



**STOLL
KEENON
OGDEN**

300 WEST VINE STREET
SUITE 2100
LEXINGTON, KY 40507-1801
MAIN: (859) 231-3000
FAX: (859) 253-1093

ROBERT M. WATT, III
DIRECT DIAL: (859) 231-3043
DIRECT FAX: (859) 246-3643
robert.watt@skofirm.com

February 14, 2013

RECEIVED

HAND DELIVERED

FEB 14 2013

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

PUBLIC SERVICE
COMMISSION

Re: Delta Natural Gas Company, Inc.

Dear Mr. Derouen:

We enclose for filing an original and ten (10) copies of the Application of Delta Natural Gas Company, Inc. for an order authorizing the extension of its \$40,000,000 line of credit and Motion for Deviation. Please return a file-stamped copy of the Application and Motion to us. Thank you in advance for your assistance.

Sincerely,

Robert M. Watt, III

rmw:rmw
Enclosure
cc: Mr. John B. Brown (w/encl.)

005522.005777/4104762.1

RECEIVED

FEB 14 2013

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA)
NATURAL GAS COMPANY, INC.)
FOR AN ORDER AUTHORIZING)
THE EXTENSION OF THE)
\$40,000,000 LINE OF CREDIT)

CASE NO. _____

* * * * *

APPLICATION AND MOTION FOR DEVIATION

Delta Natural Gas Company, Inc. ("Delta"), pursuant to KRS 278.300 and 807 KAR 5:001, Sections 17 and 21, respectfully submits its Application and Motion for Deviation herein as follows, to-wit:

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, 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 December 31, 2012 in order to serve its customers, Delta owned approximately 2,500 miles of natural gas gathering, transmission, distribution and service lines

ranging in size up to twelve (12) inches, compressor stations, storage wells, liquid processing equipment, gas mixing equipment, regulating equipment, metering equipment, transportation equipment, maintenance equipment, communications equipment, computer systems, land and land rights. As of December 31, 2012, the original cost to Delta of its property was \$215,610,161 as shown on Exhibit A attached hereto.

5. Delta desires to renew the existing line of credit in accordance with the proposal in Exhibit B. The original loan agreement was dated October 31, 2002, and matured on October 31, 2003, a copy of which is attached hereto as Exhibit C. The loan agreement has been modified from time to time since then to renew it in one or two year increments and the current modification consisting of three (3) documents, attached hereto collectively as Exhibit D, matures on June 30, 2013. The proposed extension would mature June 30, 2015. Since this renewal has a maturity date which exceeds “in the aggregate six (6) years from the date of the issue of the original note” as set forth in KRS 278.300(8), Delta is seeking this authorization by the Commission to permit it to enter into this modification agreement with an effective date of June 30, 2013, and a maturity date of June 30, 2015, and also grant Delta the authority to continue to renew the short term indebtedness in increments not to exceed two years each through June 30, 2019, (six additional years) without further Commission orders in accordance with KRS 278.300(8).

6. The line of credit will continue to be used to finance capital expenditures and for general corporate working capital. Specifically, the capital expenditures that will be financed include the extension or replacement of existing pipelines in the ordinary course, the purchase of motor vehicles, construction equipment, computer equipment and other items such as meters, regulators and the like that are normally capitalized. The general working capital produced by

the line of credit will be used to purchase gas, to pay salaries and expenses in connection with Delta's operations, to pay the general and administrative expenses of providing service in its service territories, to pay normal ongoing operating expenses associated with the provision of natural gas service in its service territories and other items for which working capital is customarily expended. All of the foregoing uses of the proceeds of the line of credit are for the construction, completion and improvement of facilities and for the improvement and maintenance of service in Delta's service territories. To the extent that the proposed new short-term note will replace the existing obligations under the existing short-term note, it will refund the remaining obligations on that short-term note as of June 30, 2013.

7. Pursuant to 807 KAR 5:001, Section 21, Delta moves for a deviation from the requirements of 807 KAR 5:001, Section 17, requiring a statement indicating how much of the proceeds from the line of credit will be used for the acquisition of property, the construction, completion, extension or improvement of facilities, the improvement of service, the maintenance of service and the discharge of refunding obligations. Delta states that it is unknown at this time what particular expenditures and amounts thereof will be expended since draws are made on the line of credit on an as-needed basis.

8. There is attached hereto as Exhibit E the financial exhibit of Delta as of December 31, 2012, required by 807 KAR 5:001, Sections 12 and 17.

9. The extension of the line of credit 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.

10. Communications related to this proceeding should be directed to:

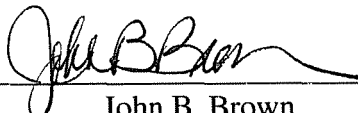
John B. Brown
Chief Financial Officer,
Treasurer and Secretary
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391

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 granting its Motion for Deviation from the requirements of 807 KAR 5:001, Section 17, authorizing Delta to extend the \$40,000,000 line of credit through June 30, 2015, and authorizing Delta to renew the short-term indebtedness in increments of no more than two years each for six years or until 2019.

Respectfully submitted,

DELTA NATURAL GAS COMPANY,
INC.

BY: 
John B. Brown
Chief Financial Officer, Treasurer and
Secretary


Robert M. Watt III
Stoll Keenon Ogden PLLC
300 West Vine Street – Suite 2100
Lexington, Kentucky 40507
859-231-3000
robert.watt@skofirm.com

BY: 
Counsel for Delta Natural Gas Company, Inc.

COMMONWEALTH OF KENTUCKY)

COUNTY OF CLARK)

After having been duly sworn, John B. Brown states that he is an executive officer of Delta Natural Gas Company, Inc. having knowledge of the matters set forth in the foregoing Application, that he has been duly designated by Delta Natural Gas Company, Inc. to sign and file the foregoing Application on behalf of Delta Natural Gas Company, Inc., that he has read the statements contained in the foregoing Application and that the same are true.




John B. Brown

Subscribed and sworn to before me by John B. Brown on the 13th day of February 2013.

My Commission Expires: 6/20/2016.





Notary Public, State at Large, Kentucky

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 14th day of February 2013:

Dennis Howard, II, Esq.
Lawrence W. Cook, Esq.
Assistant Attorneys General
Office of Rate Intervention
1024 Capital Center Drive
Frankfort, KY 40601



Counsel for Applicant

005522.005777/4103671.2

DELTA NATURAL GAS COMPANY, INC.

**DESCRIPTION OF PROPERTY AND ORIGINAL COST
DECEMBER 31, 2012**

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	812,575
Measuring & Regulating Equipment	158,244
Field Line -- Gathering	1,963,668

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	534,811
Storage Wells	2,283,694
Storage Rights	860,396
Storage Reservoirs	1,864,731
Nonrecoverable Natural Gas	294,307
Storage Lines	5,491,796
Storage Compressor Station Equipment	2,546,568
Storage Measuring & Regulating Equipment	787,980
Purification Equipment	5,900,288
Storage Other Equipment	105,903

TRANSMISSION PLANT

Land & Land Rights of Way	1,371,262
Land Rights	163,626
Structures & Improvements	248,656
Mains	42,402,948
Compressor Station & Equipment	7,580,586
Regulating Equipment	3,511,086
Other Equipment	466,210

**DESCRIPTION OF PROPERTY AND ORIGINAL COST
DECEMBER 31, 2012**

DISTRIBUTION PLANT

Land & Land Rights	332,068
Structure & Improvements	110,613
Mains	71,862,511
Regulating Equipment – General	1,866,480
Regulating Equipment – City Gate	866,857
Services	15,622,563
Meter & House Regulators	12,853,832
Meter & House Regulator Installations	3,197,877
Industrial Regulating Station Equipment	1,659,306

GENERAL PLANT

Land & Land Rights	999,354
Structure & Improvements	5,583,366
Office Furniture & Equipment	152,090
Transportation Equipment	4,540,318
Tools, Shop & Garage Equipment	1,064,893
Laboratory Equipment	251,314
Power Operated Equipment	3,426,477
Communications Equipment	361,822
Miscellaneous Equipment	47,852
Other Tangible Property	6,168,660

GAS STORED UNDERGROUND 4,208,069

CONSTRUCTION WORK IN PROGRESS 1,244,685

PLANT ACQUISITION ADJUSTMENT (580,759)

\$ 215,610,161

ASSET RETIREMENT OBLIGATIONS

(Excluded from Rate Base)	
Distribution	\$ 2,146,402
Production – Gathering	10,790
Storage	11,721
Transmission	37,144
Gas Utility Plant – per Financial Exhibit, Page 8	\$ <u>217,816,218</u>

BB&T Plaza
200 West Vine Street
Lexington, KY 40507

February 6, 2013

Mr. Glenn R. Jennings
President & CEO
Delta Natural Gas Co.
3617 Lexington Rd.
Winchester, KY 40391

Dear Glenn:

Branch Banking & Trust Company ("Bank") is pleased to offer its commitment for the extension of the existing line of credit ("Line") to Delta Natural Gas Company ("Borrower") under the same terms and conditions currently in effect. The terms and conditions of this extension are as follows:

Amount: \$40,000,000

Purpose: General corporate working capital.

Interest Rate: The One Month LIBOR Rate plus 1.15% per annum, adjusted monthly on the first day of each month.

Prepayment Fee: None. Borrowings under the commitment may be repaid in whole or in part at any time without penalty.

Non-Usage Fee: Payment quarterly of a fee based on the unused amount of the Line of one-eighth percent (1/8%).

Repayment Terms: The Line shall mature June 30, 2015, when the entire unpaid principal balance then outstanding plus accrued interest thereon shall be paid in full. Prior to maturity or the occurrence of any Event of Default the Borrower may borrow, repay, and reborrow under the Line through maturity.

Collateral: Unsecured.

Mr. Glenn Jennings
Page Two
February 6, 2013

Loan Agreement: Renewal of the Line shall be subject to the terms and conditions of the Loan Agreement dated October 31, 2002, as amended.

Cross Default Provision: The Bank line of credit Agreement dated October 31, 2002 as amended, and Delta's Series A Notes contain defined "events of default" which, among other things, can make the obligations immediately due and payable. The agreement governing the Series A Notes contains a cross-default provision which provides that Delta will be in default under the Series A Notes if Delta is in default on any other outstanding indebtedness that exceeds \$2,500,000. Similarly, the loan agreement governing the bank line of credit contains a cross-default provision which provides that Delta will be in default under the bank line of credit if Delta is in default under the Series A Notes and fails to cure the default within ten days of notice from the bank.

