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FILED

January 26, 2012

JAN 26 2012

**PUBLIC SERVICE
COMMISSION**

HAND DELIVERED

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

RECEIVED

JAN 26 2012

**PUBLIC SERVICE
COMMISSION**

Re: Delta Natural Gas Company, Inc.

Dear Mr. Derouen:

2012-00033

We enclose for filing an original and ten copies of the Application of Delta Natural Gas Company, Inc. for an Order Authorizing a Two-for-One Split of its Common Stock. Thank you in advance for your assistance.

Sincerely,

Robert M. Watt, III

rmw:rmw

Enclosures

cc: Mr. John Brown (w/ encl.)
Dennis Howard, II, Esq. (w/encl.)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JAN 26 2012

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN)
ORDER AUTHORIZING A TWO-)
FOR-ONE SPLIT OF ITS COMMON)
STOCK)

CASE NO. 2012-_____

APPLICATION

Delta Natural Gas Company, Inc. ("Delta") respectfully submits this Application for an order authorizing a two-for-one split of Delta's common stock pursuant to KRS 278.300 and 807 KAR 5:001, Section 11 or, if Commission authorization for such stock split is unnecessary, for an order stating Commission authorization is unnecessary.

1. Delta is a Kentucky corporation with its post office address, principal office and place of business located at 3617 Lexington Road, Winchester, Kentucky 40391. Delta's full name is Delta Natural Gas Company, Inc.

2. A certified copy of Delta's most recent Amended and Restated Articles of Incorporation has heretofore been filed with this Commission in connection with a prior proceeding of Delta, the same being 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 is a utility engaged in the natural gas business. Delta purchases, sells, stores and transports natural gas in Bath, Estill, Montgomery, Menifee, Madison, Powell, Garrard, Jackson, Lee, Bourbon, Jessamine, Rowan, Bell, Knox, Whitley, Laurel, Clay, Leslie, Fayette, Fleming, Clark, Robertson and Mason Counties, Kentucky.

4. As of June 30, 2011, in order to serve its customers, Delta owned approximately 2,500 miles of gas gathering, transmission, distribution and service lines ranging in size from one (1) to twelve (12) inches, compressor stations, storage wells, gas mixing equipment, regulating equipment, metering equipment, transportation equipment, maintenance equipment communications equipment, data processing equipment, land and land rights. As of November 30, 2011, the original cost to Delta of its property was \$210,061,935 as shown on Exhibit A attached hereto.

5. There is attached hereto as Exhibit B the financial exhibit of Delta as of November 30, 2011, as required by 807 KAR 5:001, Sections 6 and 11.

6. Delta desires to effectuate a two-for-one split of its common stock. As of November 30, 2012, there were 3,387,857 shares of common stock, \$1.00 par value, issued and outstanding. Delta is authorized to issue 20,000,000 shares of common stock, \$1.00 par value. Delta proposes to distribute on May 1, 2012, one additional share of common stock, \$1.00 par value, from its authorized common stock for each one share outstanding as of April 17, 2012. The final determination of the number of shares to be distributed will depend on the number of shares outstanding as of April 17, 2012.

7. The purpose of the stock split is to broaden the market, improve the marketability of Delta's common stock and, ultimately, increase the number of shareholders. The proposed stock split will not change the aggregate value of the stock outstanding or generate additional proceeds or obligations to or for Delta. No property will be acquired, constructed, improved or extended. No obligations of Delta will be discharged or refunded.

8. The proposed stock split described herein is for lawful objects within the corporate purposes of Delta and is necessary, appropriate for and consistent with the proper performance by Delta of its service to the public and will not impair its ability to perform that service and is reasonably necessary and appropriate for such purpose.

9. In an order dated December 7, 1992, in *In the Matter of: Application of Equitable Resources, Inc. for an Order Authorizing the Three-For-Two Split of Its Common Stock*, Case No. 92-453, the Commission found that a stock split virtually identical to the one described herein for Delta did not require Commission authorization pursuant to KRS 278.300. Delta, therefore, requests either an order authorizing the stock split or an order finding that such authorization is unnecessary.

10. So that the order will be final in advance of the proposed record date of the split, Delta requests expedited consideration of this Application and the issuance of an order by March 9, 2012.

