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JAN 23 2012

PUBLIC SERVICE
COMMISSION

ROBERT M. WATT, III
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January 23, 2012

HAND DELIVERED

Hon. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601

Re: Delta Natural Gas Company, Inc.
Hedging Plan

Dear Mr. Derouen:

We enclose for filing an original and ten copies of the Application of Delta Natural Gas Company, Inc. to Extend its Natural Gas Supply Hedging Plan to March 31, 2015. Thank you in advance for your assistance.

Sincerely,

Robert M. Watt, III

rmw:rmw
Enclosure
cc: Ms. Connie King (w/encl.)

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JAN 23 2012

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF DELTA) CASE NO. 2012-
NATURAL GAS COMPANY, INC.)
TO EXTEND ITS NATURAL GAS)
SUPPLY HEDGING PLAN TO)
MARCH 31, 2015)

Delta Natural Gas Company, Inc. ("Delta") respectfully submits this Application to extend its natural gas supply hedging plan to March 31, 2015.

1. The full name and post office address of Delta is Delta Natural Gas Company, Inc., 3617 Lexington Road, Winchester, Kentucky 40391.

2. Delta is a Kentucky corporation, whose Amended and Restated Articles of Incorporation are on file with the Commission in Case No. 2010-00116, *In the Matter of: Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates* filed on April 23, 2010.

3. Delta hereby requests the Commission to issue an order extending Delta's Natural Gas Supply Hedging Plan to cover the period April 1, 2012, through March 31, 2015, which plan is described in Exhibit A, attached hereto and made a part hereof (the "Hedging Plan").

4. The facts on which this Application is based are fully set forth in the Hedging Plan attached hereto and made a part hereof.

5. Delta also requests that its existing plan be immediately continued for the 2012 injection season or until such time as a final Order can be issued in this proceeding. Current prices posted for the summer 2012 injection season on the New York Mercantile

Exchange are lower than the prices at which Delta purchased gas for the 2011 injection season and Delta would like to be able to take advantage of such favorable pricing.

6. Copies of all orders, pleadings and other communications related to this matter should be directed to:

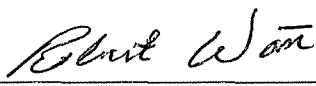
Connie King
Manager-Corporate & Employee Services
Delta Natural Gas Company, Inc.
3167 Lexington Road
Winchester, Kentucky 40391.

Robert M. Watt, III
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507

WHEREFORE, Delta Natural Gas Company, Inc. respectfully prays that the Commission issue an order approving the extension of its Natural Gas Supply Hedging Plan to cover the period April 1, 2012, through March 31, 2015, and in the meantime, issue an interim order continuing its current hedging plan through the 2012 injection storage period, April through November, and through the 2012-2013 winter heating season or until such time as a final order is entered as requested herein.

Respectfully submitted,

Robert M. Watt, III
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Lexington, Kentucky 40507
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robert.watt@skofirm.com

By 
Counsel for Delta Natural Gas
Company, Inc.

Delta Natural Gas Company, Inc.
Natural Gas Supply Hedging Plan
April 1, 2012 through March 31, 2015

The Commission's Order dated April 27, 2009 in Case 2009-00066 approved a renewal of Delta's natural gas hedging plan through March 31, 2012.

Pursuant to Finding Paragraph 4, Delta is requesting that its existing natural gas price mitigation plan be extended for three (3) years or until March 31, 2015. Delta would like to maintain the flexibility in its supply portfolio to enter forward contracts for future storage injection and winter heating seasons if forward prices are favorable.

In order to help stabilize rates, Delta entered forward contracts with Atmos Energy Marketing for the 2011-2012 winter heating season for 190,000 Dth at a price of \$3.93 per Dth and for 90,000 Dth at a price of \$3.93 per Dth, and notified the Commission by letter dated December 20, 2011. The published Tennessee Gas Pipeline indices for December 2011 and January 2012, the last month data is available, were \$3.36 and \$3.06 per Dth respectively. The published Columbia Gulf indices for December 2011 and January 2012 were \$3.30 and \$3.01 per Dth respectively. The forward contracts have had a total impact of \$112,950 on the price of gas to Delta's customers.

Delta did not enter into any forward contracts for the 2011 storage injection season.

Exhibit A