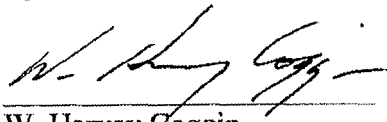
Opinion of Counsel: An opinion of counsel for the Borrower satisfactory to the Bank.

We value very highly our relationship with your fine company and look forward to continuing to work with you in this regard.

Sincerely,

Branch Banking & Trust Company

By:



W. Harvey Coggin
Senior Vice President

COPY

Borrower: Delta Natural Gas Company, Inc.

Account Number: 9580219605

Note Number: 00003

Address: 3617 Lexington Road, Winchester, Kentucky 40391-0000

Date: October 31, 2002

BB&T
Winchester, Kentucky
Promissory Note

THE UNDERSIGNED REPRESENTS THAT THE LOAN EVIDENCED HEREBY IS BEING OBTAINED FOR BUSINESS/COMMERCIAL OR AGRICULTURAL PURPOSES. For value received, the undersigned, jointly and severally, if more than one, promises to pay to BRANCH BANKING AND TRUST COMPANY, a North Carolina banking corporation (the "Bank"), or order, at any of Bank's offices in the above referenced city (or such other place or places that may be hereafter designated by Bank), the sum of FORTY MILLION DOLLARS AND 00/100 Dollars (\$40,000,000.00), or such lesser portion thereof as may have from time to time been disbursed to or for the benefit of the undersigned and remaining unpaid, in immediately available coin or currency of the United States of America. The principal of this Note may be prepaid at any time in whole or in part without premium or penalty.

Interest shall accrue from the date hereof on the unpaid principal balance from time to time at the Adjusted LIBOR Rate as defined in the attached Addendum to Promissory Note.

Principal (plus any accrued interest not otherwise scheduled herein) is due in full at maturity on 10/31/2003.

Accrued interest is payable monthly commencing on 11/30/2002 and continuing on the same day of each calendar period thereafter, with one final payment of all remaining interest due on 10/31/2003.

Prior to an event of default, Borrower may borrow, repay, and reborrow hereunder pursuant to the terms of the Loan Agreement, hereinafter defined.

The undersigned shall pay to Bank a late fee in the amount of five percent (5%) of any installment past due for ten (10) or more days. When any installment payment is past due for ten (10) or more days, subsequent payments shall first be applied to the past due balance. In addition, the undersigned shall pay to Bank a returned payment fee if the undersigned or any other obligor hereon makes any payment at any time by check or other instrument, or by any electronic means, which is returned to Bank because of nonpayment due to nonsufficient funds.

All interest shall be computed and charged for the actual number of days elapsed on the basis of a year consisting of three hundred sixty (360) days. In the event periodic accruals of interest shall exceed any periodic fixed payment amount described above, the fixed payment amount shall be immediately increased, or additional supplemental interest payments required on the same periodic basis as specified above (increased fixed payments or supplemental payments to be determined in the Bank's sole discretion), in such amounts and at such times as shall be necessary to pay all accruals of interest for the period and all accruals of unpaid interest from previous periods. Such adjustments to the fixed payment amount or supplemental payments shall remain in effect for so long as the interest accruals shall exceed the original fixed payment amount and shall be further adjusted upward or downward to reflect changes in the variable interest rate; provided that unless elected otherwise above, the fixed payment amount shall not be reduced below the original fixed payment amount. However, Bank shall have the right, in its sole discretion, to lower the fixed payment amount below the original payment amount.

This note ("NOTE") is given by the undersigned in connection with a Loan Agreement between the undersigned and the Bank dated October 31, 2002, executed by the Borrower.

Borrower agrees that the only interest charge is the interest actually stated in this Note, and that any loan or origination fee shall be deemed charges rather than interest, which charges are fully earned and non-refundable. It is further agreed that any late charges are not a charge for the use of money but are imposed to compensate Bank for some of the administrative services, costs and losses associated with any delinquency or default under this Instrument, and said charges shall be fully earned and non-refundable when accrued. All other charges imposed by Bank upon Borrower in connection with this Instrument and the loan including, without limitation, any commitment fees, loan fees, facility fees, origination fees, discount points, default and late charges, reasonable attorneys' fees and reimbursements for costs and expenses paid by Bank to third parties or for damages incurred by Bank are and shall be deemed to be charges made to compensate Bank for underwriting and administrative services and costs, other services, and costs or losses incurred and to be incurred by Bank in connection with this Instrument and the Loan and shall under no circumstances be deemed to be charges for the use of money. All such charges shall be fully earned and non-refundable when due.

No delay or omission on the part of the holder in exercising any right hereunder shall operate as a waiver of such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or of any other right on any future occasion. Every one of the undersigned and every endorser or guarantor of this note regardless of the time, order or place of signing waives presentment, demand, protest and notices of every kind and assents to any one or more extensions or postponements of the time of payment or any other indulgences, to any substitutions, exchanges or releases of collateral if at any time there be available to the holder collateral for this note, and to the additions or releases of any other parties or persons primarily or secondarily liable.

The failure to pay any part of the principal or interest when due on this Note or to fully perform any covenant, obligation or warranty on this or on any other liability to the Bank by any one or more of the undersigned, by any affiliate of the undersigned (as defined in 11 USC Section (101) (2)), (said affiliate, is herein called Obligor); or if any financial statement or other representation made to the Bank by any of the undersigned or any Obligor shall be found to be materially incorrect or incomplete; or in the event of the default pursuant to any of the Agreements or any other obligation of any of the undersigned or any Obligor in favor of the Bank; or in the event the Bank demands upon an Event of Default under the Loan Documents that the undersigned secure or provide additional security for its obligations under this Note and security deemed adequate and sufficient

by the Bank is not given when demanded; or in the event one or more of the undersigned or any Obligor shall die, terminate its existence, allow the appointment of a receiver for any part of its property, make an assignment for the benefit of creditors, or where a proceeding under bankruptcy or insolvency laws is initiated by or against any of the undersigned or any Obligor; or in the event the Bank should otherwise, in good faith, deem itself, its security interest, or any collateral unsafe or insecure; or should the Bank in good faith believe that the prospect of payment or other performance is impaired; or if there is an attachment, execution, or other judicial seizure of all or any portion of the Borrower's or any Obligor's assets, including an action or proceeding to seize any funds on deposit with the Bank, and such seizure is not discharged within 20 days; or if final judgment for the payment of money shall be rendered against the Borrower or any Obligor in excess of \$100,000 which is not covered by insurance and shall remain undischarged for a period of 30 days unless such judgment or execution thereon is effectively stayed; or the termination of any guaranty agreement given in connection with this Note, then any one of the same shall be a material default hereunder and this Note and other debts due the Bank by any one or more of undersigned shall immediately become due and payable without notice, at the option of the Bank. From and after any event of default hereunder, interest shall accrue on the sum of the principal balance and accrued interest then outstanding at the variable rate equal to the Bank's Prime Rate plus 5% per annum ("Default Rate"), provided that such rate shall not exceed at any time the highest rate of interest permitted by the laws of the Commonwealth of Kentucky; and further provided that such rate shall apply after judgement. In the event of any default, the then remaining unpaid principal amount and accrued but unpaid interest then outstanding shall bear interest at the Default Rate called for hereunder until such principal and interest have been paid in full. In addition, upon default, the Bank may pursue its full legal remedies at law or equity, and the balance due hereunder may be charged against any obligation of the Bank to any party including any Obligor. Bank shall not be obligated to accept any check, money order, or other payment instrument marked "payment in full" on any disputed amount due hereunder, and Bank expressly reserves the right to reject all such payment instruments. Borrower agrees that tender of its check or other payment instrument so marked will not satisfy or discharge its obligation under this Note, disputed or otherwise, even if such check or payment instrument is inadvertently processed by Bank unless in fact such payment is in fact sufficient to pay the amount due hereunder.

The term "Prime Rate," if used herein, means the rate of interest per annum announced by the Bank from time to time and adopted as its Prime Rate. The Prime Rate is one of several rate indexes employed by the Bank when extending credit. Any change in the interest rate resulting from a change in the Bank's Prime Rate shall become effective as of the opening of business on the effective date of the change. If this Note is placed with an attorney for collection, the undersigned agrees to pay, in addition to principal and interest, all costs of collection, including but not limited to reasonable attorneys' fees. All obligations of the undersigned and of any Obligor shall bind his heirs, executors, administrators, successors, and/or assigns. Use of the masculine pronoun herein shall include the feminine and the neuter, and also the plural. If more than one party shall execute this Note, the term "undersigned" as used herein shall mean all the parties signing this Note and each of them, and all such parties shall be jointly and severally obligated hereunder. Wherever possible, each provision of this Note shall be interpreted in such a manner to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under such law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note. All of the undersigned hereby waive all exemptions and homestead laws. The proceeds of the loan evidenced by this Note may be paid to any one or more of the undersigned.

From time to time the maturity date of this Note may be extended, or this Note may be renewed in whole or in part, or a new note of different form may be substituted for this Note, or the rate of interest may be modified, or changes may be made in consideration of loan extensions, and the holder hereof, from time to time may waive or surrender, either in whole or in part any rights, guaranties, secured interest, or liens, given for the benefit of the holder in connection with the payment and the securing the payment of this Note; but no such occurrence shall in any manner affect, limit, modify, or otherwise impair any rights, guaranties or security of the holder not specifically waived, released, or surrendered in writing, nor shall the undersigned makers, or any guarantor, endorser, or any person who is or might be liable hereon, either primarily or contingently, be released from such event. The holder hereof, from time to time, shall have the unlimited right to release any person who might be liable hereon, and such release shall not affect or discharge the liability of any other person who is or might be liable hereon. No waivers and modifications shall be valid unless in writing and signed by the Bank. The Bank may, at its option, charge any fees for the modification, renewal, extension, or amendment of any of the terms of the Note not prohibited by Kentucky law. In case of a conflict between the terms of this Note and the Loan Agreement executed in connection herewith, the priority of controlling terms shall be first this Note, then the Loan Agreement. This Note shall be governed by and construed in accordance with the laws of Kentucky without reference to its principles of conflicts of law or choice of law.

IN WITNESS WHEREOF, the undersigned, on the day and year first written above, has caused this note to be executed.

Delta Natural Gas Company, Inc.

