \$ 9,329,294

Correction Factor 99.881%

Base Rate Revenue After Application of Correction Factor \$ 9,318,235

Gas Cost Recovery (GCR) 736,645 \$ 6.0846 \$ 4,482,190

Total Revenue \$ 13,800,425

Increase \$ 1,822,201

Percent Increase 15.2%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: ___ BASE PERIOD ___X___ FORECAST PERIOD
TYPE OF FILING: ___X___ ORIGINAL ___ ___ UPDATED ___ ___ REVISED
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Interruptible Service	Current Rate			Calculated Billings
	Billing Units	Rate		
Facilities Charge				
	<i>Customer Months</i>	<i>Per Customer</i>		
Customer Charge	417	\$ 250.00	\$	104,250
Customer Charge	12	\$ 500.00	\$	6,000
Pipeline Replacement	429	\$ 549.64	\$	235,796
Tax Cut and Job Act Surcredit	282	\$ (370.49)	\$	(104,478)
Total		\$ 429.15	\$	241,567
Gas Charge				
	<i>mcf</i>	<i>Per mcf</i>		
Block 1 (1 - 1,000 Mcf)	295,267	\$ 1.6000	\$	472,428
Block 2 (1,001 - 5,000 Mcf)	663,962	\$ 1.2000	\$	796,754
Block 3 (5,001 - 10,000 Mcf)	282,098	\$ 0.8000	\$	225,678
Block 4 (Over 10,000 Mcf)	389,322	\$ 0.6000	\$	233,593
WNA			\$	-
	1,630,649		\$	1,728,453
Total Base Rate Revenue			\$	1,970,021
Correction Factor				99.999%
Base Rate Revenue After Application of Correction Factor			\$	1,970,008
Gas Cost Recovery (GCR)	25,938	\$ 6.0846	\$	157,820
Total Revenue			\$	2,127,828

Interruptible Service	Proposed Rate			Calculated Billings
	Billing Units	Rate		
Facilities Charge				
	<i>Customer Months</i>	<i>Per Customer</i>		
Customer Charge	417	\$ 267.85	\$	111,693.45
Customer Charge	12	\$ 535.71	\$	6,428.52
Pipeline Replacement	429	\$ -	\$	-
Tax Cut and Job Act Surcredit	282	\$ -	\$	-
Total			\$	118,121.97
Gas Charge				
	<i>mcf</i>	<i>Per ccf</i>		
Block 1 (1 - 1,000 Mcf)	295,267	\$ 1.7143	\$	506,177
Block 2 (1,001 - 5,000 Mcf)	663,962	\$ 1.2857	\$	853,656
Block 3 (5,001 - 10,000 Mcf)	282,098	\$ 0.8571	\$	241,786
Block 4 (Over 10,000 Mcf)	389,322	\$ 0.6428	\$	250,256
WNA			\$	-
	1,630,649		\$	1,851,875
Total Base Rate Revenue			\$	1,969,997
Correction Factor				99.999%
Base Rate Revenue After Application of Correction Factor			\$	1,969,984
Gas Cost Recovery (GCR)			\$	157,820
Total Revenue			\$	2,127,804
Increase			\$	(24)
Percent Increase				0.0%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

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DATA: ___ BASE PERIOD ___X___ FORECAST PERIOD
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Special Contracts	Current Rates			Calculated Billings
	Billing Units	Rate		
Facilities Charge				
Customer Charge	<u>Customer Months</u>	<u>Per Customer</u>		
	36	\$ -	\$	-
Gas Charge				
	<u>mcf</u>	<u>Per mcf</u>		
SC 1	1,111,843	\$ 0.1100	\$	122,303
SC 2/SC 3 Block 1	275,433	\$ 0.4800	\$	132,208
SC 2/SC 3 Block 2	180,000	\$ 0.2400	\$	43,200
SC 2/SC 3 Block 3	715,146	\$ 0.0800	\$	57,212
WNA			\$	-
			\$	354,922
Total Base Rate Revenue			\$	354,922
Correction Factor				100.000%
Base Rate Revenue After Application of Correction Factor			\$	354,922

Special Contracts	Proposed Rate			Calculated Billings
	Billing Units	Rate		
Facilities Charge				
Customer Charge	<u>Customer Months</u>	<u>Per Customer</u>		
	36	\$ -	\$	-
Gas Charge				
	<u>mcf</u>	<u>Per ccf</u>		
SC 1	1,111,843	\$ 0.1343	\$	149,321
SC 2/SC 3 Block 1	275,433	\$ 0.6271	\$	172,724
SC 2/SC 3 Block 2	180,000	\$ 0.3075	\$	55,350
SC 2/SC 3 Block 3	715,146	\$ 0.0942	\$	67,367
WNA			\$	-
			\$	444,761
Total Base Rate Revenue			\$	444,761
Correction Factor				100.000%
Base Rate Revenue After Application of Correction Factor			\$	444,761
Increase			\$	89,839
Percent Increase				25.3%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: ___ BASE PERIOD __X__ FORECAST PERIOD
TYPE OF FILING: __X__ ORIGINAL ___ UPDATED ___ REVISED
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Farm Tap	Current Rates After Adding Delta Farm Tap Customers			Calculated Billings
	Billing Units	Rate		
Facilities Charge				
	<i>Customer Months</i>	<i>Per Customer</i>		
Customer Charge	39,400	\$ 20.70	\$	815,580
Tax Cut and Job Act Surcredit	39,400	\$ (3.83)	\$	(150,902)
Total			\$	664,678
Gas Charge				
	<i>mcf</i>	<i>Per mcf</i>		
Sales	212,047	\$ 4.3185	\$	915,727
Transportation	-	\$ 4.3185	\$	-
WNA			\$	-
			\$	915,727
Total Base Rate Revenue			\$	1,580,405
Correction Factor				99.732%
Base Rate Revenue After Application of Correction Factor			\$	1,576,167
Gas Cost Recovery (GCR)	212,047	\$ 6.0846	\$	1,290,224
Total Revenue			\$	2,866,391

Farm Tap	Proposed Rate			Calculated Billings
	Billing Units	Rate		
Facilities Charge				
	<i>Customer Months</i>	<i>Per Customer</i>		
Facilities Fee	39,400	\$ 24.00	\$	945,600
Infrastructure Replacement Ri	39,400	\$ -	\$	-
Total		\$ 24.00	\$	945,600
Gas Charge				
	<i>mcf</i>	<i>Per ccf</i>		
Sales	212,047	\$ 3.2214	\$	683,089
Transportation	-	\$ 3.2214	\$	-
WNA		\$ -	\$	-
			\$	683,089
Total Base Rate Revenue			\$	1,628,689
Correction Factor				99.732%
Base Rate Revenue After Application of Correction Factor			\$	1,624,323
Gas Cost Recovery (GCR)	212,047	\$ 6.0846	\$	1,290,224
Total Revenue			\$	2,914,546
Increase			\$	48,155
Percent Increase				1.7%

DELTA NATURAL GAS COMPANY
CASE NO. 2021-00185
DETAILED CALCULATION OF FORECAST PERIOD REVENUES AT CURRENT AND PROPOSED RATES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2022

DATA: ___ BASE PERIOD ___X___ FORECAST PERIOD
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Off-System Transportation	Current Rates			Calculated Billings
	Billing Units	Rate		
Facilities Charge				
Customer Charge	<u>Customer Months</u> 108	<u>Per Customer</u> \$ -	\$ -	\$ -
Gas Charge	<u>mcf</u>	<u>Per mcf</u>		
Transportation	9,553,161	\$ 0.2826	\$ 2,699,723	\$ 2,699,723
WNA			\$ -	\$ -
	9,553,161		\$ 2,699,723	\$ 2,699,723
Total Base Rate			<u>\$ 2,699,723</u>	
Base Rate Book Revenue			\$ 2,699,723	
Difference			\$ -	
Correction Factor			100.000%	
Gas Cost Recovery (GCR)			\$ -	
Total Calculated Revenue			\$ 2,699,723	

Off-System Transportation	Proposed Rate			Calculated Billings
	Billing Units	Rate		
Facilities Charge				
Customer Charge	<u>Customer Months</u> 108	<u>Per Customer</u> \$ -	\$ -	\$ -
Gas Charge	<u>mcf</u>	<u>Per mcf</u>		
Transportation	9,553,161	\$ 0.3157	\$ 3,015,933	\$ 3,015,933
WNA			\$ -	\$ -
			\$ 3,015,933	\$ 3,015,933
Total Base Rate Revenue			<u>\$ 3,015,933</u>	
Correction Factor			100.000%	
Base Rate Revenue After Application of Correction Factor			\$ 3,015,933	
Gas Cost Recovery (GCR)			\$ -	
Total Revenue			\$ 3,015,933	
Increase			\$ 316,210	
Percent Increase			11.7%	

PSC No. 13

Cancelling PSC No. 12

DELTA NATURAL GAS COMPANY, INC.

3617 Lexington Road

Winchester, Kentucky

Rates, Rules and Regulations for Furnishing

NATURAL GAS SERVICE

in

Entire Service Area of the Company

Filed with the

PUBLIC SERVICE COMMISSION OF KENTUCKY

**Issued
May 28, 2021**

**Effective
July 1, 2021**

Issued by

**JOHN B. BROWN,
PRESIDENT**

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ISSUED BY: /s/ John B. Brown
John B. Brown, President

**CLASSIFICATION OF SERVICE – RATE SCHEDULES
RESIDENTIAL**

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by residential customers.

CHARACTER OF SERVICE

Firm - within the reasonable limits of the Company's capability to provide such service.

RATES

	Base Rate	Gas Cost Recovery Rate (GCR)**	= Total Rate	
Customer Charge*	\$ 24.009-03000		\$ 24.009-03000	(I)
All Mcf***	\$ 5.25395-70720	\$ 6.08465-55320	\$ 11.338526040 / per 1.0 Mcf	(I)

* Residential rates are subject to a \$0.30 fee collected under Delta’s Energy Assistance Program Tariff Rider as set forth on Sheet No. 38 of this tariff. The fee is not included in the Customer Charge. (T)

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff. (T)

*** Residential rates are subject to the "Conservation/Efficiency Program Cost Recovery Component (CEPRC)" of .09180/Mcf. The CEPRC is an adjustment determined in accordance with the Conservation/Efficiency Program Cost Recovery as set forth on Sheets 39 – 42 of this tariff. (R)

Residential rates are subject to a Pipe Replacement Program charge of \$0.00, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff. (D)

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CLASSIFICATION OF SERVICE – RATE SCHEDULES
SMALL NON-RESIDENTIAL*

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by small non-residential customers.

