

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

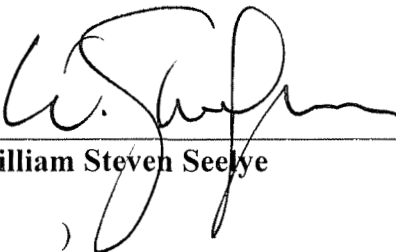
RECEIVED
JUL 27 2011
PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS)
COMPANY, INC. FOR APPROVAL OF A) CASE NO. 2011-00147
REVISED GAS COST RECOVERY TARIFF)

VERIFICATION

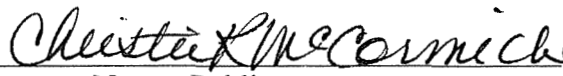
The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal and Senior Analyst with The Prime Group, LLC, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



William Steven Seelye

STATE OF KENTUCKY)
)
COUNTY OF Oldham)

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 21st day of July, 2011.

 (SEAL)

Notary Public

My Commission Expires:

CHRISTIE K. McCORMICK
NOTARY PUBLIC
STATE AT LARGE
KENTUCKY
MY COMMISSION EXPIRES APRIL 25, 2013

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2011-00147

FIRST PSC DATA REQUEST
DATED 7/8/2011

1. Refer to pages 3-4 and Exhibit 2 of the Direct Testimony of John B. Brown (“Brown Testimony”).
 - a. Describe how Delta finances its gas cost under-recoveries.
 - b. Explain why Delta is proposing to calculate its carrying cost based on its total cost of capital as opposed to using only its short-term debt cost rate.
 - c. Explain whether Delta’s cost of financing gas cost under-recoveries is already included in capital costs in its currently approved base rates. If so, provide the amount included in rates.

Response:

- a. Delta finances its gas cost under-recoveries through all sources of capital.
- b. Delta is proposing to calculate its carrying cost based on its total cost of capital because it uses all sources of capital to finance its under-recoveries.
- c. The cost of financing gas cost under-recoveries is not already included in Delta’s base rates. Gas costs are removed from the revenue requirement in the Company’s rate proceedings, and therefore not considered in setting Delta’s rates. Furthermore, in Case No. 2010-00116, the Commission explicitly denied Delta’s request to include an adjustment to its ROE to account for the cost of financing under-recoveries. In that case the Commission said the following:

The Commission suggests once again that Delta look to its GCA mechanism as opposed to its allowed ROE to address its gas cost under-recoveries. The Commission finds that Delta’s allowed ROE should not reflect any risk of gas cost under-recovery through its GCR clause.

(Order dated November 29, 2010, in Case No. 2010-00116 at p. 21. Emphasis supplied.)

Thus, these costs were not considered, and are not included, in the determination of Delta’s base rates.

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2011-00147**

**FIRST PSC DATA REQUEST
DATED 7/8/2011**

Furthermore, in Delta's last several rate cases, the return and income-tax components of revenue requirement were determined by applying the tax-adjusted (grossed-up) rate of return to rate base, *and not total capitalization*. Because Delta's rate base does not include any over- or under-recoveries of gas supply costs, it is not possible to identify *any* carrying costs associated with over- or under-recoveries of gas costs included in Delta's base rates.

Sponsoring Witness:

W. Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2011-00147

FIRST PSC DATA REQUEST
DATED 7/8/2011

2. Explain why it is appropriate to implement a Gas Cost Recovery (“GCR”) carrying cost adjustment to address gas cost under-recovery financing cost as opposed to attempting to ascertain if the under-recovery itself can be minimized to the point that the need for financing is alleviated, i.e. the symmetrical design of the proposed calculation, which would charge customers in the case of an under-recovery and credit customers in the case of an over-recovery, would appear to net out over time.

Response:

Delta agrees that a GCR mechanism that operates in a symmetrical manner, i.e. charge customers in the case of an under-recovery and credit customers in the case of an over-recovery, would net out over time and minimize the need for a carrying cost adjustment.

Towards that end, in this filing Delta has suggested changes in its GCR mechanism which it believes will make the results of its GCR mechanism significantly more symmetrical. Beyond that, Delta has proposed to institute a control on the rate being billed to customers that should both make the rate more consistent from period to period and also further ensure that the mechanism is operating in a symmetrical manner. Delta has modified the design of the control originally proposed in Wesolosky Testimony. The revised proposal and demonstration of how the control would have worked over the last several GCR periods is shown in response to Request No. 5.

Delta seeks to implement these changes which it believes will result in the collection of its sizable uncollectible gas cost balance and the maintenance of that balance at a reasonable level.

Assuming Delta is permitted to implement these changes, it will be several months before a balance of that magnitude can be collected from customers. It is very appropriate to implement a GCR carrying cost adjustment to address the financing cost of gas cost under-recovery until the time when the changes to the mechanism fully take effect. Further, having the carrying cost adjustment as a permanent feature of our GCR mechanism design will serve to protect both the Company and the customer in light of future price volatility, estimates and projections and the overall lag in the mechanism.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2011-00147

FIRST PSC DATA REQUEST
DATED 7/8/2011

3. Refer to page 5 of the Brown Testimony which states that, while Delta believes the proposed refinements will improve its estimation results, over- and under-recoveries will continue to exist and carrying costs of these amounts should be calculated from or remitted to customers as appropriate. Explain whether Delta is aware whether any other Kentucky jurisdictional gas distribution company has proposed or received Commission approval for such a carrying cost adjustment in its GCR tariff.

Response:

Delta is not aware of any Kentucky jurisdictional gas distribution company that has received Commission approval for such a carrying cost adjustment in its GCR tariff. However, in Case No. 2004-00067 the Commission said the following:

The under-recoveries Delta experiences can be addressed more readily through its GCA mechanism, with a revision of the GCA clause to include the carrying costs of any under-recoveries that Delta experiences.

(Order dated November 10, 2004 in Case No. 2004-00067 at p. 53-54)

In Case No. 2010-00116, the Commission also urged Delta to look at revising its GCR in order to include the costs associated with under-recovery of gas cost when it said the following:

Delta continues to ask for a higher return on equity to address the problem of financing gas cost under-recoveries, but it is unwilling to take action to revise its GCR clause in ways that might substantially resolve this issue. The Commission suggests once again that Delta look to its GCA mechanism as opposed to its allowed ROE to address its gas cost under-recoveries.

(Order dated November 29, 2010, in Case No. 2010-00116 at p. 21.)

Sponsoring Witness:

W. Steven Seelye

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2011-00147**

**FIRST PSC DATA REQUEST
DATED 7/8/2011**

4. Explain whether Delta has considered changing its Actual Adjustment (“AA”) calculation to use calendar month purchases as an estimate of sales. If so, explain why the historical sales method was deemed superior to that method. If not, explain why not.

Response:

Currently the Actual Adjustment (“AA”) calculation uses a twelve month estimate of sales to determine the AA rate based on the total cost difference of what was billed through the Expected Gas Cost versus the Actual Gas Cost. In analyzing the factors which contribute to the under-recovery of gas costs, the twelve months ended sales used to determine the quarterly actual adjustment appears to be an effective method of calculation for the quarterly AA rate. This is supported by the fact that once the AA adjustment has been effective for twelve months the balance adjustment is relatively small, as compared to the overall unrecovered balance. Our analysis showed Delta’s under-recovered position to primarily be a function of the calculation and amortization of the EGC.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2011-00147

FIRST PSC DATA REQUEST
DATED 7/8/2011

5. On page 2 of the Direct Testimony of Matthew D. Wesolosky (“Wesolosky Testimony”), Mr. Wesolosky explains Delta’s proposal to use historical usage from billing records, normalized for weather and adjusted from a billed month to a calendar month, and revising the dekatherm to Mcf conversion factor.
- a. Explain whether the calculation will also be revised for losses or gains in the number of customers occurring since the historical period.
 - b. Provide calculations based on the past four Delta GCR applications showing how the proposed calculation change would have affected its over/under-recoveries.

Response:

- a. Delta’s proposed change in methodology does take into account the impact of customer gains or losses for the period.
- b. The prior six GCR filings revised to reflect the changes proposed to the mechanism to limit over/under-recovery are attached to this response as Attachment II. Six filings have been provided to illustrate the impact the proposed methodology would have on the Actual Adjustment for four quarters.