By: Blenn R. Jensen
Title: President & CEO

BB&T
LOAN AGREEMENT

Delta Natural Gas Company, Inc.

Account Number 9580219605

This Loan Agreement (the "Agreement") is made this 31st day of October, 2002 by and between **BRANCH BANKING AND TRUST COMPANY**, a North Carolina banking corporation ("Bank"), and:

Delta Natural Gas Company, Inc., a Kentucky corporation ("Borrower"), having its chief executive office at Winchester, Kentucky.

The Borrower has applied to Bank for and the Bank has agreed to make, subject to the terms of this Agreement, the following loan(s) (hereinafter referred to, singularly or collectively, if more than one, as "Loan"):

Line of Credit ("Line of Credit" or "Line") in the maximum principal amount not to exceed \$40,000,000 at any one time outstanding for the purpose of Working Capital which shall be evidenced by the Borrower's Promissory Note dated on or after the date hereof which shall mature October 31, 2003, when the entire unpaid principal balance then outstanding plus accrued interest thereon shall be paid in full. Prior to maturity or the occurrence of any Event of Default hereunder and subject to any Borrowing Base limitations, as applicable, the Borrower may borrow, repay, and reborrow under the Line of Credit through maturity. The Line of Credit shall bear interest at the rate set forth in any such Note evidencing all or any portion of the Line of Credit, the terms of which are incorporated herein by reference.

Section 1 Conditions Precedent

The Bank shall not be obligated to make any disbursement of Loan proceeds until all of the following conditions have been satisfied by proper evidence, execution, and/or delivery to the Bank of the following items in addition to this Agreement, all in form and substance satisfactory to the Bank and the Bank's counsel in their sole discretion:

Note(s): The Note(s) evidencing the Loans(s) duly executed by the Borrower.

Corporate Resolution: A Corporate Resolution duly adopted by the Board of Directors of the Borrower authorizing the execution, delivery, and performance of the Loan Documents on or in a form provided by or acceptable to Bank.

Articles of Incorporation: A copy of the Articles of Incorporation and all other charter documents of the Borrower, all filed with and certified by the Secretary of State of the State of the Borrower's incorporation.

By-Laws: A copy of the By-Laws of the Borrower, certified by the Secretary of the Borrower as to their completeness and accuracy.

Certificate of Incumbency: A certificate of the Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign the Loan Documents

Certificate of Existence: A certification of the Secretary of State (or other government authority) of the State of the Borrower's Incorporation or Organization as to the existence or good standing of the Borrower and its charter documents on file.

Opinion of Counsel: An opinion of counsel for the Borrower satisfactory to the Bank and the Bank's counsel.

Additional Documents: Receipt by the Bank of other approvals, opinions, or documents as the Bank may reasonably request

Section 2 Representations and Warranties

The Borrower represents and warrants to Bank that:

2.01. Financial Statements. The balance sheet of the Borrower and its subsidiaries, if any, and the related Statements of Income and Retained Earnings of the Borrower and its subsidiaries, the accompanying footnotes together with the accountant's opinion thereon, and all other financial information previously furnished to the Bank, are in all material respects true and correct and fairly reflect the financial condition of the Borrower and its subsidiaries as of the dates thereof, including all contingent liabilities of every type required under Generally Accepted Accounting Principles (GAAP) to be included thereunder, and the financial condition of the Borrower and its subsidiaries as stated therein has not changed materially and adversely since the date thereof.

2.02. Name, Capacity and Standing. The Borrower's exact legal name is correctly stated in the initial paragraph of the Agreement. The Borrower warrants and represents that it is duly organized and validly existing under the laws of its respective state of incorporation or organization; that it and/or its subsidiaries, if any, are duly qualified and in good standing in every other state in which the nature of their business shall require such qualification, and are each duly authorized by their board of directors to enter into the Agreement.

2.03. No Violation of Other Agreements. The execution of the Loan Documents, and the performance by the Borrower thereunder will not violate any material provision, as applicable, of its articles of incorporation, by-laws, articles of organization, operating agreement, agreement of partnership, limited partnership or limited liability partnership, or, of any law, other agreement, indenture, note, or other instrument binding upon the Borrower, or give cause for the acceleration of any of the respective obligations of the Borrower.

2.04. Authority. All authority from and approval by any federal, state, or local governmental body, commission or agency necessary to the making, validity, or enforceability of this Agreement and the other Loan Documents has been obtained.

2.05. Asset Ownership. The Borrower has good and marketable title to all of the properties and assets reflected on the balance sheets and financial statements furnished to the Bank, and all such properties and assets are free and clear of mortgages, deeds of trust, pledges, liens, and all other encumbrances except as otherwise disclosed by such financial statements.

2.06. Discharge of Liens and Taxes. The Borrower and its subsidiaries, if any, have filed, paid, and/or discharged all taxes or other claims which may become a lien on any of their respective properties or assets, excepting to the extent that such items are being appropriately contested in good faith and for which an adequate reserve (in an amount acceptable to Bank) for the payment thereof is being maintained.

2.07. Regulation U. None of the Loan proceeds shall be used directly or indirectly for the purpose of purchasing or carrying any margin stock in violation of the provisions of Regulation U of the Board of Governors of the Federal Reserve System.

2.08. ERISA. Each employee benefit plan, as defined by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), maintained by the Borrower or by any subsidiary of the Borrower meets in all material respects, as of the date hereof, the minimum funding standards of Section 302 of ERISA, all applicable requirements of ERISA and of the Internal Revenue Code of 1986, as amended, and no "Reportable Event" nor "Prohibited Transaction" (as defined by ERISA) has occurred with respect to any such plan.

2.09. Litigation. There is no claim, action, suit or proceeding pending, (to the knowledge of Borrower) threatened or reasonably anticipated before any court, commission, administrative agency, whether State or Federal, or arbitration which will materially adversely affect the financial condition, operations, properties, or business of the Borrower or its subsidiaries, if any, or the ability of the Borrower to perform its obligations under the Loan Documents.

2.10. Other Agreements. The representations and warranties made by Borrower to Bank in the other Loan Documents are true and correct in all material respects on the date hereof.

2.11. Binding and Enforceable. The Loan Documents, when executed, shall constitute valid and binding obligations of the Borrower, the execution of such Loan Documents has been duly authorized by the parties thereto, and are enforceable in accordance with their terms, except as may be limited by bankruptcy, insolvency, moratorium, or similar laws affecting creditors' rights generally and by general equitable principles.

2.12. Commercial Purpose. The Loan(s) are not "consumer transactions", as defined in the Kentucky Uniform Commercial Code.

BB&T

LOAN AGREEMENT

Section 3 Affirmative Covenants

The Borrower covenants and agrees that from the date hereof and until payment in full of all indebtedness and performance of all obligations owed under the Loan Documents, Borrower shall:

- 3.01. **Maintain Existence and Current Legal Form of Business.** (a) Maintain its existence and good standing in the state of its incorporation or organization, (b) maintain its current legal form of business indicated above, and, (c), as applicable, qualify and remain qualified as a foreign corporation, general partnership, limited partnership, limited liability partnership or limited liability company in each jurisdiction in which such qualification is required.
- 3.02. **Maintain Records.** Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Borrower.
- 3.03. **Maintain Properties.** Maintain, keep, and preserve all of its properties (tangible and intangible) including the collateral necessary or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.
- 3.04. **Conduct of Business.** Continue to engage in a business of the same general type as now conducted.
- 3.05. **Maintain Insurance.** Maintain insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business, and business interruption insurance if required by Bank, which insurance may provide for reasonable deductible(s).
- 3.06. **Comply With Laws.** Comply in all material respects with all applicable laws, rules, regulations, and orders including, without limitation, paying before the delinquency of all taxes, assessments, and governmental charges imposed upon it or upon its property, and all environmental laws.
- 3.07. **Right of Inspection.** Permit the officers and authorized agents of the Bank, at any reasonable time or times in the Bank's sole discretion, to examine and make copies of the records and books of account of, to visit the properties of the Borrower, and to discuss such matters with any officers, directors, managers, members or partners, limited or general of the Borrower, and the Borrower's independent accountant as the Bank deems necessary and proper.
- 3.08. **Reporting Requirements.** Furnish to the Bank:
 - Quarterly Financial Statements:** As soon as available and not more than forty five (45) days after the end of each quarter, balance sheets, statements of income, cash flow, and retained earnings for the period ended and a statement of changes in the financial position, all in reasonable detail, and all prepared in accordance with GAAP consistently applied and certified as true and correct by an officer of the Borrower, as appropriate.
 - Annual Financial Statements:** As soon as available and not more than one hundred twenty (120) days after the end of each fiscal year, balance sheets, statements of income, and retained earnings for the period ended and a statement of changes in the financial position, all in reasonable detail, and all prepared in accordance with GAAP consistently applied. The financial statements must be of the following quality or better: Audited.
 - Notice of Litigation:** Promptly after the receipt by the Borrower of notice or complaint of any action, suit, and proceeding before any court or administrative agency of any type which, if determined adversely, could have a material adverse effect on the financial condition, properties, or operations of the Borrower.
 - Notice of Default:** Promptly upon discovery or knowledge thereof, notice of the existence of any event of default under this Agreement or any other Loan Documents.
 - Other Information:** Such other information as the Bank may from time to time reasonably request.
- 3.09. **Deposit Accounts.** Maintain substantially all of its demand deposit/operating accounts with the Bank.
- 3.10. **Senior Management:** No change in senior management shall occur that is unacceptable to the Bank.

Section 4 Events of Default

The following shall be "Events of Default" by Borrower:

- 4.01. The failure to make prompt payment of any installment of principal or interest on any of the Note(s) in accordance with the terms and conditions of the Note(s).
- 4.02. Should any representation or warranty made in the Loan Documents prove to be false or misleading in any material respect.
- 4.03. Should any report, certificate, financial statement, or other document furnished prior to the execution of or pursuant to the terms of this Agreement prove to be false or misleading in any material respect.
- 4.04. Should the Borrower default on the performance of any other obligation of indebtedness to the Bank or to any third party when due or in the performance of any obligation incurred in connection with money borrowed, and the default remains uncured for a period of ten (10) days after notice from Bank to Borrower.
- 4.05. Should the Borrower breach any material covenant, condition, or agreement made under any of the Loan Documents, and the breach remains uncured for a period of ten (10) days after notice from Bank to Borrower.
- 4.06. Should a custodian be appointed for or take possession of any or all of the assets of the Borrower, or should the Borrower either voluntarily or involuntarily become subject to any insolvency proceeding, including becoming a debtor under the United States Bankruptcy Code, any proceeding to dissolve the Borrower, any proceeding to have a receiver appointed, or should the Borrower make an assignment for the benefit of creditors, or should there be an attachment, execution, or other judicial seizure of all or any portion of the Borrower's assets, including an action or proceeding to seize any funds on deposit with the Bank, and such seizure is not discharged within 30 days.
- 4.07. Should final judgment for the payment of money be rendered against the Borrower in excess of \$100,000 which is not covered by insurance and shall remain undischarged for a period of 30 days unless such judgment or execution thereon be effectively stayed.
- 4.08. Upon the death of, or termination of existence of, or dissolution of, any Borrower.
- 4.09. Should the Bank in good faith deem itself, its liens and security interests, if any, or any debt thereunder unsafe or insecure, or should the Bank believe in good faith that the prospect of payment of any debt or other performance by the Borrower is impaired.