CHARACTER OF SERVICE

Firm - within the reasonable limits of the Company's capability to provide such service.

RATES

	Base Rate	Gas Cost Recovery Rate (GCR)**	= Total Rate	
Customer Charge*	\$ 44.40		\$ 44.40	(I)
All Mcf***	\$ 5.065169310	\$ 6.08465-55320	\$ 11.24630-1497 / per 1.0 Mcf	(I)

TERMS AND CONDITIONS

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta's system, and/or requests to revert to the Small Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Small Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Small Non-Residential or Interruptible Service rate schedule.

* Meter no larger than AL425

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

Small Non-Residential rates are subject to a Pipe Replacement Program charge of \$0.00 as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff. (R)

(D)

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CLASSIFICATION OF SERVICE – RATE SCHEDULES
LARGE NON-RESIDENTIAL*

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by large non-residential customers.

CHARACTER OF SERVICE

Firm - within the reasonable limits of the Company's capability to provide such service.

RATES

	Base Rate	Gas Cost Recovery Rate + (GCR)**	= Total Rate	
Customer Charge	\$ 195.04		\$ 195.04	(I)
1 - 200 Mcf	\$ 5.443169350	\$ 6.08465-5532	\$ 11.24670-5277 / per 1.0 Mcf	(I)
201 – 1,000 Mcf	\$ 3.269251960	\$ 6.08465-55320	\$ 9.07280-3538 / per 1.0 Mcf	(I)
1,001 – 5,000 Mcf	\$ 2.219647000	\$ 6.08465-55320	\$ 8.02320-3042 / per 1.0 Mcf	(I)
5,001 – 10,000 Mcf	\$ 1.692494270	\$ 6.08465-55320	\$ 7.49590-777 / per 1.0 Mcf	(I)
Over 10,000 Mcf	\$ 1.428767900	\$ 6.08465-55320	\$ 7.23220-5133 / per 1.0 Mcf	(I)

TERMS AND CONDITIONS

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta’s system, and/or requests to revert to the Large Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Large Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Large Non-Residential or Interruptible Service rate schedule.

* Meter larger than AL425

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

Large Non-Residential rates are subject to a Pipe Replacement Program charge of \$00.00, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff. (R)

(D)

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CLASSIFICATION OF SERVICE – RATE SCHEDULES
INTERRUPTIBLE SERVICE

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by interruptible customers.

CHARACTER OF SERVICE

Firm Service, as available. This rate schedule is designed to make available quantities of natural gas that Company may from time to time have available for sale without impairment of service to customers served under other higher priority rate schedules, and which can be supplied from Company's existing distribution system, subject to the provisions of this rate schedule. Company shall have the right to discontinue the supply of natural gas wholly or in part for such period or periods as, in the sole judgment of Company, may be necessary or advisable to enable it to supply the full gas requirements of its customers served under higher priority rate schedules. Nothing herein shall prevent Company from expanding its obligations under such other rate schedules. Company may decline to accept any additional contracts for service hereunder. (T)

RATES

	<u>Base Rate</u>	Gas Cost Recovery Rate + (GCR)**	= <u>Total Rate</u>	
Customer Charge	\$ 267.850		\$ 267.850	(I)
1 – 1,000 Mcf	\$ 1.71430	\$ 5.553206 .0846	\$ 7.798926750 / per 1.0 Mcf	(I)
1,001 – 5,000 Mcf	\$ 1.28570	\$ 6.08465.55320	\$ 7.37036.83890 / per 1.0 Mcf	(I)
5,001 – 10,000 Mcf	\$ 0.85710	\$ 6.08465.55320	\$ 6.941741030 / per 1.0 Mcf	(I)
Over 10,000 Mcf	\$ 0.64280	\$ 6.08465.55320	\$ 6.727419600 / per 1.0 Mcf	(I)

Special Conditions - All customers having a connected load in excess of 2,500,000 Btu input per hour may be required to enter into an Interruptible Sales Agreement. Determinations of those customers so required shall be based on peak day use as well as annual volume and shall be at the sole discretion of the Company. In order to provide a fair opportunity to compete with other motor fuels, the customer charge and Pipe Replacement Program charge may be waived by Delta at its sole discretion for compressed natural gas fueling station customers.

Any customer required to enter into an Interruptible Agreement shall be permitted to purchase or transport gas under the Interruptible Rate Schedule as set forth on Sheet No. 5. Gas requirements, minimum charges and other specific information shall be set forth in the Agreement.

Interruptible rates are also subject to a Pipe Replacement Program charge of \$000.00, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff. (R)

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff. (D)

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**CLASSIFICATION OF SERVICE – RATE SCHEDULES
INTERRUPTIBLE SERVICE**

TERMS AND CONDITIONS

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta's system, and/or requests to revert to the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule.

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CLASSIFICATION OF SERVICE – RATE SCHEDULES
FARM TAP SERVICE

(T)

APPLICABILITY

Applicable to all areas served by Delta, including areas formerly served by Peoples Gas KY LLC with a connection along Kentucky West Virginia Gas Company's well connection and gathering system in Eastern Kentucky included in Peoples Gas KY LLC's former service area.

(T)
(T)

AVAILABILITY

Available to farm tap customers as defined by KRS 278.485. This includes customers previously served by Peoples Gas KY LLC or any new farm tap customers served from a connection along Kentucky West Virginia Gas Company's well connection and gathering system in Peoples Gas KY LLC's former service area, including farm tap customers previously served by Delta's supplier. Pursuant to KRS 278.485, the point of service must be located within one-half (1/2) air-mile of Delta or Delta's supplier's producing gas well or gathering pipeline. Customers shall complete Form 910, "Application for Service on Gathering System," and are responsible for all equipment other than the meter, service tap, saddle and first service shut off valve.

(T)
(T)
(T)
(T)
(T)
(T)
(T)

CHARACTER OF SERVICE

Gas delivered pursuant to this tariff is from pipelines owned and operated by Delta or Delta's supplier and all gas sold hereunder is made available by said supplier and subject to the terms and conditions of KRS 278.485 and 807 KAR 5:026. Delta's Tariff applies to customers taking service pursuant to this Rate Schedule unless (1) set forth otherwise or (2) the Tariff conflicts with KRS 278.485 or 807 KAR 5:026.

(T)
(T)
(T)
(T)

Other than the meter, service tap, saddle and first service shut off valve, which shall be owned and maintained by Delta, all other approved equipment and material required for service under this tariff shall be furnished, installed, and maintained by the customer at the customer's expense and shall remain the customer's property. At the customer's option, Delta will furnish and install this other equipment, but this other equipment shall be paid for, owned and maintained by the customer. Such other equipment shall include, but is not limited to, the line from the service tap to the point of use, gas regulation equipment, and desiccant tanks or other moisture control equipment as approved and required by Delta. Delta shall have the right to abandon gas service to any customer served from any line which is no longer operated by its supplier for any reason whatsoever. Nothing in this Tariff shall be construed to restrict Delta's right to abandon any gas well or any gathering pipeline, or any part thereof, and to remove any such abandoned pipeline or lines. All gas sold and delivered under this Tariff shall be delivered at the varying pressures of Delta's supplier's pipeline, and it shall be the responsibility of the customer to supply, maintain, and operate the necessary regulator and related equipment for the customer's use. Service could be interrupted due to the unprocessed nature of the gas, and upon the discontinuance of the gathering of gas through the gathering line or low flowing pressures resulting from the depletion of the wells feeding that gathering line or other reasons affecting pressure and/or volumes of gas, service is subject to interruption or discontinuance.

(T)
(T)

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CLASSIFICATION OF SERVICE – RATE SCHEDULES
FARM TAP SERVICE

RATES

			Gas Cost Recovery Rate		
	<u>Base Rate</u>	+	<u>GCR**</u>	=	<u>Total Rate</u>
Customer Charge *	\$ 24.009.0300			\$	24.009.0300
All Mcf	\$ 3.22142.3570		\$ 6.08465.5532	\$	9.30607.9102

* Residential farm tap rates are subject to a \$0.30 fee collected under Delta’s Energy Assistance Program Tariff Rider as set forth on Sheet No. 38 of this tariff. The fee is not included in the Customer Charge. (T)

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Peoples KY Purchased Gas Adjustment" as set forth on Sheets No. 13 and 14 of this tariff. (T)

SPECIAL CHARGES APPLICABLE TO FARM TAP CUSTOMERS (T)

New installations: \$150.00 fee (T)

Reconnections: \$25.00 turn-on fee plus payment of all past due amounts (T)

~~Change of Ownership: In the event of a transfer of ownership, the continuance of service will be permitted upon the remittance of payment of the existing account balance from the previous owner, and a \$25.00 turn-on fee may apply.~~ (T)

The special charges set forth herein are in addition to the special charges set forth elsewhere in the Tariff that likewise apply to customers taking Farm Tap Service. (T)

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**CLASSIFICATION OF SERVICE – RATE SCHEDULES
TRANSPORTATION OF GAS FOR OTHERS ON SYSTEM UTILIZATION**

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available to government or university-owned housing facilities that may be served as residential, and small non-residential, large non-residential, interruptible and compressed natural gas fueling station customers who have purchased natural gas elsewhere, obtained all requisite authority to transport such gas to Delta's facilities and request Delta to utilize its facilities to transport such customer-owned gas to place of utilization. Any such transportation service shall be subject to the terms and conditions set forth herein and to the reserved right of Delta to decline to initiate such service whenever, in Delta's sole judgment, the performance of the service would be contrary to good operating practice or would have a detrimental impact on other customers of Delta. Such detrimental impact may include under deliveries of transportation gas to Delta's system or switching by the transportation customer to Delta's Small Non-Residential, Large Non-Residential or Interruptible Service rate schedules. (T)
(T)

RATE

A transportation charge comprised of the following components will be applied to each Mcf, or in the case of measurement based on heating value, each dekatherm (Dth) of gas transported hereunder:

- (1) Delta's Base Rate for gas sold as set forth in Delta's Small Non-Residential, Large Non-Residential and Interruptible Rate Schedules; plus
- (2) Where the pipeline suppliers transportation, compression or other similar charges are billed to Delta, the cost per Mcf or Dth, as applicable, of such charges; plus
- (3) A take-or-pay recovery component of \$(0.0000)
- (4) For compressed natural gas fueling station customers, in order to provide a fair opportunity to compete with other motor fuels, Delta may negotiate at Delta's sole discretion and such customers a fixed base rate that is no more than the maximum Base Rate set forth in Delta's Interruptible Service Rate Schedule, but is no less than the minimum Base Rate set forth in Delta's Interruptible Service Rate Schedule.