Attachment I summarizes the impact of these changes to the GCR by comparing the actual rate to the revised rate and the impact the change has to Delta’s under-recovery positions.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas Company
Case No. 2011-00147
First PSC Data Request - Item 5b.
Attachment I
GCR Methodology Change Impact Analysis

Month	Month-End (Over)/Under Recovery	Billed MCF Sales	As Filed		Revised		Rate Difference	Change in Recovery	Accumulated Change	Projected Month-End (Over)/Under Recovery
			GCR Rate	GCR Rate	GCR Rate	GCR Rate				
May-10	\$ 3,215,816	118,797	\$ 6.2362	\$ 7.3915	\$ 1.1553	\$ 137,246	\$ 137,246	\$ 3,078,570		
Jun-10	3,629,955	74,891	6.2362	7.3915	1.1553	86,521	223,767	3,406,188		
Jul-10	4,110,471	59,885	6.2362	7.3915	1.1553	69,185	292,952	3,817,518		
Aug-10	4,606,264	52,948	7.4664	8.4697	1.0033	53,123	346,075	4,260,189		
Sep-10	5,161,801	44,660	7.4664	8.4697	1.0033	44,808	390,883	4,770,918		
Oct-10	5,744,584	68,797	7.4664	8.4697	1.0033	69,024	459,907	5,284,677		
Nov-10	6,311,358	127,063	6.1709	7.1517	0.9808	124,623	584,530	5,726,828		
Dec-10	8,561,767	264,010	6.1709	7.1517	0.9808	258,941	843,470	7,718,297		
Jan-11	7,466,478	767,017	6.1709	7.1517	0.9808	752,290	1,595,760	5,870,718		
Feb-11	5,448,108	689,367	6.8520	7.4593	0.6073	418,653	2,014,413	3,433,696		
Mar-11	4,117,581	477,477	6.8520	7.4593	0.6073	289,971	2,304,384	1,813,197		
Apr-11	2,815,217	371,009	6.8520	7.4593	0.6073	225,314	2,529,698	285,519		
May-11	3,300,067	147,703	7.0731	7.8285	0.7554	111,575	2,641,272	658,795		
Jun-11	3,573,038	92,773	7.0731	7.8285	0.7554	70,081	2,711,353	861,685		

Attachment II

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE I

GAS COST RECOVERY CALCULATION

COST RECOVERY RATE EFFECTIVE APRIL 26, 2010			As Filed
PARTICULARS	UNIT	AMOUNT	AMOUNT
EXPECTED GAS COST (EGC)	\$/MCF	7.3025	6.2032
QUARTERLY GAS COST RATE CONTROL	\$/MCF	-	-
QUARTERLY GAS COST (QGC)	\$/MCF	7.3025	
SUPPLIER REFUND (RA)	\$/MCF	-	
ACTUAL ADJUSTMENT (AA)	\$/MCF	(0.0988)	(0.0988)
BALANCE ADJUSTMENT (BA)	\$/MCF	0.1878	0.1318
GAS COST RECOVERY RATE (GCR)	\$/MCF	7.3915	6.2362

EXPECTED GAS COST SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
PRIMARY GAS SUPPLIERS (SCHEDULE II)	\$	1,539,117	1,862,458
UTILITY PRODUCTION	\$	-	-
INCLUDABLE PROPANE	\$	-	-
	\$	1,539,117	1,862,458
TOTAL ESTIMATED SALES FOR QUARTER	MCF	210,767	300,240
EXPECTED GAS COST (EGC) RATE	\$/MCF	7.3025	6.2032

SUPPLIER REFUND ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
CURRENT QUARTER (SCHEDULE III)	\$/MCF	-	-
PREVIOUS QUARTER	\$/MCF	-	-
SECOND PREVIOUS QUARTER	\$/MCF	-	-
THIRD PREVIOUS QUARTER	\$/MCF	-	-
SUPPLIER REFUND ADJUSTMENT (RA)	\$/MCF	-	-

ACTUAL ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
CURRENT QUARTER (SCHEDULE IV)	\$/MCF	1.5112	1.5112
PREVIOUS QUARTER	\$/MCF	0.0407	0.0407
SECOND PREVIOUS QUARTER	\$/MCF	(0.1317)	(0.1317)
THIRD PREVIOUS QUARTER	\$/MCF	(1.5190)	(1.5190)
ACTUAL ADJUSTMENT (AA)	\$/MCF	(0.0988)	(0.0988)

BALANCE ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
BALANCE ADJUSTMENT AMOUNT (SCHEDULE V)	\$	39,580	39,580
ESTIMATED SALES FOR QUARTER	MCF	210,767	300,240
BALANCE ADJUSTMENT (BA)	\$/MCF	0.1878	0.1318

MCP PURCHASES FOR THREE MONTHS BEGINNING
MAY 1, 2010
AT SUPPLIERS COSTS EFFECTIVE
MAY 1, 2010

Supplier	MCP Purchases	DTH Conv Factor	Rates (\$)	Quarterly Cost	Rate Increase (D)/Reduction (R)	PERCENT OF LOAD	Supplier	MCP Purchases	DTH Conv Factor	Rates (\$)	Quarterly Cost	Rate Increase (D)/Reduction (R)	PERCENT OF LOAD
TENNESSEE GAS PIPELINE PIPELINE (SCH II, PAGE 2 OF 2)	72,929	1.022	4.1566	\$381,052	R	34.60%	TENNESSEE GAS PIPELINE PIPELINE (SCH II, PAGE 2 OF 2)	99,001	1.036	4.1599	386,200	R	32.97%
ATMOS ENERGY MARKETING	29,914	1.003	4.1488	\$72,768	R	14.19%	ATMOS ENERGY MARKETING	65,116	1.029	4.1483	88,570	R	15.03%
COLUMBIA GAS TRANSMISSION PIPELINE (SCH II, PAGE 2 OF 2)	104,683	1.270	4.7232	627,941	R	49.67%	COLUMBIA GAS TRANSMISSION PIPELINE (SCH II, PAGE 2 OF 2)	152,853	1.035	4.7224	747,244	R	50.92%
ATMOS ENERGY MARKETING	3,240		5.9264	19,202	R	1.54%	M&B GAS SERVICES	3,240		5.9264	19,202	R	1.08%
COLUMBIA GULF TRANSMISSION M&B GAS SERVICES			0.0000	-	R	0.00%	KENTUCKY PRODUCERS			4.1921			
KENTUCKY PRODUCERS	210,767			1,539,117		100.00%	KENTUCKY PRODUCERS	300,240			1,862,158		100.00%
CHESAPEAKE STORAGE							CHESAPEAKE STORAGE						
TOTAL							TOTAL						

COMPANY USAGE 3,161 (COMPANY USAGE 4,504)

CALCULATION OF QUARTERLY GAS COST RATE
MAY 1, 2010

PREVIOUS QCC	5.7166
CURRENT ECG	7.3025
EGC CHANGE	(1.5859)
10% OF CURRENT ECG	0.7303
RATE CONTROL	
THE LESSER OF EGC CHANGE OR 10% OF CURRENT ECG**	(1.5859)
Current Under(+)/Over(-) Recovered Gas Cost	5,462,148
QUARTERLY GAS COST(QCC)	7,3025

IF THE EGC CHANGE AND THE CURRENT UNDER(+)/OVER(-) RECOVERY ARE THE SAME SIGN THE RATE CONTROL IS FACTORED INTO THE QCC RATE. IF THE EGC CHANGE AND THE CURRENT UNDER(+)/OVER(-) RECOVERY ARE OPPOSITE SIGNS THERE IS NO RATE CONTROL TO BE APPLIED TO THE QCC

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE III

**SUPPLIER REFUND ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
January 31, 2010**

Particulars	Unit	Amount
SUPPLIERS REFUNDS RECEIVED (1)	\$	0
INTEREST FACTOR (2)		0.9987
REFUND ADJUSTMENT INCLUDING INTEREST	\$	0
SALES TWELVE MONTHS ENDED January 31, 2010	MCF	3,070,940
CURRENT SUPPLIER REFUND ADJUSTMENT	\$/MCF	0.0000

(1) Suppliers Refunds Received	Date Received	Amount
Total		0.00

(2) Interest Factor			
RESULT OF PRESENT VALUE	0.2515380	-0.5 =	(0.248462)

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE IV

ACTUAL ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
January 31, 2010

Particulars	Unit	For the Month Ended			Three Month Period
		Nov-09	Dec-09	Jan-10	
SUPPLY COST PER BOOKS					
PRIMARY GAS SUPPLIERS	\$	2,422,776	3,171,358	4,553,732	4,553,732
UTILITY PRODUCTION	\$	-	-	-	-
INCLUDABLE PROPANE	\$	-	-	-	-
OTHER COST (SPECIFY)	\$	-	-	-	-
TOTAL	\$	2,422,776	3,171,358	4,553,732	4,553,732
SALES VOLUME					
JURISDICTIONAL	MCF	173,891	253,384	610,564	610,564
OTHER VOLUMES (SPECIFY)	MCF	-	-	-	-
TOTAL	MCF	173,891	253,384	610,564	610,564
UNIT BOOK COST OF GAS					
EGC IN EFFECT FOR MONTH	\$	13,9327	12,5160	7,4582	7,4582
RATE DIFFERENCE	\$	5,3063	5,3063	5,3063	5,3063
MONTHLY SALES	MCF	8,6264	7,2097	2,1519	2,1519
MONTHLY COST DIFFERENCE	\$	173,891	253,384	610,564	610,564
	\$	1,500,053	1,826,823	1,313,873	1,313,873
COST DIFFERENCE FOR THE THREE MONTHS					
TWELVE MONTHS SALES FOR PERIOD ENDED	\$				4,640,749
CURRENT QUARTERLY ACTUAL ADJUSTMENT	MCF				3,070,940
	\$/MCF				1,5112