Section 5 Remedies Upon Default

Upon the occurrence of any of the above listed Events of Default, the Bank may at any time thereafter, at its option, take any or all of the following actions, at the same or at different times:

- 5.01. Declare the balance(s) of the Note(s) to be immediately due and payable, both as to principal and interest, without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived by Borrower, and such balance(s) shall accrue interest at the Default Rate as provided herein until paid in full;
- 5.02. Require the Borrower to pledge collateral to the Bank from the Borrower's assets and properties, the acceptability and sufficiency of such collateral to be determined in the Bank's sole discretion;
- 5.03. Take immediate possession of and foreclose upon any or all collateral which may be granted to the Bank as security for the indebtedness and obligations of Borrower under the Loan Documents;
- 5.04. Exercise any and all other rights and remedies available to the Bank under the terms of the Loan Documents and applicable law, including the Kentucky Uniform Commercial Code; and
- 5.05. Any obligation of the Bank to advance funds to the Borrower or any other Person under the terms of the Note(s) and all other obligations, if any, of the Bank under the Loan Documents shall immediately cease and terminate unless and until Bank shall reinstate such obligation in writing.

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Section 6 Negative Covenants

The Borrower covenants and agrees that from the date hereof and until payment in full of all indebtedness and performance of all obligations owed under the Loan Documents, Borrower shall not:

- 6.01 **Disposition of Assets.** Sell, assign, lease, convey or transfer or otherwise dispose of a material portion of its assets other than in the ordinary course of its business.
- 6.02 **Consolidations and Mergers.** Merge, consolidate with or into any other entity or otherwise dispose of substantially all of its assets.
- 6.03 **Issuance of Stock.** Issue any of its stock to the public or in an exempt transaction whereby such issuances in the aggregate exceed thirty-five percent (35%) of the Borrower's currently authorized and outstanding shares of common stock.
- 6.04 **Accumulation of Stock.** Have any person or entity or a group of affiliated persons or entities, hold more than twenty percent (20%) of the then outstanding shares of Borrower common stock

Section 7 Miscellaneous Provisions

7.01 Definitions.

"**Default Rate**" shall mean a rate of interest equal to Bank's Prime Rate plus five percent (5%) per annum (not to exceed the legal maximum rate) from and after the date of an Event of Default hereunder which shall apply, in the Bank's sole discretion, to all sums owing, including principal and interest, on such date.

"**Loan Documents**" shall mean this Agreement including any schedule attached hereto, the Note(s), and all other documents, certificates, and instruments executed in connection therewith, and all renewals, extensions, modifications, substitutions, and replacements thereto and therefore.

"**Person**" shall mean an individual, partnership, corporation, trust, unincorporated organization, limited liability company, limited liability partnership, association, joint venture, or a government agency or political subdivision thereof.

"**GAAP**" shall mean generally accepted accounting principles as established by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants, as amended and supplemented from time to time.

"**Prime Rate**" shall mean the rate of interest per annum announced by the Bank from time to time and adopted as its Prime Rate, which is one of several rate indexes employed by the Bank when extending credit, and may not necessarily be the Bank's lowest lending rate.

"**Committed Line Amount**" shall mean the amount of Forty Million Dollars (\$40,000,000) or in the event the Borrower exercises its option to reduce the amount of the line under Section 7.16 hereof, it shall be the amount of Forty Million Dollars (\$40,000,000) less the reduction amount

"**Term**" shall mean a period of time commencing on the execution of this Agreement and continuing through October 31, 2003 unless earlier terminated or extended in accordance with the terms and conditions hereof.

7.02 **Non-impairment.** If any one or more provisions contained in the Loan Documents shall be held invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained therein shall not in any way be affected or impaired thereby and shall otherwise remain in full force and effect.

7.03 **Applicable Law.** The Loan Documents shall be construed in accordance with and governed by the laws of the Commonwealth of Kentucky without reference to its principles of conflicts of law or choice of law.

7.04 **Waiver.** Neither the failure or any delay on the part of the Bank in exercising any right, power or privilege granted in the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise of any other right, power, or privilege which may be provided by law.

7.05 **Modification.** No modification, amendment, or waiver of any provision of any of the Loan Documents shall be effective unless in writing and signed by the Borrower and Bank.

7.06 **Stamps and Fees.** The Borrower shall pay all federal or state stamps, taxes, or other fees or charges, if any are payable or are determined to be payable by reason of the execution, delivery, or issuance of the Loan Documents or any security granted to the Bank; and the Borrower agrees to indemnify and hold harmless the Bank against any and all liability in respect thereof.

7.07 **Attorneys' Fees.** In the event the Borrower shall default in any of its obligations hereunder and the Bank believes it necessary to employ an attorney to assist in the enforcement or collection of the indebtedness of the Borrower to the Bank, to enforce the terms and provisions of the Loan Documents, to modify the Loan Documents, or in the event the Bank voluntarily or otherwise should become a party to any suit or legal proceeding (including a proceeding conducted under the Bankruptcy Code), the Borrower agrees to pay the reasonable attorneys' fees of the Bank and all related costs of collection or enforcement that may be incurred by the Bank. The Borrower shall be liable for such attorneys' fees and costs whether or not any suit or proceeding is actually commenced.

7.08 **Right of Offset.** Any indebtedness owing from Bank to Borrower may be set off and applied by Bank on any indebtedness or liability of Borrower to Bank, at any time and from time to time after maturity, whether by acceleration or otherwise, and without demand or notice to Borrower. Bank may sell participations in or make assignments of any Loan made under this Agreement, and Borrower agrees that any such participant or assignee shall have the same right of setoff as is granted to the Bank herein.

7.09 **Modification and Renewal Fees.** Bank may, at its option, charge any fees for modification, renewal, extension, or amendment of any terms of the Note(s) not prohibited by Kentucky law, and as otherwise permitted by law if Borrower is located in another state.

7.10 **Conflicting Provisions.** If provisions of this Agreement shall conflict with any terms or provisions of any of the Note(s), the provisions of such Note(s) shall take priority over any provisions in this Agreement.

7.11 **Notices.** Any notice permitted or required by the provisions of this Agreement shall be deemed to have been given when delivered in writing to the City Executive or any Vice President of the Bank at its offices in Winchester, Kentucky, and to the Chief Financial Officer of the Borrower at its offices in Winchester, Kentucky, when sent by certified mail and return receipt requested.

7.12 **Consent to Jurisdiction.** Borrower hereby irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement may be instituted in any Kentucky state court or federal court sitting in the state of Kentucky, or in such other appropriate court and venue as Bank may choose in its sole discretion. Borrower consents to the jurisdiction of such courts and waives any objection relating to the basis for personal or in rem jurisdiction or to venue which Borrower may now or hereafter have in any such legal action or proceedings.

7.13 **Counterparts.** This Agreement may be executed by one or more parties on any number of separate counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

7.14 **Fees.** Payment quarterly of an unused availability fee equal to three tenths of one percent (0.30%) of the unused availability of the Line of credit. Unused availability is calculated by subtracting the average outstanding principal balance for the previous ninety (90) days from the Committed Line Amount. In addition, Borrower shall pay all attorneys' and related legal fees and other costs, if any, incurred by Bank in connection with the making, documenting and closing of the Line.

7.15 **Advances and Repayment.** Funds shall be advanced under the Line at the request of an authorized officer of the Borrower, which shall be made in writing in a form acceptable to the Bank. Prior to maturity or an Event of Default hereunder, Borrower may borrow, repay, and re-borrow under the Loan.

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LOAN AGREEMENT

7.16. **Option to Reduce Amount Available.** At the Borrower's option, the Borrower has a one-time option to reduce the amount of the "Line" offered hereunder at any time during the Term. Written notice of such exercise, including the amount of such reduction, shall be delivered by the Borrower to the Bank. Notwithstanding the provisions afforded under the paragraph **Advances and Repayment** above, the Committed Line Amount will be reduced by the amount of the reduction, thereby amending the Committed Line Amount available to the Borrower for the remaining Term. At no time shall the Committed Line Amount fall below \$30 million. Exercising this Option will reduce the unused availability fee on that portion of the Line no longer available to the Borrower, effective with the date the Borrower's written notice, if any, is received by the Bank.

7.17. **Indemnification by Borrower.** Except for claims, damages, liabilities and expenses arising from Bank's gross negligence or misconduct, Borrower agrees to indemnify and hold harmless Bank from and against any and all claims, damages, liabilities and expenses which may be incurred by or asserted against Bank in connection with any proceeding arising out of this commitment or Borrower's use of the proceeds of the Line.

7.18. **Entire Agreement.** The Loan Documents embody the entire agreement between Borrower and Bank with respect to the Loans, and there are no oral or parol agreements existing between Bank and Borrower with respect to the Loans which are not expressly set forth in the Loan Documents.

IN WITNESS WHEREOF, the Bank and Borrower have caused this Agreement to be duly executed under seal all as of the date first above written.

Borrower:

DELTA NATURAL GAS COMPANY, INC.

Name of Corporation

Attest: *John J. Hell*
Title: Chief Financial Officer

By: *Glen R. Jennings*
Glen R. Jennings
Title: President CEO

BRANCH BANKING AND TRUST COMPANY

Attest: *[Signature]*
Title: via [Signature] - BB&T

By: *William W. Jones*
William W. Jones
Title: City Executive and Senior Vice President

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ADDENDUM TO PROMISSORY NOTE

THIS ADDENDUM is hereby made a part of the Promissory Note dated October 31, 2002 from Delta Natural Gas Company, Inc. ("Borrower") payable to the order of Branch Banking and Trust Company ("Bank") in the principal amount of \$ 40,000,000.00 (including all renewals, extensions, modifications and substitutions therefor, the "Note").