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**CLASSIFICATION OF SERVICE – RATE SCHEDULES
TRANSPORTATION OF GAS FOR OTHERS ON SYSTEM UTILIZATION**

GAS SOLD TO CUSTOMER

Monthly gas deliveries to customer in excess of scheduled transportation volumes will be billed by Delta and paid by customer in accordance with Delta's Standby Service Rate Schedule.

TERMS AND CONDITIONS

Service hereunder shall be performed under a written contract between customer and Delta setting forth specific arrangements as to term of the contract, volumes to be transported, points of delivery, methods of metering, timing of receipts and deliveries of gas by Delta, timing constraints relative to under deliveries and/or switching to Delta's Small Non-Residential, Large Non-Residential or Interruptible Service rate schedules, the availability of discounts in special situations and any other matters relating to individual customer circumstances.

At least ten (10) days prior to the beginning of each month, customer shall provide Delta with a schedule setting forth daily volumes of gas to be delivered into Delta's facilities for customer's account. Customer shall give Delta at least twenty-four (24) hours prior notice of any subsequent changes to scheduled deliveries. Delivery of gas transported hereunder will be effected as nearly as practicable on the same day as the receipt thereof. Delta will not be obligated to utilize underground storage capacity in performance of the service provided herein.

All gas volumes delivered hereunder shall shrink by 2% to cover line loss and measurement differences when no compression is being used in the transportation. When compression is required in the transportation, all gas volumes delivered hereunder shall shrink an additional amount equivalent to fuel usage.

It shall be the customer's responsibility to make all necessary arrangements, including regulatory approvals, required to deliver gas transported under this tariff.

Delta reserves the right to refuse to accept gas that does not meet Delta's quality specifications.

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**CLASSIFICATION OF SERVICE – RATE SCHEDULES
TRANSPORTATION OF GAS FOR OTHERS ON SYSTEM UTILIZATION**

Volumes of gas transported hereunder will be determined in accordance with Delta's measurement base.

Customer owned gas transported hereunder for an interruptible customer will be subject to interruption in accordance with normal interruption procedures applicable to such rate schedule. Such customers must agree in writing to cause deliveries of customer-owned gas into Delta's facilities to cease upon notification by Delta of the necessity to interrupt or curtail the use of gas.

Delta shall have the right at any time to curtail or interrupt the transportation or delivery of gas to interruptible customers hereunder when, in Delta's sole judgment, such curtailment or interruption is necessary to enable Delta to maintain deliveries to customers of higher priority or to respond to any emergency. During such periods, Delta shall have the right to purchase any transportation gas delivered into Delta's system for the account of the customer at the actual cost the customer paid for such gas.

Delta may execute special transportation contracts with anyone after said contract has been filed with and accepted by the Public Service Commission.

This transportation is available to any customer with a daily nominated volume (the level of daily volume in Mcf as requested by the customer to be transported and delivered by the Company) which averages a minimum of 25 Mcf of gas per day for the billing period on an individual service at the same premise who has purchased their own supply of natural gas and require transportation by the Company to the point of utilization subject to suitable service being available from existing facilities. In order to provide a fair opportunity to compete with other motor fuels, this minimum volume requirement may be waived by Delta at its sole discretion for compressed natural gas fueling station customers.

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta's system, and/or requests to revert to the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule.

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CLASSIFICATION OF SERVICE - RATE SCHEDULES

TRANSPORTATION OF GAS FOR OTHERS OFF SYSTEM UTILIZATION

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available to any person whose facilities connect or can be made to connect with Delta's facilities or who can cause their natural gas to be delivered to Delta's facilities and who desires gas to be transported by Delta to a place of utilization not connected to Delta's facilities. Further, the person or persons desiring such transportation shall have executed a contract with Delta as set forth under the terms and conditions of this tariff.

RATE

The charge for service under this tariff shall be \$0.3~~157259~~ per 1,000 cu. ft. of gas transported, or, in the case of measurement based upon heating value, shall be \$0.3~~157259~~ per dekatherm. Any additions or modifications of the facilities required to perform this service shall be at the sole expense of the customer. (l)
(l)

TERMS AND CONDITIONS

Specific details relating to volumes, delivery points and other matters shall be covered by a separate contract.

Delta shall reserve the right to purchase all or part of the gas to be transported at the same price the transporter would have received at the delivery point less Delta's applicable transportation charges, shrinkage and compressor fuel costs.

Delivery of gas transported hereunder will be effected as nearly as practicable on the same day as the receipt thereof. Delta will not be obligated to utilize underground storage capacity in performance of the service provided herein.

All gas volumes delivered hereunder shall shrink by 2% to cover line loss and measurement differences when no compression is being used in the transportation. When compression is required in the transportation, all gas volumes delivered hereunder shall shrink an additional amount equivalent to fuel usage.

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CLASSIFICATION OF SERVICE - RATE SCHEDULES

TRANSPORTATION OF GAS FOR OTHERS OFF SYSTEM UTILIZATION

It shall be the customer's responsibility to make all necessary arrangements, including regulatory approvals, required to deliver gas transported under this tariff.

Delta reserves the right to refuse to accept gas that does not meet Delta's quality specifications.

Volumes of gas transported hereunder will be determined in accordance with Delta's measurement base.

Delta shall have the right at any time to curtail or interrupt the transportation or delivery of gas hereunder when, in Delta's sole judgment, such curtailment or interruption is necessary to enable Delta to maintain deliveries to retail customers of higher priority or to respond to any emergency.

Delta may execute special transportation contracts with anyone after said contract has been filed with and accepted by the Public Service Commission.

This transportation is available to any customer with a daily nominated volume (the level of daily volume in Mcf as requested by the customer to be transported and delivered by the Company) which averages a minimum of 25 Mcf of gas per day for the billing period.

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CLASSIFICATION OF SERVICE
RATE SCHEDULES

STANDBY SERVICE RATE SCHEDULE

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by commercial and industrial customers who:

- (1) purchase all or part of their natural gas requirements from sources other than Delta and who request Delta to be available to supply natural gas at that place of utilization;
or
- (2) request Delta to provide a standby energy source at their place of utilization.

CHARACTER OF SERVICE

Firm - within the reasonable limits of Delta's capability to provide such service unless otherwise specified in a contract between Delta and the customer.

RATES

Customer shall pay Delta a standby charge to be set forth in a contract between Delta and the customer that has been filed with and accepted by the Public Service Commission. In addition, monthly natural gas usage will be billed by Delta and paid by the customer in accordance with the charges set forth in Delta's General Service or Interruptible Rate Schedule under which it sells gas to the customer.

SPECIAL TERMS AND CONDITIONS

Service under this rate schedule shall be performed under a written contract between Delta and the customer setting forth specific arrangements as to standby charge, maximum daily volumes of natural gas required by the customer from Delta, points of delivery, methods of metering and other matters relating to individual customer circumstances.

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John B. Brown, President

CLASSIFICATION OF SERVICE
RATE SCHEDULES

GAS COST ADJUSTMENT CLAUSE

DETERMINATION OF GCR

The Company shall file a Quarterly Report with the Commission which shall contain an updated Gas Cost Recovery Rate (GCR) and shall be filed at least thirty (30) days prior to the beginning of each calendar quarter. The GCR shall become effective for billing with the final meter readings of the first billing cycle of each calendar quarter.

The gas cost recovery rates are comprised of:

- (1) The expected gas cost component (EGC), on a dollar per Mcf basis, which represents the average expected cost of gas supplies and may include fixed price, forward price and indexed price purchases. The purchases are less amounts injected into underground storage. The EGC includes withdrawals from underground storage at the average unit cost of working gas. The EGC includes the uncollectible gas costs portion of bad debt. In an effort to mitigate price volatility, the Company may contract with gas suppliers at fixed prices, at locked-in prices for gas to be delivered at future dates (forward price) and at index-based prices. These efforts can include the monthly or periodic layering of forward purchase volumes to help moderate the volatility of gas prices. The Company may consider published futures prices as well as price trends and price expectations at the time such decisions are made. Depending upon the circumstances, this volume can be up to the annual projected system requirements including storage needs.
- (2) The supplier refund adjustment (RA), on a dollar per Mcf basis, which reflects refunds received from suppliers during the reporting period, plus interest at the average 90 day commercial paper rate for the calendar quarter. In the event of any large or unusual refunds, the Company may apply to the Public Service Commission for the right to depart from the refund procedure herein set forth.
- (3) The actual adjustment (AA), on a dollar per Mcf basis, compensates for difference between the previous quarter's expected gas cost and the actual cost of gas during that quarter.
- (4) The balance adjustment (BA), on a dollar per Mcf basis, which compensates for any under or over collections which have occurred as a result of prior adjustments.

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CLASSIFICATION OF SERVICE
RATE SCHEDULES

GAS COST ADJUSTMENT CLAUSE

BILLING

The gas cost recovery rate to be applied to bills of customers shall equal the sum of the following components:

$$\text{GCR} = \text{EGC} + \text{RA} + \text{AA} + \text{BA}$$

DEFINITIONS

For purposes of this tariff:

- (a) "Average Expected Cost" means the cost of gas supplies, adjusted for injections/withdrawals into storage and the uncollectible gas costs portion of bad debt. Cost of gas supplies include associated transportation and storage charges, and propane which results from the application of suppliers' rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased volumes during the twelve month period ending with the reporting period to which the GCR will apply, divided by the corresponding sales volume. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments in its calculations. Any adjustments of this type shall be described in the quarterly Gas Cost Recovery Report.
- (b) "GCR" means the quarterly updated gas cost recovery rate applicable to the monthly consumption of customers (sum of the expected gas cost component plus the supplier refund adjustment plus the actual adjustment plus the balancing adjustment; i.e., $\text{GCR} = \text{EGC} + \text{RA} + \text{AA} + \text{BA}$).
- (c) "Calendar Quarters" means each of the four three-month periods of (1) August, September and October; (2) November, December and January; (3) February, March and April; and (4) May, June and July.
- (d) "Reporting Period" means the three (3) month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas recovery rates; i.e., the calendar quarter preceding that during which the most recent Quarterly Report was filed.

INTERIM GAS COST ADJUSTMENT FILINGS

The Company may make application for Interim Gas Cost Adjustments subject to the approval of the Commission.