11. Communications related to this proceeding should be directed to the following persons:

John B. Brown
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391

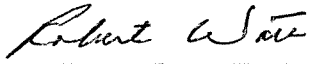
Robert M. Watt, III
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, KY 40507

WHEREFORE, Delta Natural Gas Company, Inc. respectfully prays that the Public Service Commission enter its order either (i) authorizing the two-for-one split of its common stock effective May 1, 2012, for shareholders of record April 17, 2012, or (ii) finding that Commission authorization for such stock split is unnecessary; and for any and all other relief to which it may appear entitled.

CERTIFICATE OF SERVICE

This is to certify that the foregoing pleading has been served by mailing a copy of same, postage prepaid, to the following person on this 26th day of January 2012:

Dennis Howard, II, Esq.
Assistant Attorney General
Office of Rate Intervention
1024 Capital Center Drive
Frankfort, KY 40601



Counsel for Applicant

005522.005777/3965733.3

DELTA NATURAL GAS COMPANY, INC.

DESCRIPTION OF PROPERTY AND ORIGINAL COST
NOVEMBER 30, 2011**INTANGIBLE PLANT**

Organization	\$	53,151
Franchise		0

PRODUCTION PLANT

Production Land		0
Production Structures		0
Gas Mixing Equipment		7,795
Land & Land Rights		97,021
Compressor Stations & Structures		812,574
Measuring & Regulating Equipment		158,244
Field Line – Gathering		1,949,943

STORAGE & PROCESSING PLANT

Storage Land		74,295
Storage Right-Of-Way		186,821
Gas Rights Wells		1,495
Gas Rights Storage		0
Storage Structures & Improvements		303,795
Storage Wells		2,255,252
Storage Rights		860,396
Storage Reservoirs		1,864,731
Nonrecoverable Natural Gas		294,307
Storage Lines		5,169,303
Storage Compressor Station Equipment		2,531,347
Storage Measuring & Regulating Equipment		583,217
Purification Equipment		5,568,528
Storage Other Equipment		72,219

TRANSMISSION PLANT

Land & Land Rights of Way		1,371,244
Land Rights		163,626
Structures & Improvements		248,656
Mains		42,309,784
Compressor Station & Equipment		7,580,586
Regulating Equipment		3,370,623
Other Equipment		466,210

**DESCRIPTION OF PROPERTY AND ORIGINAL COST
NOVEMBER 30, 2011**

DISTRIBUTION PLANT

Land & Land Rights	330,361
Structure & Improvements	108,113
Mains	69,365,571
Regulating Equipment – General	1,766,985
Regulating Equipment – City Gate	853,404
Services	14,621,217
Meter & House Regulators	12,734,901
Meter & House Regulator Installations	3,165,774
Industrial Regulating Station Equipment	1,610,915

GENERAL PLANT

Land & Land Rights	999,354
Structure & Improvements	5,483,507
Office Furniture & Equipment	150,189
Transportation Equipment	4,473,979
Tools, Shop & Garage Equipment	1,047,493
Laboratory Equipment	243,631
Power Operated Equipment	3,486,024
Communications Equipment	351,823
Miscellaneous Equipment	47,852
Other Tangible Property	6,181,754

GAS STORED UNDERGROUND 4,208,069

CONSTRUCTION WORK IN PROGRESS 1,056,615

PLANT ACQUISITION ADJUSTMENT (580,759)

TOTAL ORIGINAL COST \$ **210,061,935**

ASSET RETIREMENT OBLIGATIONS

(Excluded from Rate Base)

Distribution	870,139
Production – Gathering	10,790
Storage	11,721
Transmission	35,636
Gas Utility Plant – per Financial Exhibit, Page 7	\$ <u>210,990,221</u>

DELTA NATURAL GAS COMPANY, INC.

**AMOUNT AND KINDS OF STOCK AUTHORIZED,
ISSUED AND OUTSTANDING
NOVEMBER 30, 2011**

Common Stock, par value \$1.00 per share	--	Authorized - 20,000,000 shares Issued and Outstanding – 3,387,857 shares
Cumulative Preferred	--	Authorized - 312,500 shares Issued and Outstanding - 0

DELTA NATURAL GAS COMPANY, INC.