I. DEFINITIONS

1.1 **Adjusted LIBOR Rate** means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/100th of 1.0%) by adding (i) 30-day LIBOR plus (ii) one percent (1.000 %) per annum, which shall be adjusted monthly on the first day of each month for each LIBOR Interest Period. If the first day of any month falls on date when the Bank is closed, the Adjusted LIBOR Rate shall be determined as of the last preceding business day. The Adjusted LIBOR Rate shall be adjusted for any change in the LIBOR Reserve Percentage so that Bank shall receive the same yield.

1.2 **LIBOR** means the average rate (rounded upward, if necessary, to the next higher 1/100th of 1.0%) quote in the Wall Street Journal (Credit Markets Section) or on Bloomberg Screen MMR2 on the determination date for deposits in U.S. Dollars offered in the London interbank market to five major European Banks, or if the above method for determining LIBOR shall not be available, a rate determined by a substitute method of determination agreed on by Company and Bank; provided, if such agreement is not reached within a reasonable period of time (in Bank's judgement), a rate reasonably determined by Bank in its sole discretion as a rate being paid, as of the determination date, by first class banking organizations (as determined by Bank) in the London interbank market for U.S. Dollar deposits.

1.3 **LIBOR Advance** means any loan made by Bank to Borrower evidenced by this Note upon which the Adjusted LIBOR Rate of interest shall apply.

1.4 **LIBOR Interest Period** means a period of one calendar month as may be elected by the Borrower applicable to any LIBOR Advance which shall begin on first day of any month notwithstanding the maturity date of this Note; provided, however, that a LIBOR Interest Period may be less than one calendar month in and only in the calendar month in which the Note originates or matures.

1.5 **LIBOR Reserve Percentage** means the maximum aggregate rate at which reserves (including, without limitation, any marginal supplemental or emergency reserves) are required to be maintained under Regulation D by member banks of the Federal Reserve System with respect to dollar funding in the London interbank market. Without limiting the effect of the foregoing, the LIBOR Reserve Percentage shall reflect any other reserves required to be maintained by such member banks by reason of any applicable regulatory change against (i) any category of liability which includes deposits by reference to which the Adjusted LIBOR Rate is to be determined or (ii) any category of extensions of credit or other assets related to LIBOR.

1.6 **Standard Advance** means any loan made by Bank to Borrower evidenced by this Note upon which the Standard Rate shall apply.

1.7 **Standard Rate** means, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/100th of 1.0%) equal to the Bank's announced Prime Rate plus _____% per annum, and each change in the Standard Rate shall be effective on the date any change in the Prime Rate is publicly announced as being effective.

II. LOANS BEARING ADJUSTED LIBOR RATE

2.1 **Election of Adjusted LIBOR Rate.** Borrower may elect to have the Adjusted LIBOR Rate apply to (i) the entire principal balance outstanding of a term loan for any LIBOR Interest Period or (ii) all advances made to Borrower under a revolving line of credit for any LIBOR Interest Period. Not less than two (2) banking days prior to an initial election of a LIBOR Interest Period, Borrower shall furnish written or telecopy notice to Bank of its election to have the Adjusted LIBOR Rate or the Standard Rate to apply on and after such date. If Bank has not received two (2) banking days prior notice from Borrower to the contrary, the application rate last elected shall continue to apply.

2.2 Revolving Credit Advances. Subject to the terms, conditions, and limitations set forth in any loan agreement (or other document) between Borrower and Bank, advance may be made to Borrower under a revolving line of credit at any time during a LIBOR Interest Period at the then existing Adjusted LIBOR Rate, and may be repaid at any time prior to the maturity of such line of credit.

2.3 Reaffirmation of Representations and Warranties. Each request for a LIBOR Advance shall constitute a reaffirmation of the representations and warranties set forth in any loan agreement, this Note and the security documents executed by the Borrower in connection therewith (collectively "Loan Documents"), and that (i) Borrower is in compliance with all terms and conditions of the Loan Documents, (ii) no event of default nor any event which with the giving of notice or passage of time, or both, has occurred under the Loan Documents and remains unremedied, and (iii) no part of the proceeds of any LIBOR Advance have or will be used by Borrower or any affiliate of Borrower to purchase or carry margin stock, as defined in Regulation U of the Federal Reserve Board, nor will such proceeds be used for any purpose in violation of the provisions of Regulations G, T, U or X of the Federal Reserve Board.

2.4 Obligation to Borrow. Each request for a LIBOR Advance shall constitute an obligation of Borrower to borrow the requested LIBOR Advance.

2.5 Adjusted LIBOR Based Rate Protections.

(a) Inability to Determine Rate. In the event that Bank shall have determined, which determination shall be final, conclusive and binding, that by reason of circumstances occurring after the date of this Note affecting the London interbank market, adequate and fair means do not exist for ascertaining the LIBOR on the basis provided for in this Note, Bank shall give notice (by telephone confirmed in writing or by teletype) to Borrower of such determination, whereupon (i) no LIBOR Advance shall be made until Bank notifies Borrower that the circumstances giving rise to such notice no longer exist, and (ii) any request by Borrower for a LIBOR Advance shall be deemed to be a request for a Standard Advance.

(b) Illegality, Impracticability. In the event that Bank shall determine, which determination shall be final, conclusive and binding, that the making, maintaining or continuance of any portion of a LIBOR Advance (i) has become unlawful as a result of compliance by Bank with any law, treaty, government rule, regulation, guideline or order (or would conflict with any of the same not having the force of law even though the failure to comply therewith would not be unlawful) or (ii) has become impracticable, or would cause Bank material hardship, as a result of contingencies occurring after the date of this Note materially and adversely affecting the London interbank market or Bank's ability to make LIBOR Advances generally, then, and in any such event, Bank shall give notice (by telephone confirmed in writing or by teletype) to Borrower of such determination. Thereafter, (x) the obligation of Bank to make any LIBOR Advances or to convert any portion of the loan to a LIBOR Advance shall be suspended until such notice shall be withdrawn by Bank, and (y) any request by Borrower for a LIBOR Advance shall be deemed to be a request for a Standard Advance.

BORROWER:

(SEAL)

DELTA NATURAL GAS COMPANY, INC.

By: Allen P. Jennings
Title: President & CEO

Maker DELTA NATURAL GAS COMPANY, INC.
 Address 3617 LEXINGTON ROAD 9580219605
WINCHESTER, KENTUCKY 40391 00003
 Customer Number
 Note Number



NOTE MODIFICATION AGREEMENT

\$ 40,000,000.00 10/31/2002 \$ 40,000,000.00 6/30/2011
 Original Amount of Note Original Date Modification Amount Modification Date

This Note Modification Agreement (hereinafter Agreement) is made and entered into this 30TH day of JUNE 2011 by and between DELTA NATURAL GAS COMPANY, INC., maker(s), co-maker(s), endorser(s), or other obligor(s) on the Promissory Note (as defined below), hereinafter also referred to jointly and severally as Borrower(s); Branch Banking and Trust Company of North Carolina, a banking corporation, hereinafter referred to as Bank; and

owners other than Borrower(s) (if any) of any property pledged to secure performance of Borrower(s)'s obligations to Bank, hereinafter referred to jointly and severally as Debtor(s)/Grantor(s).

Witnesseth: Whereas, Borrower(s) has previously executed a Promissory Note payable to Bank, which Promissory Note includes the original Promissory Note and all renewals, extensions and modifications thereof, collectively "Promissory Note", said Promissory Note being more particularly identified by description of the original note above; and Borrower(s) and Bank agree that said Promissory Note be modified only to the limited extent as is hereinafter set forth; that all other terms, conditions, and covenants of said Promissory Note remain in full force and effect, and that all other obligations and covenants of Borrower(s), except as herein modified, shall remain in full force and effect, and binding between Borrower(s) and Bank; and Whereas Debtor(s)/Grantor(s), if different from Borrower(s), has agreed to the terms of this modification; NOW THEREFORE, in mutual consideration of the premises, the sum of Ten Dollars (\$10) and other good and valuable consideration, each to the other parties paid, the parties hereto agree that said Promissory Note is amended as hereinafter described:

Borrower shall pay a prepayment fee as set forth in the Prepayment Fee Addendum attached hereto.

INTEREST RATE, PRINCIPAL AND INTEREST PAYMENT TERM MODIFICATIONS (To the extent no change is made, existing terms continue. Sections not completed are deleted.)

Interest shall accrue from the date hereof on the unpaid principal balance outstanding from time to time at the:

- Fixed Rate of _____ % per annum.
- Variable rate of the Bank's Prime Rate plus _____ % per annum to be adjusted _____ as the Bank's Prime Rate changes.
- As of the Modification Date, any fixed, floating, or average maximum rate and fixed minimum rate in effect by virtue of the Promissory Note are hereby deleted. If checked here (the interest rate will not exceed a(n) fixed average maximum rate of _____ % or a floating maximum rate of the greater of _____ % or the Bank's Prime Rate; and the interest rate will not decrease below a fixed minimum rate of _____ %. If an average maximum rate is specified, a determination of any required reimbursement of interest by Bank will be made: when the Note is repaid in full by Borrower annually beginning on _____.

THE ADJUSTED LIBOR RATE AS DEFINED IN THE ATTACHED ADDENDUM TO PROMISSORY NOTE

Principal and interest are payable as follows:

- Principal (plus any accrued interest not otherwise scheduled herein) } is due in full at maturity on JUNE 30, 2013
- Principal plus accrued interest
- Payable in consecutive _____ installments of Principal } commencing on _____
 Principal and interest

and continuing on the same day of each calendar period thereafter, in _____ equal payments of \$ _____, with one final payment of all remaining principal and accrued interest due on _____.

Choice Line Payment Option: 2% of outstanding balance is payable monthly commencing on _____ and continuing on the same day of each month thereafter, with one final payment of all remaining principal and accrued interest due on _____.

Accrued interest is payable MONTHLY commencing on JULY 31, 2011 and continuing on the same day of each calendar period thereafter, with one final payment of all remaining interest due on JUNE 30, 2013.

Bank reserves the right in its sole discretion to adjust the fixed payment due hereunder _____ on _____ and continuing on the same day of each calendar period thereafter, in order to maintain an amortization period of no more than _____ months from the date of the initial principal payment due hereunder. Borrower understands the payment may increase if interest rates increase.