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE V

EXPECTED GAS COST BALANCE ADJUSTMENT
 DETAIL FOR THE THREE MONTHS ENDED
 January 31, 2010

Particulars	Unit	Amount	Unit	Amount
COST DIFFERENCE BETWEEN BOOK AND EFFECTIVE EGC AS USED TO COMPUTE AA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR		\$ 2,994,450		
LESS: DOLLAR AMOUNT RESULTING FROM THE AA OF \$/MCF AS USED TO COMPUTE THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR	0.9686		0.9686	\$ 2,994,450
TIMES THE JURISDICTIONAL SALES OF MCF FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE	3.070,940			
BALANCE ADJUSTMENT FOR THE AA		\$ 2,974,512		\$ 2,974,512
		\$ 19,938		\$ 19,938
DOLLAR AMOUNT OF SUPPLIER REFUND ADJUSTMENT AS USED TO COMPUTE RA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR				
LESS: DOLLAR AMOUNT RESULTING FROM THE UNIT RATE FOR SUPPLIER REFUND ADJUSTMENT OF \$/MCF AS USED TO COMPUTE RA OF THE JURISDICTIONAL SALES FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE RATE IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE FOR THE MCF TOTAL OF	0.0000		0.0000	\$ 0.0000
BALANCE ADJUSTMENT FOR THE RA				
DOLLAR AMOUNT OF BALANCE ADJUSTMENT AS USED TO COMPUTE BA OF THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR		\$ -42,475		
LESS: DOLLAR AMOUNT RESULTING FROM THE BA OF \$/MCF AS USED TO COMPUTE THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR	0.0220		0.0220	\$ -42,475
TIMES THE JURISDICTIONAL MCF SALES OF THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE RATE IN EFFECT IMMEDIATELY PRIOR TO THE CURRENT RATE	1,037,839			
BALANCE ADJUSTMENT FOR THE BA		\$ 22,832		\$ 22,832
		\$ 19,643		\$ 19,643
TOTAL BALANCE ADJUSTMENT AMOUNT		\$ 39,580		\$ 39,580

As Filed

Unit Amount

Unit Amount

\$ 2,994,450 SCH IV 02/01/09

\$ 2,974,512 SCH IV 02/01/09

\$ 19,938

\$ -42,475 SCH I 11/01/09

\$ 22,832

\$ 19,643

\$ 39,580

0.9686

0.9686

3.070,940

0.0000

0.0220

1,037,839

FOR

SCH III 02/01/09

SCH III 02/01/09

SCH I 11/01/09

SCH I 11/01/09

SCH I 11/01/09

SCH I 11/01/09

SCH I 11/01/09

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE I

GAS COST RECOVERY CALCULATION

COST RECOVERY RATE EFFECTIVE JULY 26, 2010			As Filed
PARTICULARS	UNIT	AMOUNT	AMOUNT
EXPECTED GAS COST (EGC)	\$/MCF	7.8274	6.7499
QUARTERLY GAS COST RATE CONTROL	\$/MCF	-	
QUARTERLY GAS COST (QGC)	\$/MCF	7.8274	
SUPPLIER REFUND (RA)	\$/MCF	-	-
ACTUAL ADJUSTMENT (AA)	\$/MCF	0.8926	0.8926
BALANCE ADJUSTMENT (BA)	\$/MCF	(0.2503)	(0.1761)
GAS COST RECOVERY RATE (GCR)	\$/MCF	8.4697	7.4664

EXPECTED GAS COST SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
PRIMARY GAS SUPPLIERS (SCHEDULE II)	\$	1,952,130	2,392,007
UTILITY PRODUCTION	\$	-	-
INCLUDABLE PROPANE	\$	-	-
	\$	1,952,130	2,392,007
TOTAL ESTIMATED SALES FOR QUARTER	MCF	249,397	354,377
EXPECTED GAS COST (EGC) RATE	\$/MCF	7.8274	6.7499

SUPPLIER REFUND ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
CURRENT QUARTER (SCHEDULE III)	\$/MCF	-	-
PREVIOUS QUARTER	\$/MCF	-	-
SECOND PREVIOUS QUARTER	\$/MCF	-	-
THIRD PREVIOUS QUARTER	\$/MCF	-	-
SUPPLIER REFUND ADJUSTMENT (RA)	\$/MCF	-	-

ACTUAL ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
CURRENT QUARTER (SCHEDULE IV)	\$/MCF	(0.5276)	(0.5276)
PREVIOUS QUARTER	\$/MCF	1.5112	1.5112
SECOND PREVIOUS QUARTER	\$/MCF	0.0407	0.0407
THIRD PREVIOUS QUARTER	\$/MCF	(0.1317)	(0.1317)
ACTUAL ADJUSTMENT (AA)	\$/MCF	0.8926	0.8926

BALANCE ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
BALANCE ADJUSTMENT AMOUNT (SCHEDULE V)	\$	(62,422)	(62,422)
ESTIMATED SALES FOR QUARTER	MCF	249,397	354,377
BALANCE ADJUSTMENT (BA)	\$/MCF	(0.2503)	(0.1761)

MCF PURCHASES FOR THREE MONTHS BEGINNING
August 1, 2010
AT SUPPLIERS COSTS EFFECTIVE
August 1, 2010

Supplier	MCF Purchases	DTH Conv Factor	Rates (\$)	Quarterly Cost	Rate Increase (D) Reduction (R)	PERCENT OF LOAD	MCF Purchases	DTH Conv Factor	Rates (\$)	Quarterly Cost	Rate Increase (D) Reduction (R)
TENNESSEE GAS PIPELINE				\$387,118						387,016	
PIPELINE (SCH II, PAGE 2 OF 2)				409,198	1	32.97%	114,567	1.036	4.8769	578,846	1
ATMOS ENERGY MARKETING	82,237	1.020	4.8763								
COLUMBIA GAS TRANSMISSION				878,519						97,820	
PIPELINE (SCH II, PAGE 2 OF 2)				176,976	1	13.72%	58,727	1.029	4.8714	269,316	1
ATMOS ENERGY MARKETING	34,221	1.062	4.8697								
COLUMBIA GULF TRANSMISSION				868,818			184,397	1.005	5.4357	1,007,408	1
M&B GAS SERVICES	131,253	1.245	5.3392								
KENTUCKY PRODUCERS				11,501	1	0.68%	1,686		6.8216	11,501	1
CHESAPEAKE	1,686		0.0000			0.00%					
STORAGE				1,952,130		100.00%	354,377			2,392,007	
TOTAL	249,397										

COMPANY USAGE 5.316

3,741

CALCULATION OF QUARTERLY GAS COST RATE

August 1, 2010

PREVIOUS QCC	7,802.5
CURRENT ECG	7,827.4
EGC CHANGE	(0.5249)
10% OF CURRENT ECG	0.7827
RATE CONTROL	
THE LESSER OF EGC CHANGE OR 10% OF CURRENT EGC**	(0.5249)

Current Under(+)/Over(-) Recovered Gas Cost	2,075,626
QUARTERLY GAS COST(QGC)	7,827.4

IF THE EGC CHANGE AND THE CURRENT UNDER(+)/OVER(-) RECOVERY ARE THE SAME SIGN THE RATE CONTROL IS FACTORED INTO THE QCC RATE. IF THE EGC CHANGE AND THE CURRENT UNDER(+)/OVER(-) RECOVERY ARE OPPOSITES SIGNS THERE IS NO RATE CONTROL TO BE APPLIED TO THE QCC

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE III

**SUPPLIER REFUND ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
April 30, 2010**

Particulars	Unit	Amount
SUPPLIERS REFUNDS RECEIVED (1)	\$	0
INTEREST FACTOR (2)		0.9984
REFUND ADJUSTMENT INCLUDING INTEREST	\$	0
SALES TWELVE MONTHS ENDED April 30, 2010	MCF	3,299,215
CURRENT SUPPLIER REFUND ADJUSTMENT	\$/MCF	0.0000

(1) Suppliers Refunds Received	Date Received	Amount
		-
Total		0.00

(2) Interest Factor			
RESULT OF PRESENT VALUE	0.2069230	-0.5 =	(0.293077)

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE IV

ACTUAL ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
April 30, 2010

as filed

Particulars	Unit	For the Month Ended		
		Feb-10	Mar-10	Apr-10
SUPPLY COST PER BOOKS				
PRIMARY GAS SUPPLIERS	\$	3,146,690	3,443,444	1,577,538
UTILITY PRODUCTION	\$	-	-	-
INCLUDABLE PROPANE	\$	-	-	-
OTHER COST (SPECIFY)	\$	-	-	-
TOTAL	\$	<u>3,146,690</u>	<u>3,443,444</u>	<u>1,577,538</u>
SALES VOLUME				
JURISDICTIONAL	MCF	671,391	680,624	381,260
OTHER VOLUMES (SPECIFY)	MCF	-	-	-
TOTAL	MCF	<u>671,391</u>	<u>680,624</u>	<u>381,260</u>
UNIT BOOK COST OF GAS	\$	4.6868	5.0592	4.1377
EGC IN EFFECT FOR MONTH	\$	5.7166	5.7166	5.7166
RATE DIFFERENCE	\$	(1.0298)	(0.6574)	(1.5789)
MONTHLY SALES	MCF	671,391	680,624	381,260
MONTHLY COST DIFFERENCE	\$	<u>(691,398)</u>	<u>(447,442)</u>	<u>(601,971)</u>