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John B. Brown, President

CLASSIFICATION OF SERVICE – RATE SCHEDULES

SPECIAL CHARGES

The following charges shall be applied under the following conditions:

Collection Charge - A charge of \$20.00 will be levied when a Company representative makes a trip to the premises of a customer for the purpose of terminating service. The charge may be assessed if service is actually terminated or if the customer pays the delinquent bill to avoid termination. The charge may also be assessed if the Company's representative agrees to delay termination based on the customer's agreement to pay the delinquent bill by a specific date. A collection trip may be made only after written notice has been sent to the customer stating that if the bill is not paid by a certain date the service will be disconnected.

Reconnection Charge - A reconnection charge of \$60.00* to be levied by the Company and paid by the customer before or at the time the service is reconnected shall be assessed as approved by the Public Service Commission when:

- (1) The customer's service has been disconnected for non-payment of bills or for violation of the Commission's or Company's Rules and Regulations, and the customer has qualified for and requested service to be reconnected. Customers qualifying for service reconnection under 807 KAR 5:006, Section 16 - Winter Hardship - shall be exempt from reconnect charges. (T)
- (2) The customer's service has been disconnected at the customer's request and at any time subsequently within twelve (12) months is reconnected at the same premise.

Bad Check Charge - The Company may charge and collect a fee of \$15.00 to cover the cost of handling an unsecured check; where a customer tenders in payment of an account a check which upon deposit by the Company is returned as unpaid by the customer's financial institution.

Request Test Charge - Pursuant to 807 KAR 5:006, Section 19, the Company shall make a test of any meter upon written request of any customer provided such request is not made more frequently than once each twelve (12) months. The customer shall be given the opportunity of being present at such request tests. If such tests show that the meter was not more than two percent (2%) fast, the Company may make a reasonable charge for the test. The test charge is based upon meter size and is as follows: (T)

1,000 cubic feet per hour and under	\$ 4.00
Over 1,000 to 10,000	\$ 8.00
Over 10,000	\$12.00

*The reconnection charge for any customer pursuant to KRS 278.485 shall be \$25.00 as set forth in Sheet No. 6.1-6.2. (T)
(T)

DATE OF ISSUE: May 28, 2021
DATE EFFECTIVE: July 1, 2021
ISSUED BY: /s/ John B. Brown
John B. Brown, President

**CLASSIFICATION OF SERVICE
RATE SCHEDULES**

SPECIAL CHARGES

Gas Light Charge - Monthly consumption of unmetered gas used for an outdoor gas light, as approved by the Company, will be calculated to be 1,500 cubic feet per month per mantle for upright mantles and for each pair of inverted mantles. On special models of gas lights where gas consumption is greater than those referred to above, the Company shall estimate, based on the manufacturer's suggested usage, the monthly consumption to the closest 100 cubic feet and bill customer that equal amount each month. Such consumption shall be billed under the appropriate rate schedule applicable to the customer.

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**CLASSIFICATION OF SERVICE
RULES AND REGULATIONS**

1. APPLICABILITY

Applicable within all service areas served by Delta. namely: Bath County; Estill County; (T)
Montgomery County; Menifee County; Madison County; Powell County; Garrard County; Jackson (T)
County; Lee County; Bourbon County; Jessamine County; Rowan County; Bell County; Knox (T)
County; Whitley County; Laurel County; Clay County; Leslie County; Fayette County; Fleming (T)
County; Clark County; Robertson County; Mason County; Lawrence County; Martin County; (T)
Perry County; Magoffin County; Pike County; Floyd County; Johnson County; Knott County; and (T)
Letcher County. (T)

2. COMMISSION'S RULES AND REGULATIONS

All gas service rendered by the Company shall be in accordance with the Administrative Regulations by which gas utilities are governed by the Public Service Commission of Kentucky and all amendments thereto and modifications thereof which may be made by the Commission.

3. COMPANY'S RULES AND REGULATIONS

In addition to the Rules and Regulations prescribed by the Public Service Commission, all gas service rendered shall also be in accordance with the Rules and Regulations adopted by the Company.

4. FILING OF RATES, RULES AND REGULATIONS

A copy of all schedules of rates, rules and regulations under which gas service is rendered is on file for the public's benefit with the Public Service Commission of Kentucky. A copy of such rates, rules and regulations, together with the law, rules and regulations of the Public Service Commission of Kentucky is available for public inspection in the principal office of the Company.

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**CLASSIFICATION OF SERVICE
RULES AND REGULATIONS**

5. NO EXCEPTIONS TO RULES AND REGULATIONS

No agent, representative or employee of the Company shall make any promise, agreement or representation not incorporated in or provided for by the Rules and Regulations of the Public Service Commission of Kentucky or of this Company and neither has any agent, representative or employee of the Company any right or power to amend, modify, alter or waive any of the said Rules and Regulations except as hereinafter provided.

6. RULES AND REGULATIONS MAY BE AMENDED

The Company reserves the right to amend or modify its Rules and Regulations or to adopt such additional Rules and Regulations as the Company deems necessary in the proper conduct of its business, subject to the filing with and acceptance of same by the Public Service Commission of Kentucky.

7. SUPERSEDE PREVIOUS RULES AND REGULATIONS

These Rules and Regulations replace and supersede all previous Rules and Regulations under which the Company has previously supplied gas service.

8. CUSTOMER CLASSIFICATIONS

Residential:	Service to customers which consists of direct natural gas usage in a residential dwelling for space heating, air conditioning, cooking, water heating and other residential uses.
Small Non-Residential	Service to customers engaged primarily in the sale of goods or services including institutions and local and federal government agencies for uses other than those involving manufacturing or electric power generation with a meter no larger than an AL425.
Large Non-Residential:	Service to commercial and industrial customers including institutions and local and federal government agencies with a meter larger than an AL425.

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CLASSIFICATION OF SERVICE
RULES AND REGULATIONS

9. APPLICATION FOR SERVICE

A written application or contract, properly executed, may be required before the Company is obligated to render gas service. The Company shall have the right to reject for valid reasons any such application or contract. All applications for service shall be made in the legal name of the party desiring the service.

Applications for service are not transferable and new occupants of premises will be required to make application for service before commencing the use of gas. Customers who have been receiving gas service shall notify the Company when discontinuance of service is desired and shall pay for all gas until such notice has been given in person, in writing or by telephone and final meter reading is made by the Company.

When a customer moves within the service area of the Company, the customer shall be billed out at the original location and billed in at the new location. Therefore, the customer may receive two bills for the month in which the move occurs.

In case the customer is not the owner of the premises, it shall be the customer's responsibility to obtain from the property owner or owners the necessary consent to install and maintain in, on or over said premises all such piping and other equipment as are required or necessary to install service line for supplying gas service to the customer whether the piping and equipment be the property of the customer or the Company.

10. REFUSAL OR DEFERRAL OF SERVICE

(T)

The Company reserves the right to refuse or to defer full service to an applicant where the existing mains are inadequate to serve the applicant's requirements without adversely affecting the service to customers already connected and being served.

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**CLASSIFICATION OF SERVICE
 RULES AND REGULATIONS**

15. CONTINUOUS OR UNIFORM SERVICE (T)

The Company will endeavor to supply gas continuously and without interruption, except for the rate schedules that state otherwise. However, the Company shall not be responsible for damages or otherwise for failure to supply gas for any interruptions of the supply when such failure is without willful fault or neglect on its part. (T)

The Company cannot and does not guarantee either a sufficient supply or an adequate or uniform pressure of the gas supplied and shall not be liable for any damage or loss resulting from inadequate or interrupted supply or from any pressure variations when such conditions are not due to willful fault or neglect on its part.

16. EXCLUSIVE SERVICE (T)

Except in cases where the customer has a special contract with the Company for reserve or auxiliary service, no other fuel service shall be used by the customer on the same installation in conjunction with the Company's service connection, either by means of valves or any other connection.

The customer shall not sell the gas purchased from the Company to any other customer, company or person, and the customer shall not deliver gas purchased from the Company to any connection wherein said gas is to be used on premises not owned or controlled by the customer.

17. DEPOSITS (T)

The Company may require a minimum cash deposit or other guaranty to secure payment of bills except from customers qualifying for service reconnection pursuant to 807 KAR 5:006, Section 16, Winter Hardship Reconnection. Service may be refused or discontinued for failure to pay the requested deposit. Interest, as prescribed by KRS 278.460, will be paid on all sums held on deposit. The interest will be applied as a credit to the customer's bill or will be paid to the customer on an annual basis. If the deposit is refunded or credited to the customer's bill prior to the deposit anniversary date, interest will be paid or credited to the customer's bill on a pro-rated basis. (T)

(D)
 (D)

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**CLASSIFICATION OF SERVICE
RULES AND REGULATIONS**

The deposit may be waived upon a customer's showing of satisfactory credit or payment history. Required deposits will be credited to the customer's bill between twelve and fifteen months after the month of deposit if the customer has established a satisfactory payment record for that period. If a deposit has been waived or returned and the customer fails to maintain a satisfactory payment record, a deposit may then be required. Upon termination of service, the deposit and any interest earned and owing will be credited to the final bill with any remainder refunded to the customer.

In determining whether a deposit will be required or waived, the following criteria may be considered:

- (1) Previous payment history with the Company. If the customer has no previous history with the Company, statements from other regulated public utilities may be presented by the customer as evidence of good credit.
- (2) Length of time the customer has resided or been located in the area.
- (3) Whether the customer owns the property where service is to be rendered.
- (4) Whether another customer with a good payment history is willing to sign as a guarantor for an amount equal to the required deposit.

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If a deposit is held longer than eighteen months, the deposit will be recalculated at the customer's request based on the customer's actual usage for the past twelve months. If the deposit on account differs from the recalculated amount by more than \$10.00 for a residential customer or 10 percent for a non-residential customer, the Company may collect any underpayment and refunds, if any, will be credited to the customer's next utility bill. No refund will be made if the customer's bill is delinquent at the time of recalculation.

Once each year, a billing insert will be included with the bill advising the customer of the right to request a deposit recalculation.

Residential and small non-residential customers with meters up through AL425 will pay equal deposits in the amount of \$95.00. This amount shall not exceed 2/12ths of the average annual bill.

Large non-residential customer's deposits shall be based upon actual usage of the customer at the same or similar premises for the most recent twelve month period if such information is available. If usage information is not available, the deposit will be based on the average bills of similar customers and premises in the system. The deposit amount shall not exceed 2/12ths of the customer's actual or estimated annual bill.

18. MONTHLY CUSTOMER CHARGE

(T)

A monthly customer charge shall be rendered against every meter installed unless service is discontinued in one customer's name and is not to be re-served at the location.

Special permission may be obtained from the local distribution supervisor for waiving of the monthly customer charge only when initial service is being rendered and no gas except test gas has been passed by the meter.

