



Delta Natural Gas Company, Inc.



3617 Lexington Road
Winchester, Kentucky 40391-9797

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December 19, 2006

Ms. Beth O'Donnell
Executive Director
Public Service Commission
P O Box 615
Frankfort, KY 40602

Dear Ms. O'Donnell:

Case No. 2006-00559

Enclosed are the original and three copies of Delta's Quarterly Report of Gas Cost Recovery Rate Calculation which determines the Gas Cost Recovery Rate (GCR) to be effective with the first billing cycle of February 2007 which includes meters read on and after January 29, 2007.

In compliance with the Order in Case No. 2006-00071 dated April 4, 2006, Delta hereby notifies the Commission that a forward contract was executed with M&B Gas Services for 3,000 Dth per day for October 2006 at a price of \$4.94 per Dth.

An extra copy of the filing is attached for public files.

Please acknowledge receipt of this filing by stamping the extra copy of the cover letter and returning to Delta in the envelope provided.

Sincerely,

Connie King

Connie King
Manager - Corporate & Employee Services

RECEIVED

DEC 20 2006

PUBLIC SERVICE
COMMISSION

Case No. 7006-00559

GAS COST

RECOVERY RATE CALCULATION

Date Filed 12/19/06

Date to be Effective 01/29/07

RECEIVED
DEC 20 2006
PUBLIC SERVICE
COMMISSION

GAS COST RECOVERY CALCULATION

COST RECOVERY RATE EFFECTIVE FEBRUARY 1, 2007		
PARTICULARS	UNIT	AMOUNT
EXPECTED GAS COST (EGC)	\$/MCF	8.3349
SUPPLIER REFUND (RA)	\$/MCF	(0.0006)
ACTUAL ADJUSTMENT (AA)	\$/MCF	0.2459
BALANCE ADJUSTMENT (BA)	\$/MCF	0.0335
GAS COST RECOVERY RATE (GCR)	\$/MCF	<u>8.6137</u>

EXPECTED GAS COST SUMMARY CALCULATION

PARTICULARS	UNIT	AMOUNT
PRIMARY GAS SUPPLIERS (SCHEDULE II)	\$	13,286,913
UTILITY PRODUCTION	\$	-
INCLUDABLE PROPANE	\$	-
	\$	<u>13,286,913</u>
TOTAL ESTIMATED SALES FOR QUARTER	MCF	<u>1,594,123</u>
EXPECTED GAS COST (EGC) RATE	\$/MCF	<u>8.3349</u>

SUPPLIER REFUND ADJUSTMENT SUMMARY CALCULATION

PARTICULARS	UNIT	AMOUNT
CURRENT QUARTER (SCHEDULE III)	\$/MCF	-
PREVIOUS QUARTER	\$/MCF	-
SECOND PREVIOUS QUARTER	\$/MCF	(0.0003)
THIRD PREVIOUS QUARTER	\$/MCF	(0.0003)
SUPPLIER REFUND ADJUSTMENT (RA)	\$/MCF	<u>(0.0006)</u>

ACTUAL ADJUSTMENT SUMMARY CALCULATION

PARTICULARS	UNIT	AMOUNT
CURRENT QUARTER (SCHEDULE IV)	\$/MCF	0.2733
PREVIOUS QUARTER	\$/MCF	0.1191
SECOND PREVIOUS QUARTER	\$/MCF	(2.1650)
THIRD PREVIOUS QUARTER	\$/MCF	<u>2.0185</u>
ACTUAL ADJUSTMENT (AA)	\$/MCF	<u>0.2459</u>

BALANCE ADJUSTMENT SUMMARY CALCULATION

PARTICULARS	UNIT	AMOUNT
BALANCE ADJUSTMENT AMOUNT (SCHEDULE V)	\$	53,374
ESTIMATED SALES FOR QUARTER	MCF	<u>1,594,123</u>
BALANCE ADJUSTMENT (BA)	\$/MCF	<u>0.0335</u>