Particulars	Unit	Three Month	
		Period	Period
COST DIFFERENCE FOR THE THREE MONTHS	\$	(1,740,811)	(1,740,811)
TWELVE MONTHS SALES FOR PERIOD ENDED	MCF	3,299,215	3,299,215
CURRENT QUARTERLY ACTUAL ADJUSTMENT	\$/MCF	<u>(0.5276)</u>	<u>(0.5276)</u>

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE V

EXPECTED GAS COST BALANCE ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
April 30, 2010

Particulars	Unit	Amount	As Filed	Unit	Amount
COST DIFFERENCE BETWEEN BOOK AND EFFECTIVE EGC AS USED TO COMPUTE AA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR LESS: DOLLAR AMOUNT RESULTING FROM THE AA OF \$/MCF AS USED TO COMPUTE THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR TIMES THE JURISDICTIONAL SALES OF 3,299.215 MCF FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE	\$	6,570.517	\$	6,570.517	
BALANCE ADJUSTMENT FOR THE AA	\$	(91,258)	\$	(91,258)	
DOLLAR AMOUNT OF SUPPLIER REFUND ADJUSTMENT AS USED TO COMPUTE RA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR LESS: DOLLAR AMOUNT RESULTING FROM THE UNIT RATE FOR SUPPLIER REFUND ADJUSTMENT OF 0.0000 \$/MCF AS USED TO COMPUTE RA OF THE JURISDICTIONAL SALES FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE RATE IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE FOR THE MCF TOTAL OF 3,299.215	\$	0.0000	\$/MCF	0.0000	
BALANCE ADJUSTMENT FOR THE RA	\$	(127,159)	\$	(127,159)	
DOLLAR AMOUNT OF BALANCE ADJUSTMENT AS USED TO COMPUTE BA OF THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR LESS: DOLLAR AMOUNT RESULTING FROM THE BA OF \$/MCF AS USED TO COMPUTE THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR TIMES THE JURISDICTIONAL MCF SALES OF 1,733.275 FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR RATE IN EFFECT IMMEDIATELY PRIOR TO THE CURRENT RATE	\$	(0.0900)	\$	(0.0900)	
BALANCE ADJUSTMENT FOR THE BA	\$	(62,422)	\$	(62,422)	
TOTAL BALANCE ADJUSTMENT AMOUNT	\$	(155,992)	\$	(155,992)	
	\$	28,836	\$	28,836	
	\$	(62,422)	\$	(62,422)	

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE I

GAS COST RECOVERY CALCULATION

COST RECOVERY RATE EFFECTIVE OCTOBER 25, 2010			As Filed
PARTICULARS	UNIT	AMOUNT	AMOUNT
EXPECTED GAS COST (EGC)	\$/MCF	5.3788	4.9180
QUARTERLY GAS COST RATE CONTROL	\$/MCF	0.5379	
QUARTERLY GAS COST (QGC)	\$/MCF	5.9167	
SUPPLIER REFUND (RA)	\$/MCF	(0.0072)	(0.0072)
ACTUAL ADJUSTMENT (AA)	\$/MCF	1.1889	1.2095
BALANCE ADJUSTMENT (BA)	\$/MCF	0.0533	0.0506
GAS COST RECOVERY RATE (GCR)	\$/MCF	7.1517	6.1709

EXPECTED GAS COST SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
PRIMARY GAS SUPPLIERS (SCHEDULE II)	\$	7,986,735	9,242,957
UTILITY PRODUCTION	\$	-	-
INCLUDABLE PROPANE	\$	-	-
	\$	7,986,735	9,242,957
TOTAL ESTIMATED SALES FOR QUARTER	MCF	1,484,846	1,879,427
EXPECTED GAS COST (EGC) RATE	\$/MCF	5.3788	4.9180

SUPPLIER REFUND ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
CURRENT QUARTER (SCHEDULE III)	\$/MCF	(0.0072)	(0.0072)
PREVIOUS QUARTER	\$/MCF	-	-
SECOND PREVIOUS QUARTER	\$/MCF	-	-
THIRD PREVIOUS QUARTER	\$/MCF	-	-
SUPPLIER REFUND ADJUSTMENT (RA)	\$/MCF	(0.0072)	(0.0072)

ACTUAL ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
CURRENT QUARTER (SCHEDULE IV)	\$/MCF	0.1646	0.1852
PREVIOUS QUARTER	\$/MCF	(0.5276)	(0.5276)
SECOND PREVIOUS QUARTER	\$/MCF	1.5112	1.5112
THIRD PREVIOUS QUARTER	\$/MCF	0.0407	0.0407
ACTUAL ADJUSTMENT (AA)	\$/MCF	1.1889	1.2095

BALANCE ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
BALANCE ADJUSTMENT AMOUNT (SCHEDULE V)	\$	79,107	95.191
ESTIMATED SALES FOR QUARTER	MCF	1,484,846	1,879,427
BALANCE ADJUSTMENT (BA)	\$/MCF	0.0533	0.0506

MCF PURCHASES FOR THREE MONTHS BEGINNING
November 1, 2010
AT SUPPLIERS COSTS EFFECTIVE
November 1, 2010

Supplier	MCF Purchases	DTH Conv Factor	Rates (\$)	Quarterly Cost	Rate Increase (D/ Reduction (R))	PERCENT OF LOAD
TENNESSEE GAS PIPELINE	492,146	1.022	4.2349	\$491,901	R	33.14%
PIPELINE (SCH II, PAGE 2 OF 2)				2,130,045		
ATMOS ENERGY MARKETING	231,770	1.107	4.2176	\$236,743	R	15.01%
COLUMBIA GAS TRANSMISSION	318,984	1.267	4.8320	1,977,239	R	21.18%
PIPELINE (SCH II, PAGE 2 OF 2)				110,646	R	1.25%
ATMOS ENERGY MARKETING	18,256		6.0608	1,098,057	N	28.52%
COLUMBIA GULF TRANSMISSION	423,740		4.4793	1,898,057	N	100.00%
M&B GAS SERVICES	1,484,846			7,986,736		
KENTUCKY PRODUCERS						
CHESAPEAKE						
STORAGE						
TOTAL						

COMPANY USAGE 22,273

CALCULATION OF QUARTERLY GAS COST RATE
November 1, 2010

PREVIOUS QGC	7,6274
CURRENT ECG	5,3788
ECG CHANGE	2,4486
10% OF CURRENT ECG	0.5379
RATE CONTROL	
THE LESSER OF ECG CHANGE OR 10% OF CURRENT ECG**	0.5379
Current Under(+)/Over(-) Recovered Gas Cost	4,110,471
QUARTERLY GAS COST(QGC)	5,3167

IF THE ECG CHANGE AND THE CURRENT UNDER(+)/OVER(-) RECOVERY ARE THE SAME SIGN THE RATE CONTROL IS FACTORED INTO THE QGC RATE. IF THE ECG CHANGE AND THE CURRENT UNDER(+)/OVER(-) RECOVERY ARE OPPOSITES SIGNS THERE IS NO RATE CONTROL TO BE APPLIED TO THE QGC

Supplier	MCF Purchases	DTH Conv Factor	Rates (\$)	Quarterly Cost	Rate Increase (D/ Reduction (R))	PERCENT OF LOAD
TENNESSEE GAS PIPELINE	636,389	1.036	4.2172	531,702	R	33.89%
PIPELINE (SCH II, PAGE 2 OF 2)				2,780,395		
ATMOS ENERGY MARKETING	282,595	1.029	4.2155	330,788	R	15.01%
COLUMBIA GAS TRANSMISSION	318,984	1.265	4.8220	1,997,405	K	11.45%
PIPELINE (SCH II, PAGE 2 OF 2)				110,646	R	0.97%
ATMOS ENERGY MARKETING	18,256		6.0608	1,098,057	N	28.52%
COLUMBIA GULF TRANSMISSION	423,740		4.4793	1,898,057	N	100.00%
M&B GAS SERVICES	1,484,846			7,986,736		
KENTUCKY PRODUCERS						
CHESAPEAKE						
STORAGE						
TOTAL						

COMPANY USAGE 28,181

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
July 31, 2010

Particulars	Unit	Amount
SUPPLIERS REFUNDS RECEIVED (1)	\$	(23,082)
INTEREST FACTOR (2)		0.9985
REFUND ADJUSTMENT INCLUDING INTEREST	\$	(23,046)
SALES TWELVE MONTHS ENDED July 31, 2010	MCF	3,205,903
CURRENT SUPPLIER REFUND ADJUSTMENT	\$/MCF	(0.0072)

(1) Suppliers Refunds Received	Date Received	Amount
PCB Refund from TGP	7/9/2010	23,082.06
Total		23,082.06

(2) Interest Factor			
RESULT OF PRESENT VALUE	0.2146150	-0.5 =	(0.285385)

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE IV

**ACTUAL ADJUSTMENT
 DETAIL FOR THE THREE MONTHS ENDED
 July 31, 2010**

as filed

Particulars	Unit	For the Month Ended		
		May-10	Jun-10	Jul-10
SUPPLY COST PER BOOKS				
PRIMARY GAS SUPPLIERS	\$	605,767	954,995	511,568
UTILITY PRODUCTION	\$	-	-	-
INCLUDABLE PROPANE	\$	-	-	-
OTHER COST (SPECIFY)	\$	-	-	-
TOTAL	\$	605,767	954,995	511,568
SALES VOLUME				
JURISDICTIONAL	MCF	118,796	74,891	59,885
OTHER VOLUMES (SPECIFY)	MCF	-	-	-
TOTAL	MCF	118,796	74,891	59,885
UNIT BOOK COST OF GAS	\$	5.0992	12.7518	8.5425
QGC IN EFFECT FOR MONTH	\$	5.7166	5.7166	7.3025
RATE DIFFERENCE	\$	(0.6174)	7.0352	1.2400
MONTHLY SALES	MCF	118,796	74,891	59,885
MONTHLY COST DIFFERENCE	\$	(73,345)	526,873	74,257