A full monthly customer charge will be rendered whenever service has been used for more than fifteen (15) days of a billing month, even if the consumption of the customer is zero (0).

If service is used less than fifteen (15) days in a given billing month and any consumption is recorded, the normal billing procedure shall apply.

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19. MONTHLY BILLS (T)

Bills for gas service will be rendered monthly unless otherwise specified. The term “month” for billing purposes shall mean the period between any two consecutive readings of the meter by the Company, such reading to be taken as near as practicable approximately every thirty (30) days.

Bills are due upon rendition and payable within a period not exceeding ten (10) days after the date of mailing.

Service shall be subject to being discontinued for non-payment of bills after the customer has been given at least ten (10) days written notice separate from the original bill and not before twenty seven (27) days from the mailing date of the original bill.

The Company may not terminate service to a customer if a medical certificate is presented or if a Certificate of Need from the Cabinet for Human Resources is presented in accordance with 807 KAR 5:006, Section 15 (2)(c) and (3). (T)

Failure to receive a bill does not exempt a customer from these provisions.

When the Company is unable to read the meter after a reasonable effort, or where the meter fails to operate, the customer will be billed on an estimated basis and the billing adjusted as necessary.

The Company’s billing form includes dates served; number of days in period; previous and present meter reading; Mcf usage; net amount due for service rendered; taxes, if applicable; adjustments, if any; special charges; total amount due; account number; billing date; due date; and service address.

20. BUDGET PAYMENT PLAN (T)

The Company has a budget payment plan available for its residential and small non-residential customers whereby a customer may elect to pay a monthly amount for the budget year in lieu of monthly billings for actual usage. The monthly budget

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payment will be determined by the Company based, under normal circumstances, on a minimum of one-twelfth of the estimated annual usage, subject to review and adjustment during the budget year. The normal budget year is the 12 months from August through July, with any amounts to be settled being rolled into the subsequent budget year.

The customer's account may be adjusted through a series of levelized adjustments on a monthly basis if usage or changes in rates indicate that the account will not be current upon payment of the last budget amount.

To be accepted as a budget customer, the account balance must be paid in total before the customer is put on a budget payment plan. It is understood that this budget payment plan will continue until the customer notifies the Company in writing or by telephone to discontinue the plan or if the customer fails to pay bills as rendered under the budget payment plan. The Company reserves the right to revoke the plan and restore the customer to regular billing and require immediate payment of any deficiency.

Failure to receive a bill in no way exempts the customer from the provisions of these terms and conditions.

21. LOCAL FRANCHISE FEE OR TAX

(T)

There shall be added to the customer's bill, as a separate item, an amount equal to the proportionate part of any license, occupation, franchise or other similar fee or tax now or hereafter agreed to or imposed upon the Company by local taxing authorities, whether imposed by ordinance, franchise or otherwise, and which fee or tax is based upon a percentage of the gross receipts, net receipts, or revenues of the Company. Such amount shall be added exclusively to bills of customers receiving service within the territorial limits of the authority imposing the fee or tax. Where more than one such fee or tax is imposed, each of the charges or taxes applicable to each customer shall be added to the customer's bill as separately identified items.

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22. COMPANY-OWNED SERVICE LINE EXTENSIONS AND CONNECTIONS (T)

The Company will install, own, operate and maintain the service line at the premises of residential and commercial customers, if such premises are not connected to a Company main by a service line. With respect to residential and commercial customers that occupy premises already connected to a Company main by a service line, the Company shall be responsible for operating and maintaining the customer service line and when the Company determines that replacement of such customer service line is necessary the Company shall be responsible for installing the service line and shall thereafter own the service line.

Any customer accepting gas service under this section shall be deemed to have granted the Company an easement across his property for such service. No service line shall be installed across private property other than the premises of the building to be supplied with gas; except after special investigation and approval by the Company.

An extension of 100 feet or less shall be made to an existing distribution main without charge for a prospective customer who shall apply for and contract to use service for one (1) year or more and provides guarantee for the service. (T)
(T)
(T)

If an extension of the utility's main to serve an applicant or group of applicants amounts to more than 100 feet per customer, the Company may require the total cost of the excessive footage over 100 feet per customer to be deposited with the utility by the applicant, based on average estimated cost per foot of the total extension. Each customer receiving service under this extension shall be reimbursed under the following plan: each year for a refund period of not less than ten (10) years, the utility shall refund to the customer who paid for the excessive footage, the cost of 100 feet of extension in place for each additional customer connected during the year whose service line is directly connected to the extension installed, and not to extensions or laterals therefrom. Total amount refunded shall not exceed the amount paid to the utility. After the end of the refund period, no refund shall be required. An applicant desiring an extension to a proposed real estate subdivision may be required to pay all costs of the extension. Each year for a refund period of not less than ten (10) years, the utility shall refund to the applicant who paid for the extension a sum equivalent to the cost of 100 feet of extension installed for each additional customer connected during the year. Total amount refunded shall not exceed the amount paid to the utility. After the end of the refund period from the completion of the extension, a refund shall not be required. (T)
(T)

Nothing contained herein shall be construed as to prohibit the Company from making at its expense greater extensions to its distribution mains or the granting of more favorable terms than herein prescribed, should its judgment so dictate, provided like extensions are made for other customers or subscribers under similar conditions.

In the event that the Company is required to undertake any excavation on a customer's property in connection with the installation, repair, maintenance or replacement of a service line, the Company shall make reasonable efforts to restore the property to its original condition pursuant to generally accepted utility standards for such construction operations.

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23. COMPANY'S EQUIPMENT AND INSTALLATION (T)

The Company shall furnish, install and maintain at its expense the necessary service connection. The location of this service connection will be made at the discretion and judgment of the Company.

The Company will furnish, install and maintain at its expense the necessary meter, meter stand (including meter riser), regulator and connections which will be located at or near the main service connection, property line or near the building, at the discretion or judgment of the Company. Suitable site or location for the meter, meter stand, (including meter riser), regulator and connections shall be provided by the customer and the title to this equipment shall remain in the Company with the right to install, operate, maintain and remove same and no charge shall be made by the customer for use of the premises as occupied or used.

24. PROTECTION OF COMPANY'S PROPERTY (T)

All meters, piping and other appliances and equipment furnished by and at the expense of the Company, which may at any time be in or on the customer's premises shall, unless otherwise expressly provided herein, be and remain the property of the Company and the customer shall protect such property from loss or damage and no one who is not an agent of the Company shall be permitted to remove such property or to tamper with or damage same.

25. CUSTOMER'S EQUIPMENT AND INSTALLATION (T)

The customers shall furnish, install and maintain at their expense the necessary housepiping, connections and appliances and same shall be installed in accordance with the requirements and specifications of "INSTALLATION OF GAS PIPING AND GAS EQUIPMENT" as compiled and approved by the American National Standards Institute, the National Board of Fire Underwriters, The American Gas Association and other similar bodies, which is now contained in the National Fuel Gas Code (ANSI Z 223.1-1980) and any revisions thereof which are herewith incorporated by reference as a part of the Company's Rules and Regulations where applicable and when not in conflict with the requirements of the constituted authorities.

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All appliances must be approved by a standard testing laboratory or agency and installed in accordance with the manufacturer and/or NFPA 54 guidelines.

Suitable pressure regulators shall be installed by, or at the expense of, the customer on all heating appliances and special equipment which have an hourly input of 50,000 BTU or higher; pressure regulators shall also be installed on all appliances with lower inputs where provided or recommended by the manufacturer or where necessary, at the discretion of the Company, to provide better and safer gas utilization and service.

All of the customer's piping, connections and appliances shall be suitable for the purposes thereof and shall be maintained by the customer at his expense at all times in a good, safe and serviceable condition.

The Company shall inspect the condition of the meter and service connections before making service connections to a new customer pursuant to 807 KAR 5:006, Section 13(3). The Company shall not assume any responsibility and shall not be held liable in any way for the making of any periodic inspection of the customer's piping, connections or appliances or for the customer's failure to properly and safely install, operate and maintain same.

26. NOTICE OF ESCAPING GAS OR UNSAFE CONDITIONS

(T)

Immediate notice must be given by the customer to the office or employees of the Company if any escaping gas or unsafe conditions are detected or any defects or improper installations are discovered in the piping and equipment of either the Company or the customer which are on the customer's premises.

No flames or lights are to be taken near any escape of gas and the gas must be shut off at the meter cock or valve until hazard is eliminated and the gas service is not to be turned on again except by a Company employee.

The Company will not be responsible or assume any liability for any injury, loss or damage which may arise from the carelessness or negligence of the customer or his agents or representatives.

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27. TURNING OFF GAS SERVICE AND RESTORING SAME (T)
- The gas service may be turned off at the meter when justified by the customer or his agent or any constituted authorities but no person, unless in the employ of the Company or having permission from the Company, shall turn the gas on or restore service.
28. CHARACTER OF SERVICE (T)
- In accordance with 807 KAR 5:022, Section 6, the Company will normally supply natural gas having a heating value of approximately one thousand seventy (1,070) BTU per cubic foot and a specific gravity of approximately sixty-two hundredths (0.62). However, when necessary to supplement the supply of natural gas, the Company reserves the right, at its discretion, to supply an interchangeable mixture of vaporized liquefied petroleum gas and air or a combination of same with natural gas.
29. MEASUREMENT BASE (T)
- The Company utilizes an appropriate measurement base in all service areas. The rates of the Company are based upon gas delivered to the customer on a basis of four (4) ounces per square inch above an assumed atmospheric pressure of fourteen and four-tenths (14.4) pounds per square inch or fourteen and sixty-five hundredths (14.65) pounds per square inch absolute pressure at an assumed temperature of sixty (60) degrees Fahrenheit; provided, however, the Company reserves the right to correct as necessary the actual temperatures to sixty (60) degrees Fahrenheit basis in the cases of large volume industrial customers. (D)
- All gas measured at pressures higher than standard pressure for low pressure distribution systems shall be corrected to a pressure base of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute.
30. GAS MEASUREMENT
- The gas consumed shall be measured by a meter or meters to be installed by the Company upon the customer's premises at a point most accessible or convenient for the Company and all bills

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shall be calculated upon the registration of said meter or meters except as hereinafter provided. If more than one meter is installed for the same or different classes of service at different locations on the customer's premises, each meter shall be considered separately in calculating the amount of any bills, except in those cases where the Company elects to install dual metering facilities in order to assure accurate measurement of all gas consumed. Meter readings may be combined and one bill rendered under these conditions. Meters include all measuring instruments and equipment.