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE II
PAGE 1 OF 2

MCF PURCHASES FOR THREE MONTHS BEGINNING
February 1, 2007
AT SUPPLIERS COSTS EFFECTIVE
February 1, 2007

Supplier	MCF Purchases	DTH Conv Factor	Rates (\$)	Quarterly Cost	Rate Increase (I)/ Reduction (R)
TENNESSEE GAS PIPELINE PIPELINE (SCH II, PAGE 2 OF 2)				586,193	
ATMOS ENERGY MARKETING COLUMBIA GAS TRANSMISSION PIPELINE (SCH II, PAGE 2 OF 2)	540,700	1.036	7.4300	4,162,027	R
ATMOS ENERGY MARKETING COLUMBIA GULF TRANSMISSION M&B GAS SERVICES	242,988	1.029	7.4200	1,855,257	R
KENTUCKY PRODUCERS CHESAPEAKE STORAGE	121,054	1.030	7.9600	992,498	I
	22,626		9.8800	223,545	R
	666,755		7.7200	5,147,349	I
TOTAL	<u>1,594,123</u>			<u>13,286,913</u>	

COMPANY USAGE 23,912

TENNESSEE GAS PIPELINE RATES EFFECTIVE 2/01/07

		DTH VOLUMES	FIXED OR VARIABLE		RATES	ANNUAL COST
FT-G RESERVATION RATE - ZONE 0-2	1.	8,371	F	2.	\$9.060	\$75,837
FT-G RESERVATION RATE - ZONE 1-2	3.	22,511	F	4.	\$7.620	\$171,532
FT-G COMMODITY RATE - ZONE 0-2	5.	117,228	V	6.	\$0.0898	\$10,527
FT-G COMMODITY RATE - ZONE 1-2	7.	315,187	V	8.	\$0.0794	\$25,026
FT-A RESERVATION RATE - ZONE 0-2	9.	705	F	10.	\$9.060	\$6,387
FT-A RESERVATION RATE - ZONE 1-2	11.	3,024	F	12.	\$7.620	\$23,043
FT-A RESERVATION RATE - ZONE 3-2	13.	471	F	14.	\$4.320	\$2,035
FT-A COMMODITY RATE - ZONE 0-2	15.	21,444	V	16.	\$0.0898	\$1,926
FT-A COMMODITY RATE - ZONE 1-2	17.	91,980	V	18.	\$0.0794	\$7,303
FT-A COMMODITY RATE - ZONE 3-2	19.	14,326	V	20.	\$0.0548	\$785
FUEL & RETENTION - ZONE 0-2	21.	138,671	V	22.	\$0.3515	\$48,747
FUEL & RETENTION - ZONE 1-2	23.	407,167	V	24.	\$0.2923	\$118,995
FUEL & RETENTION - ZONE 3-2	25.	14,326	V	26.	\$0.0870	\$1,247

SUB-TOTAL

\$493,389

FS-PA DELIVERABILITY RATE	27.	4,572	F	28.	\$2.02	\$9,235
FS-PA INJECTION RATE	29.	46,689	V	30.	\$0.0053	\$247
FS-PA WITHDRAWAL RATE	31.	46,689	V	32.	\$0.0053	\$247
FS-PA SPACE RATE	33.	560,271	F	34.	\$0.0248	\$13,895
FS-PA RETENTION	35.	46,689	V	36.	\$0.1107	\$5,168

SUB-TOTAL

\$28,793

FS-MA DELIVERABILITY RATE	37.	25,908	F	38.	\$1.15	\$29,794
FS-MA INJECTION RATE	39.	96,906	V	40.	\$0.0102	\$988
FS-MA WITHDRAWAL RATE	41.	96,906	V	42.	\$0.0102	\$988
FS-MA SPACE RATE	43.	1,162,866	F	44.	\$0.0185	\$21,513
FS-MA RETENTION	45.	96,906	V	46.	\$0.1107	\$10,726

SUB-TOTAL

\$64,010

TOTAL TENNESSEE GAS PIPELINE CHARGES**\$586,193****COLUMBIA GAS TRANSMISSION RATES EFFECTIVE 2/01/07**

GTS COMMODITY RATE	47.	250,035	V	48.	\$0.7732	\$193,327
FUEL & RETENTION	49.	250,035	V	50.	\$0.3226	\$80,655

TOTAL COLUMBIA GAS TRANSMISSION CHARGES**\$273,982****COLUMBIA GULF CORPORATION RATES EFFECTIVE 2/01/07**

FTS-1 RESERVATION RATE	51.	13,134	F	52.	\$3.1450	\$41,306
FTS-1 COMMODITY RATE	53.	250,035	V	54.	\$0.0186	\$4,651
FUEL & RETENTION	55.	250,035	V	56.	\$0.0004	\$105