Particulars	Unit	For the Month Ended			Three Month Period
		May-10	Jun-10	Jul-10	
COST DIFFERENCE FOR THE THREE MONTHS TWELVE MONTHS SALES FOR PERIOD ENDED	\$				598,617
CURRENT QUARTERLY ACTUAL ADJUSTMENT	MCF				3,205,903
	\$/MCF				0.1852

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE V

EXPECTED GAS COST BALANCE ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
July 31, 2010

Particulars	Unit	Amount	As Filed	Unit	Amount
COST DIFFERENCE BETWEEN BOOK AND EFFECTIVE EGC AS USED TO COMPUTE AA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR	\$	(4,823,695)	(1.5190)	\$	(4,823,695)
LESS: DOLLAR AMOUNT RESULTING FROM THE AA OF \$MCF AS USED TO COMPUTE THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR		3,205,903			
TIMES THE JURISDICTIONAL SALES OF MCF FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE	\$	(4,869,767)		\$	(4,869,767)
BALANCE ADJUSTMENT FOR THE AA	\$	46,072		\$	46,072
DOLLAR AMOUNT OF SUPPLIER REFUND ADJUSTMENT AS USED TO COMPUTE RA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR	\$			\$	
LESS: DOLLAR AMOUNT RESULTING FROM THE UNIT RATE FOR SUPPLIER REFUND ADJUSTMENT OF 0.0000 \$MCF AS USED TO COMPUTE RA OF THE JURISDICTIONAL SALES FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR RATE IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE FOR THE MCF TOTAL OF 3,205,903	\$			\$	
BALANCE ADJUSTMENT FOR THE RA	\$			\$	
DOLLAR AMOUNT OF BALANCE ADJUSTMENT AS USED TO COMPUTE BA OF THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR	\$	39,580		\$	39,580
LESS: DOLLAR AMOUNT RESULTING FROM THE BA OF \$MCF AS USED TO COMPUTE THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR TIMES THE JURISDICTIONAL MCF SALES OF 253,572 FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR RATE IN EFFECT IMMEDIATELY PRIOR TO THE CURRENT RATE	\$			\$	
BALANCE ADJUSTMENT FOR THE BA	\$	6,545		\$	(9,539)
TOTAL BALANCE ADJUSTMENT AMOUNT	\$	38,095		\$	49,114
	\$	79,107		\$	35,191

*Blended Rate (See Attached)

-0900 x 118,796 (May) (10,692)
-0900 x 74,891 (June) (6,740)
.1818 x 59,885 (July) 10,887
(6,545)

**Blended Rate (9539)/253,572 (0.02581)

(0)

KYPSC Case No. 2011-00147
 Attachment II

Date	Mcf	Rate	
Aug-09	63,710	-1.5190	-96,775
Sep-09	50,769	-1.5190	-77,118
Oct-09	66,738	-1.5190	-101,375
Nov-09	173,891	-1.5190	-264,140
Dec-09	253,384	-1.5190	-384,890
Jan-10	610,564	-1.5190	-927,447
Feb-10	671,391	-1.5190	-1,019,843
Mar-10	680,624	-1.5190	-1,033,868
Apr-10	381,260	-1.5190	-579,134
May-10	118,796	2.0192	239,873
Jun-10	74,891	2.0192	151,220
Jul-10	59,885	-1.5190	-90,965
	3,205,903		-4,184,463

Blended Rate -4,184,463 / 3,205,903 = -1.3052

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE I

GAS COST RECOVERY CALCULATION

COST RECOVERY RATE EFFECTIVE JANUARY 24, 2011			As Filed
PARTICULARS	UNIT	AMOUNT	AMOUNT
EXPECTED GAS COST (EGC)	\$/MCF	5.2952	5.1463
QUARTERLY GAS COST RATE CONTROL	\$/MCF	0.5295	
QUARTERLY GAS COST (QGC)	\$/MCF	5.8247	
SUPPLIER REFUND (RA)	\$/MCF	(0.0072)	(0.0072)
ACTUAL ADJUSTMENT (AA)	\$/MCF	1.6586	1.7354
BALANCE ADJUSTMENT (BA)	\$/MCF	(0.0168)	(0.0225)
GAS COST RECOVERY RATE (GCR)	\$/MCF	7.4593	6.8520

EXPECTED GAS COST SUMMARY CALCULATION

PARTICULARS	UNIT	AMOUNT	AMOUNT
PRIMARY GAS SUPPLIERS (SCHEDULE I)	\$	5,745,983	6,986,450
UTILITY PRODUCTION	\$	-	-
INCLUDABLE PROPANE	\$	-	-
UNCOLLECTIBLE GAS COSTS	\$	118,264	118,264
	\$	5,864,247	7,104,714
TOTAL ESTIMATED SALES FOR QUARTER	MCF	1,107,475	1,380,537
EXPECTED GAS COST (EGC) RATE	\$/MCF	5.2952	5.1463

SUPPLIER REFUND ADJUSTMENT SUMMARY CALCULATION

PARTICULARS	UNIT	AMOUNT	AMOUNT
CURRENT QUARTER (SCHEDULE III)	\$/MCF	(0.0072)	(0.0072)
PREVIOUS QUARTER	\$/MCF	-	-
SECOND PREVIOUS QUARTER	\$/MCF	-	-
THIRD PREVIOUS QUARTER	\$/MCF	-	-
SUPPLIER REFUND ADJUSTMENT (RA)	\$/MCF	(0.0072)	(0.0072)

ACTUAL ADJUSTMENT SUMMARY CALCULATION

PARTICULARS	UNIT	AMOUNT	AMOUNT
CURRENT QUARTER (SCHEDULE IV)	\$/MCF	0.5104	0.5666
PREVIOUS QUARTER	\$/MCF	0.1646	0.1852
SECOND PREVIOUS QUARTER	\$/MCF	(0.5276)	(0.5276)
THIRD PREVIOUS QUARTER	\$/MCF	1.5112	1.5112
ACTUAL ADJUSTMENT (AA)	\$/MCF	1.6586	1.7354

BALANCE ADJUSTMENT SUMMARY CALCULATION

PARTICULARS	UNIT	AMOUNT	AMOUNT
BALANCE ADJUSTMENT AMOUNT (SCHEDULE V)	\$	(18,660)	(31,007)
ESTIMATED SALES FOR QUARTER	MCF	1,107,475	1,380,537
BALANCE ADJUSTMENT (BA)	\$/MCF	(0.0168)	(0.0225)

MCF PURCHASES FOR THREE MONTHS BEGINNING
February 1, 2011
AT SUPPLIERS COSTS EFFECTIVE
February 1, 2011

Supplier	MCF Purchases	DTH Conv Factor	Rate (\$)	Quarterly Cost	Rate Increase (I) / Reduction (R)	PERCENT OF LOAD
TENNESSEE GAS PIPELINE PIPELINE (SCH II, PAGE 2 OF 2)	387,657	1.017	4,2915	\$164,882	I	35.00%
ATMOS ENERGY MARKETING COLUMBIA GAS TRANSMISSION				1,691,953		
PIPELINE (SCH II, PAGE 2 OF 2)	176,212	1.030	4,2819	\$222,511	I	15.91%
ATMOS ENERGY MARKETING COLUMBIA GULF TRANSMISSION	75,968	1.258	4,8160	460,253	I	6.86%
M&B GAS SERVICES KENTUCKY PRODUCERS	21,078		6,1187	128,969	I	1.90%
CHESAPEAKE STORAGE	448,259		4,4794	2,000,273	N/C	40.32%
TOTAL	1,107,475			5,745,983		100.00%

COMPANY USAGE 16,612

ESTIMATED UNCOLLECTIBLE GAS COSTS
FOR THE THREE MONTHS ENDED APRIL, 2011

TWELVE MONTH AVERAGE % OF PURCHASED GAS TO RECORDED REVENUE	49.40%	N
ESTIMATED BAD DEBT EXPENSE	239,400	N
% OF PURCHASED GAS TO BILLED REVENUE UNCOLLECTIBLE GAS COSTS	118,264	N

CALCULATION OF QUARTERLY GAS COST RATE
February 1, 2011

PREVIOUS QCC	5,8167
CURRENT EGC	5,2852
EGC CHANGE	0,6215
10% OF CURRENT EGC	0,5295
RATE CONTROL	
THE LESSER OF EGC CHANGE OR 10% OF CURRENT EGC**	0,5295
Current Under(+)/Over(-) Recovered Gas Cost	5,744,384
QUARTERLY GAS COST(QCC)	4,8217