All residences, commercial buildings or other occupied buildings shall have separate meters even if under the same roof, except in cases of multi-occupants under the same roof with a common entrance or within an enclosure or mobile home park where it is unreasonable or uneconomical to measure each unit separately.

When customers are served from high pressure lines, the meters, regulators and safety devices shall be located as near to the Company's main as is practicable.

31. METERING

(T)

Unless otherwise specified, a residential, commercial or industrial consumer shall be interpreted to mean a customer served through an individual meter.

A multiple unit dwelling shall be interpreted to mean two or more consumers or dwelling units, such as apartments, trailers or mobile homes within a trailer park.

A master meter shall be interpreted to mean one meter servicing a trailer or mobile home park or a multiple unit dwelling; the Company reserves the right to charge a minimum monthly rate per mobile home or trailer or individual consumer within a multiple unit dwelling served through a master meter.

Any time a master meter is used for rendering services, the Company shall require the execution of a service agreement in writing, which agreement, among other things, shall specify the number of customers served through such master meter.

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- 32. POINT OF DELIVERY OF GAS (T)
 The point of delivery of gas supplied by the Company shall be at the point where the gas passes from outlet of the meter to customer’s yard line or house piping.

- 33. MCF (T)
 “Mcf” is defined as 1,000 cubic feet at the measurement base.

- 34. CCF (T)
 “Ccf” is defined as 100 cubic feet at the measurement base.

- 35. DTH (T)
 “Dth” is defined as 1,000,000 BTUs.

- 36. DELTA (T)
 “Delta” or “the Company” shall mean Delta Natural Gas Company, Inc.

- 37. CUSTOMER’S DISCONTINUANCE OF SERVICE (T)
 Reference 807 KAR 5:006, Section 13. (T)

- 38. COMPANY’S DISCONTINUANCE OF SERVICE FOR CAUSE (T)
 Reference 807 KAR 5:006, Section 15. (T)

- 39. SPECIAL RULES FOR CUSTOMERS SERVED FROM TRANSMISSION MAINS (T)
 Applicability – These special rules for customers served from transmission mains shall be applicable to the Company’s service area set forth in the Company’s rules and regulations as filed with and approved by the Public Service Commission. (D)
(D)

 Transmission Mains - In addition to the standard Rules and Regulations as applicable to 807 KAR 5:022, Section 2, which incorporates 49 C.F.R. Part 191, the following special Rules and Regulations shall apply to all customers served directly from the high pressure transmission mains. (T)

 All meters, regulators, equipment and connections necessary to serve the customer from high pressure transmission line shall be installed on the customer’s premises at or as near the transmission line as is practicable.

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Suitable site or location for the equipment owned by the Company or the owner of the line shall be provided and furnished by the customer without any expense to the Company. The Company shall have the right of ingress, egress and regress to and from this location at any time without any expense or charges from the customer.

The customers' yard line extending from the outlet of the meter shall be installed and maintained by the customers at their expense.

The customer shall notify the Company promptly of any leaks in the transmission line or equipment, also, of any hazards or damages to same.

(D)

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John B. Brown, President

**Issued by Authority of an Order of the Public Service Commission of KY in
Case No. 2021-00185 dated _____**

**CLASSIFICATION OF SERVICE
RULES AND REGULATIONS**

40. SPECIAL PROVISIONS - LARGE VOLUME CUSTOMERS (T)

Industrial, commercial or other customers using large volumes of gas on a varying basis shall install and maintain at their expense adequate piping and suitable regulating and control equipment to provide reasonable and practical limitation of intermittence or fluctuation in the pressure, volume or flow of gas and shall so regulate and control their operations and the use of gas hereunder so as not to interfere with gas service being furnished to them or to any other customers or with the proper and accurate metering of gas at their existing location or any other location.

41. MONITORING OF CUSTOMER USAGE (T)

The Company monitors each customer's usage on a monthly basis in order to detect unusual deviations in individual customer consumption. Prior to each monthly billing, the Company compares the customer's current consumption with prior usage. Should an unusual deviation in the customer's consumption be found, the Company makes a reasonable attempt to determine the reason for the unusual deviation including re-reading the meter and testing the meter if required.

If the cause for usage deviation cannot be determined from analysis of the customer's meter reading and billing records the Company will contact the customer by telephone or in writing to determine whether there have been changes such as different number of household members or work staff, additional or different appliances, changes in business volume or known leaks in the customer's service line.

The Company will notify the customer of the investigation, its findings and any refunds or backbilling in accordance with 807 KAR 5:006, Section 11 (4) and (5).

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John B. Brown, President

Issued by Authority of an Order of the Public Service Commission of KY in
Case No. 2021-00185 dated _____

**CLASSIFICATION OF SERVICE
RATE SCHEDULES****WEATHER NORMALIZATION ADJUSTMENT CLAUSE APPLICABLE TO
RESIDENTIAL AND SMALL NON-RESIDENTIAL GENERAL SERVICE RATE SCHEDULES**WEATHER NORMALIZATION ADJUSTMENT (WNA)

The sales to residential and small non-residential customers shall be increased or decreased monthly by an amount hereinafter described as the Weather Normalization Adjustment (WNA).

DETERMINATION OF WNA

A Weather Normalization Adjustment Factor (WNAF) shall be utilized during the December through April billing months to calculate the non-gas portion of the bills of all residential and small non-residential heating customers. During the remainder of the year, May through November, the monthly bills shall be computed solely on actual consumption.

WEATHER NORMALIZATION ADJUSTMENT WILL BE CALCULATED USING THE FOLLOWING FORMULA:

$$\text{WNA} = \text{WNAF} * \text{Actual Mcf} * \text{Base Rate Charge}$$

An average daily base load will be determined separately for residential and small non-residential customers. The average daily base load will remain the same for the WNA December – April billing months. WNA will be billed for 5 billing periods.

An Average Monthly Base Load (AMBL) for residential or small non-residential customers will be calculated by using total Mcf for two month non-heat usage (August/September) divided by total number of residential or small non-residential customers billed for the two month period.

$$\text{AMBL} = \text{MCF} / \text{NUMBER OF CUSTOMER}$$

To calculate the Average Daily Base Load (ADBL), divide the Average Monthly Base Load by the average number of days in the two-month non-heat billing cycle.

$$\text{ADBL} = \text{AMBL} / \text{AVERAGE \# DAYS}$$

DATE OF ISSUE: May 28, 2021
DATE EFFECTIVE: July 1, 2021
ISSUED BY: /s/ John B. Brown
John B. Brown, President

**CLASSIFICATION OF SERVICE
RATE SCHEDULES****WEATHER NORMALIZATION ADJUSTMENT CLAUSE APPLICABLE TO
RESIDENTIAL AND SMALL NON-RESIDENTIAL GENERAL SERVICE RATE SCHEDULES**

Base Load (BL) is determined by multiplying the Average Daily Base Load per residential or small non-residential customer by the number of days in the billing cycle times the number of residential or small non-residential customers in the billing cycle.

$$\text{BL} = \text{ADBL} * \# \text{ DAYS IN BILLING CYCLE} * \# \text{ CUSTOMERS IN BILLING CYCLE} \quad (\text{T})$$

The heat load is then determined by subtracting the residential or small non-residential customer's base load from the total Mcf billed in the billing cycle.

$$\text{HL} = \text{MCF BILLED IN CYCLE} - \text{BL}$$

A Heating Degree Factor (HDF) is then determined by dividing the Normal Degree-Days (NDD) for the billing cycle by the Actual Degree-Days (ADD) in the billing cycle.

$$\text{HDF} = \text{NDD} / \text{ADD}$$

The Weather Normalization Adjustment Consumption (WNAC) is computed by multiplying the Heating Degree Factor times the Heat Load and adding the Base Load to that number.

$$\text{WNAC} = \text{HDF} * \text{HL} + \text{BL}$$

The Weather Normalization Adjustment Factor is then calculated by dividing the WNA Consumption by the total Mcf billed in the cycle.

$$\text{WNAF} = \text{WNAC} / \text{MCF}$$

The WNAF will be recomputed monthly based on company averages. If the WNAF is less than 1.0, the customer's billed amount will be less than the actual amount would have been. If the WNAF is greater than 1.0 the customer's billed amount will be more than the actual amount would have been. The customer's bill is calculated by multiplying the actual Mcf usage by the WNAF times the base rate charge as set forth on Sheet No. 2 of this tariff.

DATE OF ISSUE: May 28, 2021
DATE EFFECTIVE: July 1, 2021
ISSUED BY: /s/ John B. Brown
 John B. Brown, President

CLASSIFICATION OF SERVICE
RATE SCHEDULES

RIDER FOR GAS TECHNOLOGY INSTITUTE RESEARCH AND DEVELOPMENT

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17. This tariff applies to all gas sold by Delta under Delta's residential (Tariff Sheet No. 2), small non-residential (Tariff Sheet No. 3), large non-residential (Tariff Sheet No. 4) and interruptible (Tariff Sheet No. 5-6) rate schedules. It also applies to transportation by Delta under Delta's on system transportation (Tariff Sheet No. 7-9) rate schedule.

GTI R&D Unit Charge

The intent of the Gas Technology Institute Research and Development (GTI R&D) Unit Charge is to maintain the Company's level of contribution at the calendar year 2003 funding amount of approximately \$12,347. The Unit Charge will be billed effective February 1, 2005 at the rate of \$0.002 per Mcf.

WAIVER PROVISION

The GTI R&D Unit Charge may be reduced for one or more classifications of service or rate schedules at any time by the Company by filing notice with the Commission. Any such waiver shall not increase the GTI R&D Unit Charge to the remaining classifications of service or rate schedules without Commission approval.

REMITTANCE OF FUNDS

All funds collected under this rider will be remitted to Gas Technology Institute on an annual basis. The amounts so remitted shall be reported to the Commission annually.

TERMINATION OF THIS RIDER

Participation in the GTI R&D funding program is voluntary on the part of the Company. The Company may terminate this rider at any time by filing a notice of rescission with the Commission.

DATE OF ISSUE: May 28, 2021
DATE EFFECTIVE: July 1, 2021
ISSUED BY: /s/ John B. Brown
John B. Brown, President

CLASSIFICATION OF SERVICE
RULES AND REGULATIONS

ENERGY ASSISTANCE PROGRAM RIDER
APPLICABLE TO RESIDENTIAL RATE SCHEDULE

ENERGY ASSISTANCE PROGRAM

An Energy Assistance Program (“EAP”) surcharge of \$0.30 per month will be applied to all residential bills rendered under the Residential Rate Schedule and Farm Tap Rate Schedule. Proceeds from the EAP surcharge will help fund a bill credit to enrolled low-income customers. It is available to eligible residential customers in the Company’s service territory subject to enrollment through local community action agencies and subject to available funding.