TOTAL COLUMBIA GULF CORPORATION CHARGES**\$46,062****TOTAL PIPELINE CHARGES****\$906,237**

**SUPPLIER REFUND ADJUSTMENT
 DETAIL FOR THE THREE MONTHS ENDED
 October 31, 2006**

Particulars	Unit	Amount
SUPPLIERS REFUNDS RECEIVED (1)	\$	0
INTEREST FACTOR (2)		1.0175
REFUND ADJUSTMENT INCLUDING INTEREST	\$	0
SALES TWELVE MONTHS ENDED October 31, 2006	MCF	3,225,615
CURRENT SUPPLIER REFUND ADJUSTMENT	\$/MCF	0.0000

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

(2) Interest Factor			
RESULT OF PRESENT VALUE	3.7176920	-0.5 =	3.217692

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE IV

ACTUAL ADJUSTMENT
 DETAIL FOR THE THREE MONTHS ENDED
 October 31, 2006

Particulars	Unit	For the Month Ended		
		Aug-06	Sep-06	Oct-06
SUPPLY VOLUME PER BOOKS				
PRIMARY GAS SUPPLIERS	MCF	146,600	44,156	185,365
UTILITY PRODUCTION	MCF	-	-	-
INCLUDABLE PROPANE	MCF	-	-	-
OTHER VOLUMES (SPECIFY)	MCF	-	-	-
TOTAL	MCF	<u>146,600</u>	<u>44,156</u>	<u>185,365</u>
SUPPLY COST PER BOOKS				
PRIMARY GAS SUPPLIERS	\$	1,193,568	453,048	1,017,185
UTILITY PRODUCTION	\$	-	-	-
INCLUDABLE PROPANE	\$	-	-	-
OTHER COST (SPECIFY)	\$	-	-	-
TOTAL	\$	<u>1,193,568</u>	<u>453,048</u>	<u>1,017,185</u>
SALES VOLUME				
JURISDICTIONAL	MCF	55,418	68,934	76,127
OTHER VOLUMES (SPECIFY)	MCF	-	-	-
TOTAL	MCF	<u>55,418</u>	<u>68,934</u>	<u>76,127</u>
UNIT BOOK COST OF GAS				
EGC IN EFFECT FOR MONTH	\$	21.5376	6.5722	13.3617
RATE DIFFERENCE	\$	8.8906	8.8906	8.8906
MONTHLY SALES	MCF	12.6470	(2.3184)	4.4711
MONTHLY COST DIFFERENCE	\$	<u>55,418</u>	<u>68,934</u>	<u>76,127</u>
	\$	<u>700,871</u>	<u>(159,817)</u>	<u>340,371</u>
Summary of Adjustments				
				Three Month
				Period
COST DIFFERENCE FOR THE THREE MONTHS	\$			881,425
TWELVE MONTHS SALES FOR PERIOD ENDED	MCF			<u>3,225,615</u>
CURRENT QUARTERLY ACTUAL ADJUSTMENT	\$/MCF			<u>0.2733</u>

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE V

EXPECTED GAS COST BALANCE ADJUSTMENT
 DETAIL FOR THE THREE MONTHS ENDED
 October 31, 2006

Particulars	Unit	Amount
COST DIFFERENCE BETWEEN BOOK AND EFFECTIVE EGC AS USED TO COMPUTE AA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR	\$	(3,335,517)
LESS: DOLLAR AMOUNT RESULTING FROM THE AA OF (0.9564) \$/MCF AS USED TO COMPUTE THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR TIMES THE JURISDICTIONAL SALES OF 3,225,615 MCF FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE	\$	<u>(3,084,978)</u>
BALANCE ADJUSTMENT FOR THE AA	\$	<u>(250,539)</u>
DOLLAR AMOUNT OF SUPPLIER REFUND ADJUSTMENT AS USED TO COMPUTE RA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR	\$	-
LESS: DOLLAR AMOUNT RESULTING FROM THE UNIT RATE FOR SUPPLIER REFUND ADJUSTMENT OF 0.0000 \$/MCF AS USED TO COMPUTE RA OF THE JURISDICTIONAL SALES FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR RATE IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE FOR THE MCF TOTAL OF 3,225,615	\$	-
BALANCE ADJUSTMENT FOR THE RA	\$	-
DOLLAR AMOUNT OF BALANCE ADJUSTMENT AS USED TO COMPUTE BA OF THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR	\$	592,562
LESS: DOLLAR AMOUNT RESULTING FROM THE BA OF 1.4398 \$/MCF AS USED TO COMPUTE THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR TIMES THE JURISDICTIONAL MCF SALES OF 200,479 FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR RATE IN EFFECT IMMEDIATELY PRIOR TO THE CURRENT RATE	\$	<u>288,650</u>
BALANCE ADJUSTMENT FOR THE BA	\$	<u>303,912</u>
TOTAL BALANCE ADJUSTMENT AMOUNT	\$	<u>53,374</u>