**LONG-TERM DEBT OUTSTANDING
AND MORTGAGE DESCRIPTIONS
NOVEMBER 30, 2011**

There are no mortgages outstanding.

The following long-term debts are in existence:

- (1) On February 18, 2003, as authorized by Delta's Board of Directors and approved by an Order of the Kentucky Public Service Commission, Delta issued \$20,000,000 of unsecured 7.0% Debentures that mature in February 2023. The proceeds were used to repay short-term debt and to redeem the Company's 8.3% Debentures that would have matured in 2026, in the amount of \$14,806,000. Each holder may require redemption of up to \$25,000 of 7.0% Debentures annually, subject to an annual aggregate limitation of \$400,000. Such redemption will also be made on behalf of deceased holders within sixty days of notice, subject to the annual aggregate \$400,000 limitation. The Company may redeem all or part of the notes at any time. If Delta redeems fewer than all the notes, the trustee will select by lot the particular notes to be redeemed. Restrictions under this indenture include, among other things, a restriction whereby dividend payments cannot be made unless consolidated shareholders' equity of the Company exceeds \$25,800,000. Interest paid during the twelve months ending November 30, 2011 was \$1,359,342. At November 30, 2011 there was \$1,089,730 of unamortized debt associated with these debentures. The Bank of New York Trust Company, N.A. is the Trustee and interest-paying agent for these debentures. The balance at November 30, 2011 was \$19,410,000.

- (2) On April 6, 2006, as authorized by Delta's Board of Directors and approved by an order of the Kentucky Public Service Commission, Delta issued \$40,000,000 of unsecured 5.75% Insured Quarterly Notes that mature in April 2021. These proceeds were used to redeem Delta's outstanding 7.15% Debentures due in 2018 in the amount of \$23,672,000, Delta's outstanding 6.625% Debentures due in 2023 in the amount of \$10,169,000 and to reduce our short-term indebtedness. Each holder may require redemption of up to \$25,000 of 5.75% Insured Quarterly Notes annually, subject to an annual aggregate limitation of \$800,000. Such redemption will also be made on behalf of deceased holders within sixty days of notice, subject to the annual aggregate \$800,000 limitation. The Company may redeem all or part of the notes at any time. If Delta redeems fewer than all the notes, the trustee will select by lot the particular notes to be redeemed. Restrictions under this indenture include, among other things, a restriction whereby dividend payments cannot be made unless consolidated shareholders' equity is at least equal to \$25,800,000. Interest paid during the twelve months ending November 30, 2011 was \$2,220,152. At November 30, 2011 there was \$2,710,399 of unamortized debt associated with these 5.75% Insured Quarterly Notes. The Bank of New York Trust Company, N.A. is the Trustee and interest paying agent for these notes. The balance at November 30, 2011 was \$38,450,006.

DELTA NATURAL GAS COMPANY, INC.

**SHORT-TERM DEBT OUTSTANDING
NOVEMBER 30, 2011**

Delta had outstanding at November 30, 2011 short-term debt as follows:

<u>LENDER</u>	<u>DUE DATE</u>	<u>RATE</u>	<u>AMOUNT</u>
Branch Banking and Trust Company (BB&T)	Demand ⁽¹⁾	1.39580% ⁽²⁾	\$4,693,219

Short-term interest paid in the 12 months ended November 30, 2011 was \$73,507*.

⁽¹⁾ This is a demand grid note dated June 30, 2011 with a maturity date of June 30, 2013. It can be increased or decreased daily up to a maximum of \$40,000,000.

⁽²⁾ The interest on this line is determined monthly at the thirty day LIBOR Rate plus 1.15% on the used line of credit. The cost of the unused line of credit is 0.125%.

*Actual interest accrued on unused line of credit for the month of November, 2011 - \$3,899

DELTA NATURAL GAS COMPANY, INC.

**OTHER INDEBTEDNESS
NOVEMBER 30, 2011**

There is no other indebtedness outstanding.

DELTA NATURAL GAS COMPANY, INC.