At the Borrower's request, the Bank has agreed to readvance the principal amount of \$ _____ The outstanding principal balance under the Promissory Note prior to the readvance is \$ _____, making the total outstanding principal balance now due hereunder to be \$ _____ ("Modification Amount").

Borrower hereby authorizes Bank to automatically draft from its demand deposit or savings account(s) with Bank or other bank, any payment(s) due on the date(s) due. Borrower shall provide appropriate account number(s) for account(s) at Bank or other bank.

The following scheduled payment(s) is (are) deferred:

\$ _____ principal } payment(s) due on _____
 \$ _____ interest

is (are) hereby deferred. Payments will resume on _____ according to the schedule contained herein or to the existing schedule (if no other changes are made herein).

ACCOUNT# / NOTE#

The Borrower(s) promises to pay Bank, or order, a late fee in the amount of five percent (5%) of any installment past due for ten (10) or more days. Where any installment payment is past due for ten (10) or more days, subsequent payments shall first be applied to the past due balance. In addition, the undersigned shall pay to Bank a returned payment fee if the undersigned or any other obligor hereon makes any payment at any time by check or other instrument, or by any electronic means, which is returned to Bank because of nonpayment due to nonsufficient funds.

COLLATERAL: The Promissory Note, as modified, and the performance of the terms of any agreement or instrument relating to, evidencing, or securing the Promissory Note, as modified, shall be additionally secured by collateral hereinafter described, a new security instrument shall be executed by Borrower(s), and/or Debtor(s)/Grantor(s), and all other steps necessary to perfect or record the Bank's lien with priority acceptable to Bank shall be taken. In addition to Bank's right of off-set and to any liens and security interests granted to Bank in the Agreements, the undersigned hereby grants to Bank a security interest in all of its depository accounts with and investment property held by Bank, which shall serve as collateral for the indebtedness and obligations evidenced by the Promissory Note, as modified.

Deed(s) of Trust / Mortgage(s) granted in favor of Bank as beneficiary / mortgagee:

dated _____ in the maximum principal amount of \$ _____
granted by _____

dated _____ in the maximum principal amount of \$ _____
granted by _____

Security Agreement(s) granting a security interest to Bank:

dated _____ given by _____

dated _____ given by _____

Securities Account Pledge and Security Agreement dated _____, executed by _____

Control Agreement(s) dated _____, covering Deposit Account(s) Investment Property
 Letter of Credit Rights Electronic Chattel Paper

Assignment of Certificate of Deposit, Security Agreement, and Power of Attorney (for Certificated Certificates of Deposit) dated _____, executed by _____

Pledge and Security Agreement for Publicly Traded Certificated Securities dated _____, executed by _____

Assignment of Life Insurance Policy as Collateral dated _____, executed by _____

AMENDMENT TO Loan Agreement dated 6/30/2011, executed by Borrower and Guarantor(s).

The collateral hereinafter described shall be and hereby is deleted as security interest for payment of the Promissory Note:

OTHER:

If the Promissory Note being modified by this Agreement is signed by more than one person or entity, the modified Promissory Note shall be the joint and several obligation of all signers and the property and liability of each and all of them. It is expressly understood and agreed that this Agreement is a modification only and not a novation. The original obligation of the Borrower(s) evidenced by the Promissory Note is not extinguished hereby. It is agreed that except for the modification(s) contained herein, the Promissory Note, and any other Loan Documents or Agreements evidencing, securing or relating to the Promissory Note and all singular terms and conditions thereof, shall be and remain in full force and effect. This Agreement shall not release or affect the liability of any co-makers, obligors, endorsers or guarantors of said Promissory Note. Borrower and Debtor(s)/Grantor(s), if any, jointly and severally consent to the terms of this Agreement, waive any objection thereto, affirm any and all obligations to Bank and certify that there are no defenses or offsets against said obligations or the Bank, including without limitation the Promissory Note. Bank expressly reserves all rights as to any party with right of recourse on the Promissory Note.

In the event periodic accruals of interest shall exceed any periodic fixed payment amount described above, the fixed payment amount shall be immediately increased or supplemental interest payments required on the same periodic basis as specified above (increased fixed payments or supplemental payments to be determined in the Bank's sole discretion), in such amounts and at such times as shall be necessary to pay all accruals of interest for the period and all accruals of unpaid interest from previous periods. Such adjustments to the fixed payment amount or supplemental payments shall remain in effect for so long as any interest accruals shall exceed the original fixed payment amount and shall be further adjusted upward or downward to reflect changes in any variable interest rate based on an index such as the Bank's Prime Rate; provided that unless elected otherwise above, the fixed payment amount shall not be reduced below the original fixed payment amount. However, Bank shall have the right, in its sole discretion, to lower the fixed payment amount below the original payment amount. Notwithstanding any other provision contained in this agreement, in no event shall the provisions of this paragraph be applicable to any Promissory Note which requires disclosures pursuant to the Consumer Protection Act (Truth-in-Lending Act), 15 USC § 1601, et seq., as implemented by Regulation Z.

Borrower agrees that the only interest charge is the interest actually stated in the Promissory Note, as modified hereby, and that any loan or origination fee shall be deemed charges rather than interest, which charges are fully earned and non-refundable. It is further agreed that any late charges are not a charge for the use of money but are imposed to compensate Bank for some of the administrative services, costs and losses associated with any delinquency or default under the Promissory Note, and said charges shall be fully earned and non-refundable when accrued. All other charges imposed by Bank upon Borrower in connection with the Promissory Note and the loan including, without limitation, any commitment fees, loan fees, facility fees, origination fees, discount points, default and late charges, prepayment fees, statutory attorneys' fees and reimbursements for costs and expenses paid by Bank to third parties or for damages incurred by Bank are and shall be deemed to be charges made to compensate Bank for underwriting and administrative services and costs, other services, and costs or losses incurred and to be incurred by Bank in connection with the Promissory Note and the loan and shall under no circumstances be deemed to be charges for the use of money. All such charges shall be fully earned and non-refundable when due.

The Bank may, at its option, charge any fees for the modification, renewal, extension, or amendment of any of the terms of the Promissory Note as permitted by applicable law.

In the words "Prime Rate", "Bank Prime Rate", "BB&T Prime Rate", "Bank's Prime Rate" or "BB&T's Prime Rate" are used in this Agreement, they shall refer to the rate announced by the Bank from time to time as its Prime Rate. The Bank makes loans both above and below the Prime Rate and uses indexes other than the Prime Rate. Prime Rate is the name given a rate index used by the Bank and does not in itself constitute a representation of any preferred rate or treatment.

Unless otherwise provided herein, it is expressly understood and agreed by and between Borrower(s), Debtor(s)/Grantor(s) and Bank that any and all collateral (including but not limited to real property, personal property, fixtures, inventory, accounts, instruments, general intangibles, documents, chattel paper, and equipment) given as security to insure faithful performance by Borrower(s) and any other third party of any and all obligations to Bank, however created, whether now existing or hereafter arising, shall remain as security for the Promissory Note, as modified hereby.

It is understood and agreed that if Bank has released collateral herein, it shall not be required or obligated to take any further steps to release said collateral from any lien or security interest unless Bank determines, in its sole discretion, that it may do so without consequence to its secured position and relative priority in other collateral; and unless Borrower(s) bears the reasonable cost of such action. No delay or omission on the part of the Bank in exercising any right hereunder shall operate as a waiver of such right or of any other right of the Bank, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same, or of any other right on any further occasion. Each of the parties signing this Agreement regardless of the time, order or place of signing waives presentment, demand, protest, and notices of every kind, and assents to any one or more extensions or postponements of the time of payment or any other indulgences, to any substitutions, exchanges or releases of collateral if at any time there is available to the Bank collateral for the Promissory Note, as amended, and to the additions or releases of any other parties or persons primarily or secondarily liable. Whenever possible the provisions of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is prohibited by or invalid under such law, such provisions shall be ineffective to the extent of any such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. All rights and obligations arising hereunder shall be governed by and construed in accordance with the laws of the same state which governs the interpretation and enforcement of the Promissory Note.

From and after any event of default under the Promissory Note, as modified hereby, or any related deed of trust, security agreement or loan agreement, interest shall accrue on the sum of the principal balance and accrued interest then outstanding at the variable rate equal to the Bank's Prime Rate plus 5% per annum ("Default Rate"), provided that such rate shall not exceed at any time the highest rate of interest permitted by the laws of the State of Kentucky; and further that such rate shall apply after judgement. In the event of any default, the then remaining unpaid principal amount and accrued but unpaid interest then outstanding shall bear interest at the Default Rate until such principal and interest have been paid in full. Bank shall not be obligated to accept any check, money order, or other payment instrument marked "payment in full" on any disputed amount due hereunder, and Bank expressly reserves the right to reject all such payment instruments. Borrower agrees that tender of its check or other payment instrument so marked will not satisfy or discharge its obligation under the Promissory Note, disputed or otherwise, even if such check or payment instrument is inadvertently processed by Bank unless in fact such payment is in fact sufficient to pay the amount due hereunder.

WAIVER OF TRIAL BY JURY. UNLESS EXPRESSLY PROHIBITED BY APPLICABLE LAW, THE UNDERSIGNED HEREBY WAIVE THE RIGHT TO TRIAL BY JURY OF ANY MATTERS OR CLAIMS ARISING OUT OF THIS AGREEMENT, THE PROMISSORY NOTE OR ANY LOAN DOCUMENT EXECUTED IN CONNECTION HERewith OR OUT OF THE CONDUCT OF THE RELATIONSHIP BETWEEN THE UNDERSIGNED AND BANK. THIS PROVISION IS A MATERIAL INDUCEMENT FOR BANK TO MAKE THE LOAN EVIDENCED BY THE PROMISSORY NOTE AND THIS AGREEMENT. FURTHER, THE UNDERSIGNED HEREBY CERTIFY THAT NO REPRESENTATIVE OR AGENT OF BANK, NOR BANK'S COUNSEL, HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT BANK WOULD NOT SEEK TO ENFORCE THIS WAIVER OR RIGHT TO JURY TRIAL PROVISION IN THE EVENT OF LITIGATION. NO REPRESENTATIVE OR AGENT OF BANK, NOR BANK'S COUNSEL, HAS THE AUTHORITY TO WAIVE, CONDITION OR MODIFY THIS PROVISION.