**COMPUTATION OF CHESAPEAKE PRICE EFFECTIVE 2/01/07 BASED ON WEIGHTED
AVERAGE NYMEX FUTURES PRICES FOR FEBRUARY THRU APRIL, 2007**

WEIGHTED AVERAGE PRICE W/ ADD-ON \$9.88 per MCF

**COMPUTATION OF ATMOS ENERGY MARKETING PRICE EFFECTIVE 2/01/07 BASED ON WEIGHTED
AVERAGE NYMEX FUTURES PRICES FOR FEBRUARY THRU APRIL, 2007 (TGP)**

WEIGHTED AVERAGE PRICE W/ ADD-ON \$7.43 per MMBtu dry

**COMPUTATION OF ATMOS ENERGY MARKETING PRICE EFFECTIVE 2/01/07 BASED ON WEIGHTED
AVERAGE NYMEX FUTURES PRICES FOR FEBRUARY THRU APRIL, 2007 (TCO)**

WEIGHTED AVERAGE PRICE W/ ADD-ON \$7.42 per MMBtu dry

**COMPUTATION OF M&B PRICE EFFECTIVE 2/01/07 BASED ON WEIGHTED
AVERAGE NYMEX FUTURES PRICES FOR FEBRUARY THRU APRIL, 2007**

WEIGHTED AVERAGE PRICE W/ ADD-ON \$7.96 per MMBtu dry

TGP SUPPLIED AREAS PURCHASE PROFILE:

12/18/2006

MONTH	VOLUMES MCF	VOLUMES DTH	NYMEX \$ PER DTH	ADD-ON PER DTH	TOTAL
February 2007	257,675	266,951	\$7.486	(\$0.060)	\$1,982,380.35
March	199,250	206,423	\$7.506	(\$0.060)	\$1,537,025.66
April	<u>83,775</u>	<u>86,791</u>	\$7.456	(\$0.060)	<u>\$641,905.50</u>
	540,700	560,165			\$4,161,311.51
FIXED PRICE		0			\$0.00
FIXED PRICE		0			\$0.00
WEIGHTED AVERAGE PRICE PER DTH:				<u><u>\$7.43</u></u>	

COLUMBIA SUPPLIED AREAS PURCHASE PROFILE:

MONTH	VOLUMES MCF	VOLUMES DTH	NYMEX \$ PER DTH	ADD-ON PER DTH	TOTAL
February 2007	113,828	117,129	\$7.486	(\$0.07)	\$868,628.75
March	91,657	94,315	\$7.506	(\$0.07)	\$701,326.73
April	<u>37,503</u>	<u>38,591</u>	\$7.456	(\$0.07)	<u>\$285,030.08</u>
	242,988	250,035			\$1,854,985.56
FIXED PRICE		0			\$0.00
WEIGHTED AVERAGE PRICE PER DTH:				<u><u>\$7.42</u></u>	

CHESAPEAKE SUPPLIED AREAS PURCHASE PROFILE:

MONTH	VOLUMES MCF	NYMEX \$ PER DTH	ADD-ON PER DTH	BTU ADJUSTMENT	TOTAL
February 2007	10,477	\$7.486	\$0.75	1.2	\$103,546.29
March	7,355	\$7.506	\$0.75	1.2	\$72,867.46
April	<u>4,794</u>	\$7.456	\$0.75	1.2	<u>\$47,207.48</u>
	22,626				\$223,621.22
WEIGHTED AVERAGE PRICE PER MCF:					<u><u>\$9.88</u></u>

COLUMBIA GULF SUPPLIED AREAS PURCHASE PROFILE:

MONTH	VOLUMES MCF	VOLUMES DTH	NYMEX \$ PER DTH	ADD-ON PER DTH	TOTAL
February 2007	0	0	\$7.486	\$0.50	\$0.00
March	0	0	\$7.506	\$0.50	\$0.00
April	<u>121,054</u>	<u>125,291</u>	\$7.456	\$0.50	<u>\$996,814.32</u>
	121,054	125,291			\$996,814.32
FIXED PRICE		0			\$0.00
WEIGHTED AVERAGE PRICE PER DTH:				<u><u>\$7.96</u></u>	