**DIVIDENDS FOR LAST FIVE YEARS
NOVEMBER 30, 2011**

<u>MONTH AND YEAR PAID</u>	<u>RATE</u>	<u>ON SHARES OR VALUE</u>	<u>PAR VALUE</u>	<u>DIVIDEND AMOUNT</u>
December 2006	.305	3,263,560	3,263,560	\$ 995,386
March 2007	.305	3,268,380	3,268,380	\$ 996,857
June 2007	.305	3,273,273	3,273,273	\$ 998,349
September 2007	.310	3,277,729	3,277,729	\$1,016,096
December 2007	.310	3,282,393	3,282,393	\$1,017,542
March 2008	.310	3,287,542	3,287,542	\$1,019,138
June 2008	.310	3,291,943	3,291,943	\$1,020,502
September 2008	.320	3,297,433	3,297,433	\$1,055,178
December 2008	.320	3,302,946	3,302,946	\$1,056,943
March 2009	.320	3,308,444	3,308,444	\$1,058,702
June 2009	.320	3,313,798	3,313,798	\$1,060,415
September 2009	.325	3,319,374	3,319,374	\$1,078,797
December 2009	.325	3,324,019	3,325,019	\$1,080,307
March 2010	.325	3,327,966	3,327,966	\$1,081,590
June 2010	.325	3,331,531	3,331,531	\$1,082,748
September 2010	.340	3,346,369	3,346,369	\$1,137,766
December 2010	.340	3,350,569	3,350,569	\$1,139,193
March 2011	.340	3,358,636	3,358,636	\$1,141,936
June 2011	.340	3,362,907	3,362,907	\$1,143,388
September 2011	.350	3,382,626	3,382,626	\$1,183,919
December 2011	.35	3,398,523	3,398,523	\$1,185,750

DELTA NATURAL GAS COMPANY, INC.

**STATEMENT OF INCOME
12 MONTHS ENDED NOVEMBER 30, 2011
(UNAUDITED)**

OPERATING REVENUES	<u>\$53,614,711</u>
OPERATING EXPENSES AND TAXES	
Gas Purchased	\$21,106,088
Operations	11,294,673
Maintenance	679,631
Depreciation	5,712,101
Property & Other Taxes	1,970,624
Income Taxes	<u>3,318,289</u>
Total	<u>\$44,081,406</u>
Operating Income	\$ 9,533,305
INTEREST EXPENSES	\$ 4,009,285
NET INCOME	<u>\$ 5,524,020</u>

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
12 MONTHS ENDED NOVEMBER 30, 2011
(UNAUDITED)

ASSETS

Gas Utility Plant, at Cost	\$	210,990,221
Less - Reserve for Depreciation		<u>77,770,438</u>
Net Gas Plant	\$	<u>133,219,783</u>
Current Assets		
Cash	\$	86,692
Receivables		3,119,692
Deferred Gas Cost		5,634,951
Gas in Storage, at Average Cost		5,067,733
Materials and Supplies, at Average Cost		525,818
Prepayments		<u>1,081,758</u>
Total Current Assets	\$	<u>15,516,644</u>
Other Assets		
Cash Surrender Value of Life Insurance	\$	481,884
Unamortized Expenses		3,837,353
Receivable/Investment in Subsidiaries		8,635,356
Other		<u>9,596,334</u>
Total Other Assets	\$	<u>22,550,927</u>
TOTAL ASSETS	\$	<u>171,287,354</u>

LIABILITIES

Capitalization		
Common Shareholders' Equity	\$	63,462,175
Long-Term Debt		<u>56,660,006</u>
Total Capitalization	\$	<u>120,122,181</u>
Current Liabilities		
Notes Payable	\$	4,693,219
Current Portion of Long-Term Debt		1,200,000
Accounts Payable		2,256,430
Accrued Taxes		(420,144)
Refunds Due Customer		195,057
Customer Deposits		626,184
Accrued Interest		550,627
Current Deferred Income Taxes		2,041,601
Other		<u>1,025,663</u>
Total Current Liabilities	\$	<u>12,168,637</u>
Deferred Credits & Others		
Deferred Income Taxes	\$	35,676,763
Deferred Investment Tax Credit		76,700
Regulatory Items		425,791
Advances for Construction and Other		2,817,282
Accumulated Provision for Pension		<u>0</u>
Total Deferred Credits and Other	\$	<u>38,996,536</u>
TOTAL LIABILITIES	\$	<u>171,287,354</u>