Unless otherwise required under a Loan Agreement, if applicable, and as long as any indebtedness evidenced by the Promissory Note, as modified by this Agreement remains outstanding or as long as Bank remains obligated to make advances, the undersigned shall furnish annually an updated financial statement in a form satisfactory to Bank, which, when delivered shall be the property of the Bank. Further, the undersigned agree to provide any and all documentation requested by the Bank in order to verify the identity of the undersigned in accordance with the USA Patriot Act.

(SIGNATURES ON FOLLOWING PAGE)



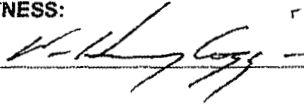
NOTE MODIFICATION SIGNATURE PAGE

Borrower: DELTA NATURAL GAS COMPANY, INC.
Account Number: 9580219605 Note Number: 00003
Modification Amount: \$40,000,000.00 Modification Date: JUNE 30, 2011

IN WITNESS WHEREOF, the undersigned, on the day and year first written above, has caused this Instrument to be executed

If Borrower is a Corporation:

WITNESS:



DELTA NATURAL GAS COMPANY, INC

NAME OF CORPORATION

By: 

Title: GLENN R. JENNINGS, PRESIDENT

By: _____

Title: _____

If Borrower is a Partnership, Limited Liability Company, Limited Liability Partnership, or Limited Liability Limited Partnership:

WITNESS:

NAME OF PARTNERSHIP, LLC, LLP, OR LLLP

By: _____

Title: _____

By: _____

Title: _____

By: _____

Title: _____

If Borrower is an Individual:

WITNESS:

Additional Borrowers and Debtors/Grantors/Guarantors:

WITNESS:



ADDENDUM TO PROMISSORY NOTE

THIS ADDENDUM TO PROMISSORY NOTE ("Addendum") is hereby made a part of the Promissory Note dated 10/31/2002 from DELTA NATURAL GAS COMPANY, INC. ("Borrower") payable to the order of **Branch Banking and Trust Company** ("Bank") in the principal amount of \$ 40,000,000.00 (including all renewals, extensions, modifications and substitutions therefore, the "Note"). This Addendum amends, restates and replaces in its entirety that certain

I. **DEFINITIONS.** Addendum to Promissory Note executed by Borrower on or about 6/30/2009, as modified, amended or extended.

1.1 **Adjusted LIBOR Rate** means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/16th of 1.0%) by adding (i) the One Month LIBOR plus (ii) 1.15 % per annum, which shall be adjusted monthly on the first day of each LIBOR Interest Period. The Adjusted LIBOR Rate shall be adjusted for any change in the LIBOR Reserve Percentage so that Bank shall receive the same yield. The interest rate will in no instance exceed the maximum rate permitted by applicable law and if checked here the interest rate will not decrease below a fixed minimum rate of _____%. If checked here the interest rate will not exceed a fixed maximum rate of _____% or an average maximum rate of _____%. If an average maximum rate is specified, a determination of any required reimbursement of interest by Bank will be made: when Note is repaid in full by Borrower annually beginning on _____. If the loan has been repaid prior to this date, no reimbursement will be made.

1.2 **Business Day** means a day other than a Saturday, Sunday, legal holiday or any other day when the Bank is authorized or required by applicable law to be closed.

1.3 **LIBOR Advance** means the advances made by Bank to Borrower evidenced by this Note upon which the Adjusted LIBOR Rate of interest shall apply.

1.4 **LIBOR Interest Period** means the period, as may be elected by the Borrower applicable to any LIBOR Advance, commencing on the date the Note is first made (or the date of any subsequent LIBOR addendum to the Note) and ending on the day that is immediately prior to the numerically corresponding day of each month thereafter; provided that:

(a) any LIBOR Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such LIBOR Interest Period shall end on the next preceding Business Day; and

(b) any LIBOR Interest Period which begins on a day for which there is no numerically corresponding day in the subsequent month shall end on the last Business Day of each subsequent month.

1.5 **LIBOR Reserve Percentage** means the maximum aggregate rate at which reserves (including, without limitation, any marginal supplemental or emergency reserves) are required to be maintained under Regulation D by member banks of the Federal Reserve System with respect to dollar funding in the London interbank market. Without limiting the effect of the foregoing, the LIBOR Reserve Percentage shall reflect any other reserves required to be maintained by such member banks by reason of any applicable regulatory change against (i) any category of liability which includes deposits by reference to which the Adjusted LIBOR Rate is to be determined or (ii) any category of extensions of credit or other assets related to LIBOR.

1.6 **One Month LIBOR** means the average rate quoted on Reuters Screen LIBOR01 Page (or such replacement page) on the determination date for deposits in U. S. Dollars offered in the London interbank market for one month determined as of 11:00 am London time two (2) Business Days prior to the commencement of the applicable LIBOR Interest Period; provided that if the above method for determining one-month LIBOR shall not be available, the rate quoted in *The Wall Street Journal*, or a rate determined by a substitute method of determination agreed on by Borrower and Bank; provided further that if such agreement is not reached within a reasonable period of time (in Bank's sole judgment), a rate reasonably determined by Bank in its sole discretion as a rate being paid, as of the determination date, by first class banking organizations (as determined by Bank) in the London interbank market for U.S. Dollar deposits.

1.7 **Standard Rate** means, for any day, a rate per annum equal to the Bank's announced Prime Rate minus _____% per annum, and each change in the Standard Rate shall be effective on the date any change in the Prime Rate is publicly announced as being effective.

II. LOAN BEARING ADJUSTED LIBOR RATE

2.1 Application of Adjusted LIBOR Rate. The Adjusted LIBOR Rate shall apply to the entire principal balance outstanding of a LIBOR Advance for any LIBOR Interest Period.

2.2 Adjusted LIBOR Based Rate Protections.

(a) Inability to Determine Rate. In the event that Bank shall have determined, which determination shall be final, conclusive and binding, that by reason of circumstances occurring after the date of this Note affecting the London interbank market, adequate and fair means do not exist for ascertaining the One Month LIBOR on the basis provided for in this Note, Bank shall give notice (by telephone confirmed in writing or by telecopy) to Borrower of such determination, whereupon (i) no LIBOR Advance shall be made until Bank notifies Borrower that the circumstances giving rise to such notice no longer exist, and (ii) any request by Borrower for a LIBOR Advance shall be deemed to be a request for an advance at the Standard Rate.

ACCOUNT# / NOTE#

(b) Illegality: Impracticability. In the event that Bank shall determine, which determination shall be final, conclusive and binding, that the making, maintaining or continuance of any portion of a LIBOR Advance (i) has become unlawful as a result of compliance by Bank with any law, treaty, governmental rule, regulation, guideline or order (or would conflict with any of the same not having the force of law even though the failure to comply therewith would not be unlawful) or (ii) has become impracticable, or would cause Bank material hardship, as a result of contingencies occurring after the date of this Note materially and adversely affect the London interbank market or Bank's ability to make LIBOR Advances generally, then, and in any such event, Bank shall give notice (by telephone confirmed in writing or by teletype) to Borrower of such determination. Thereafter, (x) the obligation of Bank to make any LIBOR Advances or to convert any portion of the loan to a LIBOR Advance shall be suspended until such notice shall be withdrawn by Bank, and (y) any request by Borrower for a LIBOR Advance shall be deemed to be a request for an advance at the Standard Rate.

This Addendum shall operate as a sealed instrument.

If Borrower is a Corporation:

<p>WITNESS:</p> <p><u>W. Harvey Coggin</u> _____ W. Harvey Coggin (Print Name)</p> <p>_____</p> <p>_____</p> <p>(Print Name)</p>	<p>DELTA NATURAL GAS COMPANY, INC. <small>NAME OF CORPORATION</small></p> <p>By: <u>Glenn R. Jennings</u> (SEAL) _____ GLENN R. JENNINGS <small>(Print Name)</small></p> <p>Title <u>PRESIDENT</u> _____</p> <p>By: _____ (SEAL) _____</p> <p>Title _____ _____</p>
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If Borrower is a Partnership, Limited Liability Company, Limited Liability Partnership, or Limited Liability Limited Partnership:

<p>WITNESS:</p> <p>_____</p> <p>(Print Name)</p> <p>_____</p> <p>(Print Name)</p> <p>_____</p> <p>(Print Name)</p> <p>_____</p> <p>(Print Name)</p>	<p>NAME OF PARTNERSHIP, LLC, LLP, OR LLLP</p> <p>By: _____ (SEAL) _____</p> <p>Title: _____ _____</p> <p>By: _____ (SEAL) _____</p> <p>Title: _____ _____</p> <p>By: _____ (SEAL) _____</p> <p>Title: _____ _____</p>
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If Borrower is an Individual:

WITNESS: _____ (SEAL)

(Print Name)

Additional Co-makers:

<p>WITNESS:</p> <p>_____</p> <p>(Print Name)</p> <p>_____</p> <p>(Print Name)</p> <p>_____</p> <p>(Print Name)</p> <p>_____</p> <p>(Print Name)</p>	<p>_____ (SEAL)</p> <p>_____ (SEAL)</p> <p>_____ (SEAL)</p> <p>_____ (SEAL)</p>
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SIXTH AMENDMENT TO LOAN AGREEMENT

THIS SIXTH AMENDMENT TO LOAN AGREEMENT ("Sixth Amendment") is made this 30th day of June, 2011, by and among Delta Natural Gas Company, Inc., a Kentucky Corporation ("Borrower") and **BRANCH BANKING AND TRUST COMPANY**, a North Carolina banking corporation ("Bank"), having a branch office in Lexington, Kentucky. This Sixth Amendment amends and supplements that Loan Agreement dated October 31, 2002 (as amended, the "Loan Agreement"), among the Borrower and the Bank, and unless otherwise defined in this Sixth Amendment, capitalized terms shall have the definitions given them in the Loan Agreement. The Loan Agreement has been previously amended and such amendments include, but are not limited to, that certain Modification Agreement by and between Borrower and Bank, dated on or about (i) October 31, 2003, (ii) October 31, 2004, and (iii) August 12, 2005, and (iv) October 31, 2007 and (v) June 30, 2009.

RECITALS

A. Pursuant to the terms and conditions of the Loan Agreement, the Bank made a Line of Credit in the original principal amount of \$40,000,000 (the "Line of Credit"), evidenced by the Borrower's Promissory Note dated October 31, 2002 (the "Note"), payable to the order of the Bank and bearing interest as set forth therein, each as amended, restated, replaced, modified or extended.