IF THE EGC CHANGE AND THE CURRENT UNDER(+)/OVER(-) RECOVERY ARE THE SAME SIGN THE RATE CONTROL IS FACTORED INTO THE QCC RATE. IF THE EGC CHANGE AND THE CURRENT UNDER(+)/OVER(-) RECOVERY ARE OPPOSITES SIGNS THERE IS NO RATE CONTROL TO BE APPLIED TO THE QCC

Supplier	MCF Purchases	DTH Conv Factor	Rate (\$)	Quarterly Cost	Rate Increase (I) / Reduction (R)	PERCENT OF LOAD
TENNESSEE GAS PIPELINE PIPELINE (SCH II, PAGE 2 OF 2)	476,541	1.0360	4,2908	490,744	I	51.52%
ATMOS ENERGY MARKETING COLUMBIA GAS TRANSMISSION				2,118,305		
PIPELINE (SCH II, PAGE 2 OF 2)	249,679	1.0290	4,2807	256,706	I	13.19%
COLUMBIA GULF TRANSMISSION	103,778	1.0350	4,8160	517,288	I	7.52%
M&B GAS SERVICES KENTUCKY PRODUCERS	21,078		6,1187	128,970	I	1.54%
CHESAPEAKE STORAGE	568,471		4,4793	2,550,831	N/C	41.23%
TOTAL	1,380,537			6,986,450		100.00%

COMPANY USAGE 30,708

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE III

**SUPPLIER REFUND ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
October 31, 2010**

Particulars	Unit	Amount
SUPPLIERS REFUNDS RECEIVED (1)	\$	(23,082)
INTEREST FACTOR (2)		0.9985
REFUND ADJUSTMENT INCLUDING INTEREST	\$	(23,046)
SALES TWELVE MONTHS ENDED October 31, 2010	MCF	3,191,092
CURRENT SUPPLIER REFUND ADJUSTMENT	\$/MCF	(0.0072)

(1) Suppliers Refunds Received	Date Received	Amount
PCB Refund from TGP	10/5/2010	23,082.06
Total		<u>23,082.06</u>

(2) Interest Factor			
RESULT OF PRESENT VALUE	0.2153850	-0.5 =	(0.284615)

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE IV

ACTUAL ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
October 31, 2010

as filed

Particulars	Unit	For the Month Ended			Three Month Period
		Aug-10	Sep-10	Oct-10	
SUPPLY COST PER BOOKS					
PRIMARY GAS SUPPLIERS	\$	904,189	580,907	1,446,240	
UTILITY PRODUCTION	\$	-	-	-	
INCLUDABLE PROPANE	\$	-	-	-	
OTHER COST (SPECIFY)	\$	-	-	-	
TOTAL	\$	<u>904,189</u>	<u>580,907</u>	<u>1,446,240</u>	
SALES VOLUME					
JURISDICTIONAL	MCF	52,948	44,660	68,797	
OTHER VOLUMES (SPECIFY)	MCF	-	-	-	
TOTAL	MCF	<u>52,948</u>	<u>44,660</u>	<u>68,797</u>	
UNIT BOOK COST OF GAS	\$	17,0769	13,0073	21,0219	
QGC IN EFFECT FOR MONTH	\$	7,8274	7,8274	7,8274	
RATE DIFFERENCE	\$	9,2495	5,1799	13,1945	
MONTHLY SALES	MCF	52,948	44,660	68,797	
MONTHLY COST DIFFERENCE	\$	<u>489,743</u>	<u>231,334</u>	<u>907,742</u>	
Particulars	Unit				Three Month Period
COST DIFFERENCE FOR THE THREE MONTHS	\$				1,808,120
TWELVE MONTHS SALES FOR PERIOD ENDED	MCF				3,191,092
CURRENT QUARTERLY ACTUAL ADJUSTMENT	\$/MCF				0.5666

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE V

EXPECTED GAS COST BALANCE ADJUSTMENT
 DETAIL FOR THE THREE MONTHS ENDED
 October 31, 2010

Particulars	Unit	Amount	As Filed
COST DIFFERENCE BETWEEN BOOK AND EFFECTIVE EGC AS USED TO COMPUTE AA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR	\$	(418,156)	(418,156)
LESS: DOLLAR AMOUNT RESULTING FROM THE AA OF \$/MCF AS USED TO COMPUTE THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR	(0.1317)		(0.1317)
TIMES THE JURISDICTIONAL SALES OF MCF FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE		3,191,092	
BALANCE ADJUSTMENT FOR THE AA	\$	<u>(420,267)</u>	(420,267)
	\$	2,111	2,111
DOLLAR AMOUNT OF SUPPLIER REFUND ADJUSTMENT AS USED TO COMPUTE RA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR	\$		-
LESS: DOLLAR AMOUNT RESULTING FROM THE UNIT RATE FOR SUPPLIER REFUND ADJUSTMENT OF 0.0000 \$/MCF AS USED TO COMPUTE RA OF THE JURISDICTIONAL SALES FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE RATE IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE FOR THE MCF TOTAL OF BALANCE ADJUSTMENT FOR THE RA		3,191,092	-
	\$	-	-
DOLLAR AMOUNT OF BALANCE ADJUSTMENT AS USED TO COMPUTE BA OF THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR	\$	(62,422)	(62,422)
LESS: DOLLAR AMOUNT RESULTING FROM THE BA OF \$/MCF AS USED TO COMPUTE THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR TIMES THE JURISDICTIONAL MCF SALES OF 166,405 FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE RATE IN EFFECT IMMEDIATELY PRIOR TO THE CURRENT RATE	(0.2503)		(0.1761)
BALANCE ADJUSTMENT FOR THE BA	\$	<u>(41,651)</u>	-
TOTAL BALANCE ADJUSTMENT AMOUNT	\$	<u>(20,771)</u>	(33,118)
	\$	<u>(18,560)</u>	(31,007)

40.391

SCH I

SCH I

08/01/10

SCH I

\$

(62,422)

(0.2503)

166,405

FOR

166,405

FOR

FOR

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE I

GAS COST RECOVERY CALCULATION

COST RECOVERY RATE EFFECTIVE APRIL 25, 2011			As Filed
PARTICULARS	UNIT	AMOUNT	AMOUNT
EXPECTED GAS COST (EGC)	\$/MCF	7.3606	6.1362
QUARTERLY GAS COST RATE CONTROL	\$/MCF	-	
QUARTERLY GAS COST (QGC)	\$/MCF	7.3606	
SUPPLIER REFUND (RA)	\$/MCF	(0.0289)	(0.0289)
ACTUAL ADJUSTMENT (AA)	\$/MCF	0.4354	0.8614
BALANCE ADJUSTMENT (BA)	\$/MCF	0.0614	0.1044
GAS COST RECOVERY RATE (GCR)	\$/MCF	7.8285	7.0731

EXPECTED GAS COST SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
PRIMARY GAS SUPPLIERS (SCHEDULE II)	\$	1,422,528	1,816,310
UTILITY PRODUCTION	\$	-	-
INCLUDABLE PROPANE	\$	-	-
UNCOLLECTIBLE GAS COSTS	\$	20,286	20,286
	\$	1,442,814	1,836,596
TOTAL ESTIMATED SALES FOR QUARTER	MCF	196,018	299,303
EXPECTED GAS COST (EGC) RATE	\$/MCF	7.3606	6.1362

SUPPLIER REFUND ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
CURRENT QUARTER (SCHEDULE III)	\$/MCF	(0.0145)	(0.0145)
PREVIOUS QUARTER	\$/MCF	(0.0072)	(0.0072)
SECOND PREVIOUS QUARTER	\$/MCF	(0.0072)	(0.0072)
THIRD PREVIOUS QUARTER	\$/MCF	-	-
SUPPLIER REFUND ADJUSTMENT (RA)	\$/MCF	(0.0289)	(0.0289)

ACTUAL ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
CURRENT QUARTER (SCHEDULE IV)	\$/MCF	0.2880	0.6372
PREVIOUS QUARTER	\$/MCF	0.5104	0.5666
SECOND PREVIOUS QUARTER	\$/MCF	0.1646	0.1852
THIRD PREVIOUS QUARTER	\$/MCF	(0.5276)	(0.5276)
ACTUAL ADJUSTMENT (AA)	\$/MCF	0.4354	0.8614

BALANCE ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
BALANCE ADJUSTMENT AMOUNT (SCHEDULE V)	\$	12,035	31,246
ESTIMATED SALES FOR QUARTER	MCF	196,018	299,303
BALANCE ADJUSTMENT (BA)	\$/MCF	0.0614	0.1044