(D)

DATE OF ISSUE: May 28, 2021
DATE EFFECTIVE: July 1, 2021
ISSUED BY: /s/ John B. Brown
John B. Brown, President

Issued by Authority of an Order of the Public Service Commission of KY in
Case No. 2021-00185 dated _____

CLASSIFICATION OF SERVICE
RATE SCHEDULES

CONSERVATION/EFFICIENCY PROGRAM COST RECOVERY
APPLICABLE TO RESIDENTIAL RATE SCHEDULE

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17. This tariff applies to all gas sold by Delta under Delta's residential tariff (Tariff Sheet No. 2).

CONSERVATION/EFFICIENCY PROGRAM COST RECOVERY COMPONENT (CEPRC)

Delta's Conservation/Efficiency Program (the Program) is a demand-side management program established to promote conservation and the efficient use of natural gas by Delta's residential customers.

The prices to residential customers shall be increased monthly by an amount hereinafter described as the Conservation/Efficiency Program Cost Recovery Component (CEPRC), which allows Delta to recover costs associated with the Program.

DETERMINATION OF CEPRC

The Company shall file an annual report with the Commission which shall contain updated CEPRC rates at least thirty (30) days prior to the effective date of the new rates. The annual amount computed under the Conservation/Efficiency Program Cost Recovery Component shall be collected based on the CEPRC amount divided by the expected usage for the upcoming program year. For purposes of determining the CEPRC, the program year is defined as the twelve months ended October 31, with rates effective as of the following February 1. The amounts billed under the CEPRC will be computed solely on actual consumption.

The CEPCR is calculated using the following formula:

$$\text{CEPRC} = \text{CEPCR} + \text{CEPLS} + \text{CEPI} + \text{CEPBA}$$

DATE OF ISSUE: May 28, 2021
DATE EFFECTIVE: July 1, 2021
ISSUED BY: /s/ John B. Brown
John B. Brown, President

**CLASSIFICATION OF SERVICE
RATE SCHEDULES**

**CONSERVATION/EFFICIENCY PROGRAM COST RECOVERY
APPLICABLE TO RESIDENTIAL RATE SCHEDULE**

Whereby:

CEPCR = CONSERVATION/EFFICIENCY PROGRAM COST RECOVERY

The CEPCR shall include all actual costs which have been approved by the Commission for each twelve month period for conservation/efficiency programs of the Company "approved programs". Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating CEP programs. In addition, all costs incurred including, but not limited to, costs for consultants, employees and administrative expenses, will be recovered through the CEPCR.

CEPLS = CEP REVENUE FROM LOST SALES

Revenues from lost sales due to CEP programs implemented on and after the effective date of this tariff will be recovered as follows:

The estimated reduction in customer usage (in Mcf) as a result of the approved programs for the previous twelve months shall be multiplied by the non-variable revenue requirement per Mcf for purposes of determining the lost revenue to be recovered hereunder. Non-variable revenue requirement is base rate charged to the applicable rate class under this tariff.

The aggregate lost revenues attributable to the program participant shall be divided by the estimated residential sales (in Mcf) for the upcoming twelve-month period to determine the applicable CEPLS surcharge.

Recovery of revenues from lost sales calculated for a twelve-month period shall be included in the CEPLS until the implementation of new base rates pursuant to a general rate case.

DATE OF ISSUE: May 28, 2021
DATE EFFECTIVE: July 1, 2021
ISSUED BY: /s/ John B. Brown
John B. Brown, President

**CLASSIFICATION OF SERVICE
RATE SCHEDULES**

**CONSERVATION/EFFICIENCY PROGRAM COST RECOVERY
APPLICABLE TO RESIDENTIAL RATE SCHEDULE**

Revenues collected hereunder are based on engineering estimates of energy savings, actual program participation and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates and actual program participation are accounted for shall be reconciled in future billings under the CEP Balance Adjustment (CEPBA) component.

CEPI = CEP INCENTIVE

For all Conservation/Efficiency Programs, the CEP incentive amount shall be computed by multiplying the net resource savings estimated from the approved programs times fifteen (15) percent. Net resource savings are defined as program benefits less utility program costs and participant costs where program benefits will be calculated on the basis of the present value of Delta's avoided commodity costs over the expected life of the program.

The CEP incentive amount shall be divided by the expected Mcf sales for the upcoming twelve month period to determine the CEPI. CEP incentive amounts will be assigned for recovery purposes to the rate classes whose programs created the incentive.

CEPBA = CEP BALANCE ADJUSTMENT

The CEPBA shall be calculated on a twelve month basis and is used to reconcile the difference between the amount of revenues actually billed through the CEPCR, CEPLS, CEPI and previous application of the CEPBA and the revenues which should have been billed.

The program has an October year-end with rates effective February 1.

The CEPBA is the sum of the following components:

- The amount estimated to be recovered during the current program year from February 1 through October 31 less actual recovery.

DATE OF ISSUE: May 28, 2021
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ISSUED BY: /s/ John B. Brown
John B. Brown, President

CLASSIFICATION OF SERVICE
RATE SCHEDULES

CONSERVATION/EFFICIENCY PROGRAM COST RECOVERY
APPLICABLE TO RESIDENTIAL RATE SCHEDULE

- The amount estimated to be recovered during the prior program year from November 1 through January 31 less actual recovery.
- The balance adjustment amounts determined on the basis of the above paragraphs (1) and (2) shall include interest to be calculated at a rate equal to the average of the "3-month Commercial Paper Rate" for the immediately preceding 12-month period.

The balance adjustment amounts, plus interest, shall be divided by the expected Mcf sales for the upcoming twelve-month period to determine the CEPBA for each rate class.

Modifications to CEPRC

The filing of modifications to the CEPRC which require changes in the CEPCR component shall be made at least two months prior to the beginning of the effective period for billing. Modifications to other components of the CEPRC shall be made at least thirty days prior to the effective period for billing. Each filing shall include the following information as applicable:

- (1) A detailed description of each CEP program, the total cost of each program over the previous twelve month period and budgeted costs for the next program year, an analysis of expected resource savings, information concerning the specific CEP or efficiency measures to be installed, and any applicable studies which have been performed, as available.
- (2) A statement setting forth the detailed calculation of the CEPCR, CEPLS, CEPI, CEPBA and CEPRC.

Each change in the CEPRC shall be placed into effect with bills rendered on and after the effective date of such change.

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DATE EFFECTIVE: July 1, 2021
ISSUED BY: /s/ John B. Brown
John B. Brown, President

CLASSIFICATION OF SERVICE
RATE SCHEDULES

(T)

PIPE REPLACEMENT PROGRAM (“PRP”) RIDER

APPLICABILITY

Applicable to all customers receiving service under the Company's Rate Schedules, Residential, Small Non-Residential, Large Non-Residential and Interruptible Services.

CALCULATION OF PIPE REPLACEMENT RIDER REVENUE REQUIREMENT

The PRP Rider Revenue Requirement includes the following:

- a. PRP-related plant in service not included in base gas rates minus the associated PRP-related accumulated depreciation and accumulated deferred income taxes;
- b. Retirement and removal of plant related to PRP construction;
- c. The weighted average cost of capital on the net rate base is the overall rate of return on capital authorized in the Company's latest base gas rate case, grossed up for federal and state income taxes and PSC assessment;
- d. Depreciation expense on the PRP-related plant in service less retirement and removals;
- e. Reduction for savings in operating and maintenance expense;
- f. Increased property tax expense on the PRP-related plant in service.

PIPE REPLACEMENT PROGRAM FACTORS

All customers receiving service under Delta's Residential, Small Non-Residential, Large Non-Residential and Interruptible Service Rate Schedules shall be assessed a monthly charge in addition to the Customer Charge component of their applicable rate schedule that will enable the Company to complete the pipe main replacement program.

The PRP Rider will be updated annually in order to reflect the expected impact on the Company’s revenue requirements of forecasted net plant additions and subsequently adjusted to true up the actual costs with the projected costs. A filing to update the projected costs for the upcoming calendar year will be submitted annually by October 15 to become effective with meter readings on and after the first billing cycle of January. Delta will submit a balancing adjustment annually by March 31 to true-up the actual costs, as offset by operations and maintenance expense reductions, during the most recent twelve months ended December with the projected program costs for the same period. The balancing adjustment true-up to the rider will become effective with meter readings on and after the first billing cycle of June.

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DATE OF ISSUE: May 28, 2021
DATE EFFECTIVE: July 1, 2021
ISSUED BY: /s/ John B. Brown
John B. Brown, President

CLASSIFICATION OF SERVICE
RATE SCHEDULES

EFFICIENT NATURAL GAS APPLIANCE REBATE PROGRAM

Rebates shall be offered to Delta Natural Gas residential customers who are constructing a new home, are changing from another energy source to natural gas, or who are adding or upgrading natural gas appliances to efficient models. For those constructing a new home, the rebate will be paid to one of the following parties: a builder constructing speculative home, a builder constructing model, tract or custom home, a customer contracting a builder, a customer acting as a general contractor, or a customer ordering a new manufactured or mobile home.

All equipment must meet program requirements and be installed according to applicable manufacturer’s recommendations and code requirements. A customer must present the dated invoice to Delta within 120 days of installation in order to be eligible for a rebate. Delta personnel will perform a verification of the installation prior to granting the rebate. All equipment must meet the program guideline minimum requirements stated below with no exceptions.

Rebate Amounts and Program Guideline Minimum Requirements:

Natural Gas Heating Equipment	Efficiency Level	BTU Input	Rebate Amount
Forced Air Furnace or Boiler	90% or greater	30,000 or greater	\$400.00
Dual Fuel Auxiliary Furnace	90% or greater	30,000 or greater	\$300.00
Space Heater	99%	10,000 or greater	\$100.00
Gas Logs	99%	18,000 or greater	\$100.00
Gas Fireplace	90% or greater	18,000 or greater	\$100.00
Natural Gas Water Heaters	Efficiency Level	Unit Requirement	Rebate Amount
Storage Tank Model	0.57 UEF	30 gallon or greater	\$200.00
Power Vent or Direct Vent Model	0.65 UEF	40 gallon or greater	\$250.00
On Demand Model	0.81 UEF	Tank-less	\$300.00

There shall be no recovering from customers through the Conservation/Efficiency Program of any Efficient Natural Gas Appliance Rebate Program costs, including lost revenues and incentives.