B. At the request of the Borrower, the Bank has agreed to extend the maturity of the Note until June 30, 2013, subject to the provisions of the Loan Agreement, as amended by this Sixth Amendment, and as evidenced by the Borrower's Note Modification Agreement and Addendum to Promissory Note dated of even date herewith in the form of Exhibit A hereto (including any and all renewals, extensions, modifications and substitutions thereof, the "Restated Note").

THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

I. AMENDMENTS TO LOAN AGREEMENT

The Loan Agreement is amended as hereinafter described:

1.01 In the paragraph on page 1 of the Loan Agreement, titled "Line of Credit", the date "October 31, 2003" is hereby deleted and the date "June 30, 2013" is inserted in lieu thereof.

1.02.1 In Section 5 "Remedies Upon Default" on page 2 of the Loan Agreement, "Section 5.02" shall be amended as follows:

5.02. Require the Borrower to pledge collateral, equally and ratably, to the Bank and to the holders of the Long-Term Debt (defined below) from the Borrower's assets and properties, the acceptability and sufficiency of such collateral to be determined in the Bank's sole discretion. The Borrower has issued its 7.00% Debentures Due February 1, 2023 and its 5.75% Insured Quarterly Notes due April 1, 2021 (collectively, the "Long-Term Debt"), which require the Borrower to secure the Long-Term Debt with the same collateral it pledges in favor of the Bank.

1.02.2. In Section 6 "Negative Covenants" on page 3 of the Loan Agreement, "Section 6.05" shall be added as follows:

6.05. Defaults. Pursuant to Section 4.04 herein, suffer an Event of Default under any of the Borrower's Long-Term Debt (as defined in Section 5.02) (a "Cross Default"). In the event of a Cross Default, and pursuant to Section 5.02 herein, Bank, at its option, may require Borrower to provide security for the Loan.

II. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants (which representations and warranties shall survive the execution hereof) to the Bank that:

2.1. The representations and warranties made by the Borrower in Section 2 of the Loan Agreement and the other Loan Documents are true and correct on and as of the date hereof as though made on the date hereof.

2.2. All financial statements, reports and information delivered to the Bank by the Borrower fairly represented the financial condition of the Borrower as of the dates thereof, and no material adverse change has occurred in its financial condition, business or operations since the most recently delivered of such financial statements and information.

2.3. It is in full compliance with the covenants and agreements contained in the Loan Agreement and the other Loan Documents, and no event of default exists and remains unremedied thereunder as of the date hereof.

2.4. When duly executed and delivered by Borrower, the Loan Agreement, as amended hereby, the Restated Note and all other Loan Documents, all constitute its legal, valid and binding obligations, enforceable against it in accordance with their terms, and the Borrower hereby ratifies and affirms the Loan Agreement, as amended hereby, and the other Loan Documents described above.

III. CONDITIONS PRECEDENT

The obligation of the Bank to make advances under the Line to the Borrower pursuant to the Loan Agreement, as amended hereby, is subject to the condition that the Bank first shall have received in a form and substance satisfactory to the Bank and its counsel the following:

3.1. Delivery of Sixth Amendment and Restated Note. Duly executed copies of this Sixth Amendment, the Note Modification Agreement and the Addendum to Promissory Note (Exhibit A).

3.2. Other Assurances. Other assurances and documents as may be required by the Bank.

IV. MISCELLANEOUS COVENANTS

4.1. Governing Law. This Amendment and the Loan Documents shall all be deemed to be contracts made under and shall be construed in accordance with the laws of the Commonwealth of Kentucky.

4.2. Continuing Effect. Other than as expressly amended and supplemented hereby, the Loan Agreement shall remain unchanged in full force and effect.

IN WITNESS WHEREOF, the Borrower and the Bank have caused this instrument to be executed by their duly authorized officers as of the day and year first above written.

Borrower:

DELTA NATURAL GAS COMPANY, INC.

By Glenn R. Jennings
Name/Title: Glenn R. Jennings, President

W. Harvey Coggin
Witness

Bank:

BRANCH BANKING AND TRUST COMPANY

By W. Harvey Coggin
Name/Title: W. Harvey Coggin, Senior Vice President

Karen Mattniller
Witness

DELTA NATURAL GAS COMPANY, INC.
AMOUNT AND KINDS OF STOCK AUTHORIZED,
ISSUED AND OUTSTANDING
DECEMBER 31, 2012

Common Stock, par value \$1.00 per share	--	Authorized - 20,000,000 shares Issued and Outstanding – 6,849,709 shares
Cumulative Preferred	--	Authorized - 312,500 shares Issued and Outstanding - 0

DELTA NATURAL GAS COMPANY, INC.

**LONG-TERM DEBT OUTSTANDING
AND MORTGAGE DESCRIPTIONS
DECEMBER 31, 2012**

There are no mortgages outstanding.

The following long-term debts are in existence:

- (1) On December 20, 2011, as authorized by Delta's Board of Directors and approved by an Order of the Kentucky Public Service Commission, Delta issued under the Note Purchase and Private Shelf Agreement \$58,000,000 of unsecured 4.26% Series A Notes with a maturity date of December 20, 2031, for which the purchasers paid 100% of the face principal amount. These proceeds from this private debt financing were used to redeem Delta's outstanding 7.0% Debentures that would have matured in February 2023 in the amount of \$19,410,000 and Delta's outstanding 5.75% Insured Quarterly Notes that would have matured in April 2021 in the amount of \$38,450,006. Interest on the Series A Notes is payable quarterly. In December 2012, Delta began making the required annual \$1,500,000 principal payment on these Series A Notes. Any additional prepayment of principal is subject to a prepayment premium which varies depending on the yields of United States Treasury securities with a maturity equal to the remaining average life of the Series A Notes. Interest paid during the twelve months ending December 31, 2012 was \$2,470,800. The Prudential Insurance Company of America purchased \$55,000,000 of the Notes and MTL Insurance Company purchased \$3,000,000 of the Notes. The balance at December 31, 2012 was \$56,500,000.

At December 31, 2012 there was a total amount of \$3,611,361 of unamortized debt expense and loss on extinguishment of debt associated with the 4.26% Series A Notes and earlier issuances. This total is being amortized over the life of the remaining debt, as approved by an Order dated November 16, 2011 of the Kentucky Public Service Commission in Case 2011-00409.

DELTA NATURAL GAS COMPANY, INC.

**SHORT-TERM DEBT OUTSTANDING
JUNE 30, 2012**

Delta had outstanding at December 31, 2012 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⁾	1.38870% ⁽²⁾	\$-0-

Short-term interest paid in the 12 months ended December 31, 2012, including the cost of the unused line of credit, was \$53,819.

⁽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%.

DELTA NATURAL GAS COMPANY, INC.

**OTHER INDEBTEDNESS
DECEMBER 31, 2012**

There is no other indebtedness outstanding.

DELTA NATURAL GAS COMPANY, INC.

**DIVIDENDS FOR LAST FIVE YEARS
DECEMBER 31, 2012**

<u>MONTH AND YEAR PAID</u>	<u>RATE</u>	<u>ON SHARES OR VALUE</u>	<u>PAR VALUE</u>	<u>DIVIDEND AMOUNT</u>
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	3,393,292	3,393,292	\$1,187,652
December 2011	.350	3,398,523	3,398,523	\$1,189,483
March 2012	.350	3,404,448	3,404,448	\$1,191,557
June 2012**	.175	6,820,372	6,820,372	\$1,193,565
September 2012	.180	6,865,960	6,865,960	\$1,235,873
December 2012	.180	6,872,821	6,872,821	\$1,237,108

**The Kentucky Public Service Commission in its Order dated March 8, 2012 authorized a two-for-one stock split effective May 1, 2012 for shareholders of record on April 17, 2012.

DELTA NATURAL GAS COMPANY, INC.

**STATEMENT OF INCOME
12 MONTHS ENDED DECEMBER 31, 2012
(UNAUDITED)**

OPERATING REVENUES	<u>\$47,007,639</u>
OPERATING EXPENSES AND TAXES	
Gas Purchased	\$15,799,946
Operations	11,340,018
Maintenance	765,781
Depreciation	5,952,663
Property & Other Taxes	2,142,811
Income Taxes	<u>2,832,992</u>
Total	<u>\$38,834,211</u>
Operating Income	\$ 8,173,428
INTEREST EXPENSES	\$ 2,769,964
NET INCOME	<u>\$ 5,403,464</u>

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
12 MONTHS ENDED DECEMBER 31, 2012
(UNAUDITED)

ASSETS

Gas Utility Plant, at Cost	\$	217,816,218
Less - Reserve for Depreciation		<u>83,552,967</u>
Net Gas Plant	\$	<u>134,263,251</u>
Current Assets		
Cash	\$	1,860,336
Receivables		6,690,156
Deferred Gas Cost		3,777,669
Gas in Storage, at Average Cost		2,681,785
Materials and Supplies, at Average Cost		546,303
Prepayments		<u>803,419</u>
Total Current Assets	\$	<u>16,359,668</u>
Other Assets		
Cash Surrender Value of Life Insurance	\$	317,498
Unamortized Expenses		3,611,361
Receivable/Investment in Subsidiaries		7,192,492
Other		<u>12,613,923</u>
Total Other Assets	\$	<u>23,735,274</u>
TOTAL ASSETS	\$	<u>174,358,193</u>

LIABILITIES

Capitalization		
Common Shareholders' Equity	\$	67,712,466
Long-Term Debt		<u>55,000,000</u>
Total Capitalization	\$	<u>122,712,466</u>
Current Liabilities		
Notes Payable	\$	0
Current Portion of Long-Term Debt		1,500,000
Accounts Payable		3,031,336
Accrued Taxes		(262,114)
Refunds Due Customer		195,622
Customer Deposits		681,289
Accrued Interest		140,793
Current Deferred Income Taxes		1,558,122
Other		<u>1,065,129</u>
Total Current Liabilities	\$	<u>7,910,177</u>
Deferred Credits & Others		
Deferred Income Taxes	\$	39,265,964
Deferred Investment Tax Credit		51,650
Regulatory Items		(358,885)
Advances for Construction and Other		4,279,355
Accumulated Provision for Pension		<u>497,466</u>
Total Deferred Credits and Other	\$	<u>43,735,550</u>
TOTAL LIABILITIES	\$	<u>174,358,193</u>