MCF PURCHASES FOR THREE MONTHS BEGINNING
May 1, 2011
AT SUPPLIERS COSTS EFFECTIVE
May 1, 2011

As Filed

Supplier	MCF Purchases	DTH Conv Factor	Rates (\$)	Quarterly Cost	Rate Increase (D/Reduction (R))	PERCENT OF LOAD	Supplier	MCF Purchases	DTH Conv Factor	Rates (\$)	Quarterly Cost	Rate Increase (D/Reduction (R))	PERCENT OF LOAD
TENNESSEE GAS PIPELINE PIPELINE (SCH II, PAGE 2 OF 2)	65,529	1.012	4.0125	575,449	R	33.43%	TENNESSEE GAS PIPELINE PIPELINE (SCH II, PAGE 2 OF 2)	98,116	1.0380	4.0417	397,274	R	32.78%
ATMOS ENERGY MARKETING				286,079	R		ATMOS ENERGY MARKETING				410,831	R	
ATMOS ENERGY MARKETING	27,657	1.021	4.0231	568,878	R	13.96%	ATMOS ENERGY MARKETING	40,185	1.0290	4.0292	82,135	R	11.43%
ATMOS ENERGY MARKETING				112,371	R		ATMOS ENERGY MARKETING				166,609	R	
COLUMBIA GAS TRANSMISSION					R		COLUMBIA GAS TRANSMISSION					R	
COLUMBIA GULF TRANSMISSION	100,951	1.250	4.6016	682,094	R	51.50%	COLUMBIA GULF TRANSMISSION	195,821	1.0350	4.6590	796,891	R	53.06%
M&B GAS SERVICES					R		M&B GAS SERVICES					R	
KENTUCKY PRODUCERS	2,181		5.8031	12,657	R	1.11%	KENTUCKY PRODUCERS	2,181		5.8031	12,657	R	0.75%
CHESAPEAKE			0.0000		R	0.00%	CHESAPEAKE	0				R	0.00%
STORAGE							STORAGE						
TOTAL	196,018			1,422,628		100.00%	TOTAL	299,303			1,816,310		100.00%

COMPANY USAGE 4,190

ESTIMATED UNCOLLECTIBLE GAS COSTS
FOR THE THREE MONTHS ENDED JULY, 2011

TWELVE MONTH AVERAGE					
% OF PURCHASED GAS TO RECORDED REVENUE	49.60%				N
ESTIMATED BAD DEBT EXPENSE	\$40,980.00				N
% OF PURCHASED GAS TO BILLED REVENUE UNCOLLECTIBLE GAS COSTS	20.28%				N

CALCULATION OF QUARTERLY GAS COST RATE
May 1, 2011

PREVIOUS QCC	5,824.7
CURRENT QCC	7,8606
EGC CHANGE	(1,5359)
10% OF CURRENT EGC	0.7361
RATE CONTROL	
THE LESSER OF EGC CHANGE OR 10% OF CURRENT EGC**	(1,6369)
Current Under (+)/Over (-) Recovered Gas Cost	7,860.475
QUARTERLY GAS COST(QGC)	7,8606

IF THE EGC CHANGE AND THE CURRENT UNDER(+)/OVER(-) RECOVERY ARE THE SAME SIGN THE RATE CONTROL IS FACTORED INTO THE QCC RATE. IF THE EGC CHANGE AND THE CURRENT UNDER(+)/OVER(-) RECOVERY ARE OPPOSITES SIGNS THERE IS NO RATE CONTROL TO BE APPLIED TO THE QCC

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE III

**SUPPLIER REFUND ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
January 31, 2011**

Particulars	Unit	Amount
SUPPLIERS REFUNDS RECEIVED (1)	\$	(48,232)
INTEREST FACTOR (2)		0.998542
REFUND ADJUSTMENT INCLUDING INTEREST	\$	(48,162)
SALES TWELVE MONTHS ENDED January 31, 2011	MCF	3,311,342
CURRENT SUPPLIER REFUND ADJUSTMENT	\$/MCF	<u>(0.0145)</u>

	Date Received	Amount
(1) Suppliers Refunds Received		
PCB Refund from TGP	1/24/2011	48,231.88
Total		<u>48,231.88</u>

(2) Interest Factor			
RESULT OF PRESENT VALUE	0.2307690	-0.5 =	(0.269231)

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE I

GAS COST RECOVERY CALCULATION

COST RECOVERY RATE EFFECTIVE JULY 25, 2011			As Filed
PARTICULARS	UNIT	AMOUNT	AMOUNT
EXPECTED GAS COST (EGC)	\$/MCF	7.5449	6.5172
QUARTERLY GAS COST RATE CONTROL	\$/MCF	-	
QUARTERLY GAS COST (QGC)	\$/MCF	7.5449	
SUPPLIER REFUND (RA)	\$/MCF	(0.0444)	(0.0444)
ACTUAL ADJUSTMENT (AA)	\$/MCF	0.2997	1.0606
BALANCE ADJUSTMENT (BA)	\$/MCF	(0.8540)	(0.4681)
GAS COST RECOVERY RATE (GCR)	\$/MCF	6.9462	7.0653

EXPECTED GAS COST SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
PRIMARY GAS SUPPLIERS (SCHEDULE II)	\$	1,857,637	2,261,313
UTILITY PRODUCTION	\$	-	-
INCLUDABLE PROPANE	\$	-	-
UNCOLLECTIBLE GAS COSTS	\$	6,468	6,468
	\$	1,864,105	2,267,781
TOTAL ESTIMATED SALES FOR QUARTER	MCF	247,068	347,968
EXPECTED GAS COST (EGC) RATE	\$/MCF	7.5449	6.5172

SUPPLIER REFUND ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
CURRENT QUARTER (SCHEDULE III)	\$/MCF	(0.0155)	(0.0155)
PREVIOUS QUARTER	\$/MCF	(0.0145)	(0.0145)
SECOND PREVIOUS QUARTER	\$/MCF	(0.0072)	(0.0072)
THIRD PREVIOUS QUARTER	\$/MCF	(0.0072)	(0.0072)
SUPPLIER REFUND ADJUSTMENT (RA)	\$/MCF	(0.0444)	(0.0444)

ACTUAL ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
CURRENT QUARTER (SCHEDULE IV)	\$/MCF	(0.6633)	(0.3284)
PREVIOUS QUARTER	\$/MCF	0.2880	0.6372
SECOND PREVIOUS QUARTER	\$/MCF	0.5104	0.5666
THIRD PREVIOUS QUARTER	\$/MCF	0.1646	0.1852
ACTUAL ADJUSTMENT (AA)	\$/MCF	0.2997	1.0606

BALANCE ADJUSTMENT SUMMARY CALCULATION			AMOUNT
PARTICULARS	UNIT	AMOUNT	AMOUNT
BALANCE ADJUSTMENT AMOUNT (SCHEDULE V)	\$	(210,987)	(162,896)
ESTIMATED SALES FOR QUARTER	MCF	247,068	347,968
BALANCE ADJUSTMENT (BA)	\$/MCF	(0.8540)	(0.4681)

MCF PURCHASES FOR THREE MONTHS BEGINNING
August 1, 2011
AT SUPPLIERS COSTS EFFECTIVE
August 1, 2011

Supplier	MCF Purchases	DTH Conv Factor	Rates (\$)	Quarterly Cost	Rate Increase (D/Reduction)	PERCENT OF LOAD
TENNESSEE GAS PIPELINE						
PIPELINE (SCH II, PAGE 2 OF 2)				\$384,892		
ATMOS ENERGY MARKETING	80,193	1.008	4.5121	367,157	I	32.46%
COLUMBIA GAS TRANSMISSION						
PIPELINE (SCH II, PAGE 2 OF 2)	35,497	1.009	4.5240	\$107,527	I	14.37%
ATMOS ENERGY MARKETING				162,893		
COLUMBIA GULF TRANSMISSION	129,774	1.247	5.1021	825,672	I	52.53%
M&B GAS SERVICES						
KENTUCKY PRODUCERS	1,003		6.4227	10,296	I	0.65%
VINLAND			0.0004			0.00%
STORAGE						100.00%
TOTAL	247,068			1,857,637		

COMPANY USAGE 3,706

ESTIMATED UNCOLLECTIBLE GAS COSTS
FOR THE THREE MONTHS ENDED
October 31, 2011

TWELVE MONTH AVERAGE % OF PURCHASED GAS TO RECORDED REVENUE	49.00%	D
ESTIMATED BAD DEBT EXPENSE	\$13,260.00	D
% OF PURCHASED GAS TO BILLED REVENUE UNCOLLECTIBLE GAS COSTS	6.468	D

CALCULATION OF QUARTERLY GAS COST RATE
August 1, 2011

PREVIOUS QCC	7.5606
CURRENT ECG	7.5443
EGC CHANGE	(0.1843)
10% OF CURRENT ECG	0.7545
RATE CONTROL	
THE LESSER OF EGC CHANGE OR 10% OF CURRENT EGC**	(0.1843)
Current Under(+)/Over(-) Recovered Gas Cost	529,777
QUARTERLY GAS COST(QGC)	7,5449

IF THE EGC CHANGE AND THE CURRENT UNDER(+)/OVER(-) RECOVERY ARE THE SAME SIGN THE RATE CONTROL IS FACTORED INTO THE QCC RATE. IF THE EGC CHANGE AND THE CURRENT UNDER(+)/OVER(-) RECOVERY ARE OPPOSITES SIGNS THERE IS NO RATE CONTROL TO BE APPLIED TO THE QCC

As Filed

Supplier	MCF Purchases	DTH Conv Factor	Rates (\$)	Quarterly Cost	Rate Increase (D/Reduction)	PERCENT OF LOAD
TENNESSEE GAS PIPELINE						
PIPELINE (SCH II, PAGE 2 OF 2)				394,250		
ATMOS ENERGY MARKETING	112,514	1.0300	4.5399	529,191	I	32.33%
COLUMBIA GAS TRANSMISSION						
PIPELINE (SCH II, PAGE 2 OF 2)	52,759	1.0290	4.5223	125,778	I	15.16%
ATMOS ENERGY MARKETING				246,054		
COLUMBIA GULF TRANSMISSION	181,092	1.0350	5.0692	955,734	I	52.01%
M&B GAS SERVICES						
KENTUCKY PRODUCERS	1,803		6.4227	10,296	I	0.46%
VINLAND			0			0.00%
STORAGE						100.00%
TOTAL	347,968			2,251,313		