DATE OF ISSUE: May 28, 2021
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 ISSUED BY: /s/ John B. Brown
 John B. Brown, President

Issued by Authority of an Order of the Public Service Commission of KY in
 Case No. 2021-00185 dated _____

CLASSIFICATION OF SERVICE
RATE SCHEDULES

*** For proofing purposes only ***
Legacy acct#: 187836-2

Account Number: [Blank] Bill Date: Aug 12, 2020

DELTA NATURAL GAS COMPANY, INC.
PO BOX 975
MIDDLESBORO, KY 40965
Office Hours 8:00 to 4:00 P.M. Monday-Friday
(877) 335-0852

SUMMARY OF BASIC CHARGES		MONTHLY USAGE COMPARISON	
Credits And Charges Since Your Last Bill			
Balance from last bill	\$0.00		
Balance	\$0.00		
Current Charges			
01 Residential Monthly Customer Charge	\$20.70		
Gas Usage Charge			
0.6 MCF @ \$8.9333	5.36		
Energy Assistance Program Tariff	.30		
Pipe Replacement Program Residential	5.10		
TCJA Surcredit Residential	3.83 CR		
Conservation Efficiency Program	.06		
5.00% Franchise Fee - Barbourville on \$27.69	1.38		
3.00% Rate Inc Cty Barbourvl Sc Tx on \$27.69	.83		
Total Current Charges	\$29.90		
Total Amount Due	\$29.90		

To our customers who pay their Delta Gas bill on-line, please be sure to change your account number with your banking service. For more information about your bill, visit www.deltagas.com.

You can pay your bill by Credit/Debit Card or Electronic Check. Call ACI Speedpay at (866) 338-5491 or visit www.deltagas.com and click on "Pay Bill Online"

BILLING PERIOD & METER READINGS			
Date	Read Type	Reading	Difference
Meter Number	V805221		
AUG 03, 2020	Actual	528.1	0.6
JUN 30, 2020	Actual	527.5	
MCF Used in 34 Days			0.6

Please Pay Amount Due \$29.90 by Aug 24, 2020

This is the beginning of the new budget year. For budget customers, your new budget amount is reflected on this bill. If you are not a budget customer and would like to join the plan, contact your local office.

SEE REVERSE SIDE FOR EMERGENCY INFORMATION.

Please detach and return this coupon with a check made payable to Delta Natural Gas Company

- Check here to indicate address and/or phone number change on back.
- Check here for automatic bank draft service. Complete application on back of this stub.

DELTA NATURAL GAS COMPANY, INC.
PO BOX 975
MIDDLESBORO, KY 40965
Office Hours 8:00 to 4:00 P.M. Monday-Friday

DUE DATE Aug 24, 2020	ACCOUNT NO. [Blank]
\$29.90	[Blank]
Amount Due	Amount Enclosed
I am voluntarily adding \$ _____ (\$1.00 or more) to any payment for the Wintercare Program	



DELTA NATURAL GAS CO INC
PO BOX 747108
PITTSBURGH, PA 15274-7108

160020001167779200000000299000000029903

DATE OF ISSUE: May 28, 2021
DATE EFFECTIVE: July 1, 2021
ISSUED BY: /s/ John B. Brown
John B. Brown, President

Issued by Authority of an Order of the Public Service Commission of KY in
Case No. 2021-00185 dated _____

**CLASSIFICATION OF SERVICE
RATE SCHEDULES**

CHARGES

Reconnect	\$60.00
Collection	\$20.00
NSF	\$15.00

WE ARE PROUD TO OFFER AN AUTOMATED BILL PAYMENT SERVICE.

Pay your bill by electronic check, debit or credit card 24 hours a day, 7 days a week.
 Pay online at www.deltagas.com or by phone (866) 338-5491.
 Payment may be made with the following credit cards: VISA, MasterCard, Discover, or American Express.
 A processing fee will be charged when using this service.

Rate Schedules-Information about rate schedules is available upon request or at www.deltagas.com/rates.html

Past due amount, if any, is immediately payable. Carrying a past due amount and/or failing to pay Total Account Balance in full by the due date may result in discontinuance of service and the assessment of collection charges.

FOR YOUR SAFETY

Natural gas has a distinct odor added for your protection. When you smell it:
 Leave the house...immediately! Don't light matches or flip an electrical switch.
 Call us from a telephone other than your house phone.

EMERGENCY NUMBER (After Hours/Weekend/Holidays)
 To report an emergency during office hours, please call **(877) 335-0852**.
 To report an emergency after normal office hours, weekends or holidays, please call: **(800) 432-0771**.

Call before you dig
 If you are planning a home construction or landscaping project, call Kentucky 811 at least 72 hours before you start to dig.
 A representative will mark the approximate location of the underground utility lines on your property.

PAYMENT TERMS

Current Month's Bill
 The current month's bill due date is shown on the front of this statement. Payment is due in Delta's office on or before the due date.

Previous Amounts Due
 The due date indicated on this statement is for the current month's bill only and does not apply to Previous Amounts Due. Previous Amounts Due are past due and may be subject to disconnection. No extensions of time for Previous Amounts Due is being authorized by this statement.

**Usage is occasionally estimated due to weather conditions or unforeseen circumstances. Any adjustments from an estimated bill will be reflected with the next actual meter reading.

NOT RESPONSIBLE FOR MAIL DELIVERY. Failure to receive your bill does not exempt you from payment or discontinuance of service.



Direct email inquiries to:
customerservice@deltagas.com
www.deltagas.com

Change of Address

New Address _____

City _____ State _____ ZIP _____

Phone _____

Signature _____

Automatic Bank Draft Service

Please deduct my payment from my
 Checking Savings
 (Please attach a voided check).

I hereby authorize Delta Natural Gas Company, Inc. to debit my bank account in payment for gas service for the Delta customer shown on the reverse side. Upon notification, the automatic payment service will be stopped and the normal payment process will resume with the next billing.

DATE OF ISSUE: May 28, 2021
DATE EFFECTIVE: July 1, 2021
ISSUED BY: /s/ John B. Brown
John B. Brown, President

Issued by Authority of an Order of the Public Service Commission of KY in Case No. 2021-00185 dated _____

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00185 DATED JAN 03 2022

The following rates and charges are prescribed for the customers in the area served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

RATE SCHEDULES

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total Rate</u>
<u>RESIDENTIAL</u>			
Customer Charge	\$ 24.00		\$24.00
All Mcf	\$ 5.2539	\$ 6.0846	\$11.3385
Pipeline Replacement Program Rider			\$ 0.00
<u>SMALL NON-RESIDENTIAL</u>			
Customer Charge	\$ 44.40		\$44.40
All Mcf	\$ 4.8142	\$ 6.0846	\$10.8988
Pipeline Replacement Program Rider			\$ 0.00
<u>LARGE NON-RESIDENTIAL</u>			
Customer Charge	\$ 195.04		\$195.04
First 1–200 Mcf	\$ 5.2650	\$ 6.0846	\$11.3496
Next 201–1,000 Mcf	3.1637	6.0846	9.2483
Next 1,001–5,000 Mcf	2.1491	6.0846	8.2337
Next 5,001–10,000 Mcf	1.6395	6.0846	7.7241
Over 10,000 Mcf	1.3847	6.0846	7.4693
Pipeline Replacement Program Rider			\$ 0.00
<u>INTERRUPTIBLE</u>			
Customer Charge	\$ 267.85		\$267.85
First 1–1,000 Mcf	\$ 1.7143	\$ 6.0846	\$ 7.7989
Next 1,001–5,000 Mcf	1.2857	6.0846	7.3703
Next 5,001–10,000 Mcf	0.8571	6.0846	6.9417
Over 10,000 Mcf	0.6428	6.0846	6.7274
Pipeline Replacement Program Rider			\$ 0.00

FARM TAP

Customer Charge	\$ 24.00		\$24.00
All Mcf	\$ 3.1933	\$ 6.0846	\$ 9.2779

OTHERS OFF SYSTEM TRANSPORTATION

Per 1,000 cubic feet, or per dekatherm	\$ 0.3116
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SPECIAL CONTRACTS

Special Contract 1	
Per Mcf	\$ 0.1310
Special Contract 2 and 3	
Block 1 per Mcf	\$ 0.6115
Block 2 per Mcf	\$ 0.2998
Block 3 per Mcf	\$ 0.0919

OTHER CHARGES

Collection Charge	\$ 5.00
Reconnection Charge	\$ 9.00
Farm Tap Installation Fee	\$150.00
Farm Tap Reconnection Fee	\$ 25.00
Farm Tap Turn-On Fee	\$ 25.00

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00185 DATED JAN 03 2022

Delta Natural Gas Company, Inc.
Summary of Revenue Requirement
Case No. 2021-00185
For the Forecasted Test Year Ended December 31, 2022
(\$ Millions)

	<u>Settlement</u>	<u>Adjusted Settlement</u>
Base Rate Increase Requested by Delta	9.135	9.135
Rate Base Adjustments		
Utilize Rate Base Instead of Capitalization to Reflect Return for Base Rates	-	(0.208)
Adjust Excess ADIT per Delta's Correction	-	0.021
Remove Accounts Payable from Prepaids and CWIP	(0.014)	(0.014)
Set Cash Working Capital in Rate Base to \$0	(0.195)	(0.195)
Remove Nicholasville pipeline rights-of-way	-	(0.103)
Operating Income Adjustments		
Remove SERP-Related Expense per Delta's Correction	(0.242)	(0.242)
Reduce Pension Expense per Delta's Correction	(0.384)	(0.384)
Reduce Income Tax Expense per TCJA per Delta's Correction	(1.028)	(1.028)
Reduce Dues Expense	(0.002)	(0.071)
Increase Rate Case Expense	0.091	0.106
Correct Operating Income Formula	0.198	0.198
Increase Gross-up Factor to Include Bad Debt and PSC Assessment	0.008	0.008
Remove Non-Regulated Payroll	(0.060)	(0.060)
Remove Non-recurring IT	(0.280)	(0.280)
Remove Long-term incentive plan related to financials		(0.04)
Net Change to Non-Recurring Charge Revenues		0.04
ROE and Capital Structure Changes		
Reclassify 1.76% debt from LT to ST	(0.049)	(0.049)
Reduce Return on Equity from 10.95%	(1.534)	(1.599)
Reduce Return on Equity and Change in Capital Structure	_____	_____
Total Adjustments	_____ (3.489)	_____ (3.897)
Net Increase After Adjustments	_____ 5.646	_____ 5.238

Differences between summation of adjustments and total are due to rounding.

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