COMPANY USAGE 5,220

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE III

**SUPPLIER REFUND ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
April 30, 2011**

Particulars	Unit	Amount
SUPPLIERS REFUNDS RECEIVED (1)	\$	(48,232)
INTEREST FACTOR (2)		0.998617
REFUND ADJUSTMENT INCLUDING INTEREST	\$	(48,165)
SALES TWELVE MONTHS ENDED April 30, 2011	MCF	3,115,919
CURRENT SUPPLIER REFUND ADJUSTMENT	\$/MCF	(0.0155)

(1) Suppliers Refunds Received	Date Received	Amount
PCB Refund from TGP	4/4/2011	48,231.88
Total		48,231.88

(2) Interest Factor			
RESULT OF PRESENT VALUE	0.2446150	-0.5 =	(0.255385)

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE IV

ACTUAL ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
April 30, 2011

as filed

Particulars	Unit	For the Month Ended			Three Month Period
		Feb-11	Mar-11	Apr-11	
SUPPLY COST PER BOOKS					
PRIMARY GAS SUPPLIERS	\$	2,235,658	3,334,816	1,233,970	1,233,970
UTILITY PRODUCTION	\$	-	-	-	-
INCLUDABLE PROPANE	\$	-	-	-	-
UNCOLLECTIBLE GAS COSTS	\$	35,420	30,361	20,689	20,689
OTHER COST (SPECIFY)	\$	-	-	-	-
TOTAL	\$	2,271,078	3,365,177	1,254,659	1,254,659
SALES VOLUME					
JURISDICTIONAL	MCF	689,367	477,476	371,009	194,259
OTHER VOLUMES (SPECIFY)	MCF	-	-	-	(124,099)
TOTAL	MCF	689,367	477,476	371,009	(283,278)
UNIT BOOK COST OF GAS	\$	3,2944	7,0478	3,3817	(4,4291)
QGC IN EFFECT FOR MONTH	\$	5,8247	5,8247	5,8247	5,1463
RATE DIFFERENCE	\$	(2,5303)	1,2231	(2,4430)	(9,5754)
MONTHLY SALES	MCF	689,367	477,476	371,009	(283,278)
MONTHLY COST DIFFERENCE	\$	(1,744,305)	584,001	(906,375)	2,712,397
COST DIFFERENCE FOR THE THREE MONTHS	\$				8,806,863
TWELVE MONTHS SALES FOR PERIOD ENDED	MCF				3,115,919
CURRENT QUARTERLY ACTUAL ADJUSTMENT	\$/MCF				<u>2,8264</u>

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE V

EXPECTED GAS COST BALANCE ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
April 30, 2011

Particulars	Unit	Amount	as filed
COST DIFFERENCE BETWEEN BOOK AND EFFECTIVE EGC AS USED TO COMPUTE AA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR LESS: DOLLAR AMOUNT RESULTING FROM THE AA OF \$MCF AS USED TO COMPUTE THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR TIMES THE JURISDICTIONAL SALES OF MCF FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE	\$	4,640,749	\$ 4,640,749
BALANCE ADJUSTMENT FOR THE AA	\$	(166,491)	\$ (166,491)
DOLLAR AMOUNT OF SUPPLIER REFUND ADJUSTMENT AS USED TO COMPUTE RA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR LESS: DOLLAR AMOUNT RESULTING FROM THE UNIT RATE FOR SUPPLIER REFUND ADJUSTMENT OF AS USED TO COMPUTE RA OF THE JURISDICTIONAL SALES FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE RATE IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE FOR THE MCF TOTAL OF	\$	0.0060	\$ 0.0060
BALANCE ADJUSTMENT FOR THE RA	\$	3,115,919	\$ 3,115,919
DOLLAR AMOUNT OF BALANCE ADJUSTMENT AS USED TO COMPUTE BA OF THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR LESS: DOLLAR AMOUNT RESULTING FROM THE BA OF \$MCF AS USED TO COMPUTE THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR TIMES THE JURISDICTIONAL MCF SALES OF THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE RATE IN EFFECT IMMEDIATELY PRIOR TO THE CURRENT RATE	\$	(18,660)	\$ (18,660)
BALANCE ADJUSTMENT FOR THE BA	\$	25,836	\$ 25,836
TOTAL BALANCE ADJUSTMENT AMOUNT	\$	(44,495)	\$ (44,495)
TOTAL BALANCE ADJUSTMENT AMOUNT	\$	(210,987)	\$ (162,896)

**Blended Rate - See Attached

KYPSC Case No. 2011-00147
Attachment II

Date	Mcf	Rate	
May 10	118,796	2.0192	239,873
June 10	74,891	2.0192	151,220
July 10	59,885	1.5112	90,498
Aug 10	52,948	1.5112	80,015
Sept 10	44,660	1.5112	67,490
Oct 10	68,797	1.5112	103,966
Nov 10	127,063	1.5112	192,018
Dec 10	264,010	1.5112	398,972
Jan 11	767,016	1.5112	1,159,115
Feb 11	689,367	1.5112	1,041,771
March 11	477,476	1.5112	721,562
April 11	371,009	1.5112	560,669
	3,115,918		4,807,168

Blended Rate 4,807,168 / 3,115,918 = 1.5428

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2011-00147

FIRST PSC DATA REQUEST
DATED 7/8/2011

6. Refer to the proposal as explained on page 3 of the Wesolosky Testimony to add a control to the Expected Gas Cost (“EGC”) mechanism to prevent the existing EGC from being decreased when an under-recovery exists or being increased when an over-recovery exists for the quarter that rates are to be in effect. Explain whether Delta is proposing to re-name the revised EGC mechanism, which, as proposed, would be a blend of forward-looking estimates and historical cost tracking, and how it will revise its GCR tariff to explain the function of what formerly was the “expected” gas cost.

Response:

Please refer to the response to Request No. 5. b. for illustrative examples of the GCR filings which include the proposed changes (Attachment II). The quarterly gas cost rate control is calculated on Schedule II of each of the filings. The EGC would be renamed the Quarterly Gas Cost (“QGC”) rate. Included in the calculation of the QGC, would be the EGC calculation that is currently included in GCR filings. However, the rate control mechanism would be applied to the EGC in determining the QGC. If the goal of the mechanism is to recover actual gas costs, while minimizing over/under-recovery, it is counter intuitive to reduce rates when you are in an under-recovery position and raise rates when you are in an over-recovery position. The basis for the QGC is still the expected gas cost but adds a control to help minimize over/under recoveries.

The quarterly gas cost rate control becomes effective in the following two scenarios:

- When the current EGC is less than the prior quarter’s QGC and Delta is in an under-recovered position.
- When the current EGC is greater than the prior quarter’s QGC and Delta is in an over-recovered position.

Furthermore, to lessen the impact on current rates, when the quarterly gas cost rate control becomes effective the adjustment is limited to the lesser of:

- The difference between the current EGC and the prior quarter’s QGC or
- 10% of the current EGC.

Sponsoring Witness:

Matthew D. Wesolosky

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2011-00147**

**FIRST PSC DATA REQUEST
DATED 7/8/2011**

7. Explain how Delta contemplates tracking the collection of gas cost through the AA and the Balance Adjustment components of its GCR if a portion of the EGC becomes a collection/refund mechanism.

Response:

The AA would continue to operate as it is currently designed with the exception of the line titled "EGC IN EFFECT FOR MONTH". As shown in Attachment II to the response to Request No. 5. b., that line would be relabeled "QGC IN EFFECT FOR MONTH" indicating that the Quarterly Gas Cost Rate Control was considered in the estimation of the GCR. This ensures that the actual adjustment reflects the actual amounts billed to customers in a given month.

Including the Quarterly Gas Cost Rate Control in the estimation of the GCR does not fundamentally change how the mechanism tracks gas costs, so there is no need to make additional modifications to the AA or the Balance Adjustment. The Quarterly Gas Cost Rate Control is not a collection/refund mechanism. It simply adjusts the estimate of the GCR to help the mechanism maintain a reasonable overall over/under recovery balance over time.

Sponsoring Witness:

Matthew D. Wesolosky

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2011-00147**

**FIRST PSC DATA REQUEST
DATED 7/8/2011**

8. Provide the number of meter-reading and billing cycles that occur on Delta's system in a typical calendar month.

Response:

Delta has three meter reading/billing cycles for its retail customers in a given month.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2011-00147

FIRST PSC DATA REQUEST
DATED 7/8/2011

9. Explain whether Delta has considered implementing a monthly GCR to better track its gas cost and mitigate under-recoveries.

Response:

Yes. Delta believes that making monthly GCR filings could help head off under-recoveries in a period of unexpected and rapidly rising prices. However, since the significant under-recoveries experienced by Delta have accumulated during a period of relatively stable prices, Delta believes that the suggested changes it has proposed will more effectively and efficiently mitigate under-recoveries.

Sponsoring Witness:

John B. Brown